SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

SOUTH TEXAS OIL CO

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SIC: **1311** Crude petroleum & natural gas

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **June 10, 2009**

South Texas Oil Company

(Exact name of Registrant as specified in its charter)

Nevada	001-33777	74-2949620
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification No.)

300 East Sonterra Boulevard **Suite 1220** **San Antonio, Texas**	**78258**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(210) 545-5994**

(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01. Entry into a Material Definitive Agreement.

On June 10 and June 16, 2009, South Texas Oil Company (the "Company") entered into and closed Securities Purchase Agreements (the "Securities Purchase Agreements") with eight individual investors (the "Buyers"), pursuant to which, among other things, the Company issued and sold to the Buyers Convertible Notes in an aggregate original principal amount of $555,000 (the "Convertible Notes"). The Convertible Notes carry an interest rate of 14% per annum payable monthly in cash and mature in June 2011.

In connection with the issuance of the Convertible Notes, the Company issued to the Buyers five-year Warrants (the "Warrants") to purchase an aggregate number of shares of the Company's common stock ("Common Stock") equal to one share for each $1.00 of principal amount of the Convertible Notes purchased. The exercise price for the Warrants is fixed at $0.50 per share.

The Convertible Notes were sold only in the United States to qualified accredited buyers in transactions exempt from the registration requirements of the Securities Act of 1933, as amended. None of the Convertible Notes, the Warrants, the shares of Common Stock into which the Convertible Notes are convertible, or the shares of Common Stock for which the Warrants may be exercised, have been registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements, or in accordance with Rule 144 promulgated under the Securities Act of 1933, as amended.

The Convertible Notes are convertible by the holders thereof, ninety (90) days after their original issuance, into shares of Common Stock at a fixed conversion price equal to $0.50. The number of shares of Common Stock issuable upon conversion of each One ($1.00) Dollar of Convertible Note principal shall equal (i) One ($1.00) Dollar (ii) divided by the conversion price, or $0.50. The Convertible Notes are secured by certain of the Company's and its subsidiaries' real property interests in specified wells (the "Collateral Assets") and the Buyers' security interests in the Collateral Assets are pari passu with the security interests in the Collateral Assets of the Company's existing senior secured debt holders, Longview Marquis Master Fund, L.P. ("Marquis") and Summerview Marquis Fund, L.P. ("Summerview"). Subject to certain conditions, including a condition relating to requirements of the NASDAQ Global Market, the Company will have a call option to convert the Convertible Notes into Common Stock at the fixed conversion price at any time after the Company's common stock (i) closes at a price exceeding $1.00 for any 20 consecutive trading days (the "Lookback Period"), and (ii) the reported daily trading volume of the Common Stock during each trading day during the Lookback Period is not less than 100,000 shares of Common Stock per day. The Company further has the option to redeem the same percentage of the outstanding principal balance of each Convertible Note, plus accrued interest on the redeemed principal amount for each such Convertible Note, upon five days notice to the Buyers.

The Collateral Assets will be subject to mortgages. Certain subsidiaries of the Company will guaranty the obligations of the Company under the Convertible Notes and other transaction documents pursuant to a Guaranty. In conjunction with the transactions described in the Securities Purchase Agreements, the Company entered into Waiver and Amendment Agreements with Marquis and Summerview, pursuant to which the parties thereto amended and waived certain provisions and covenants specified therein, including the extension of the maturity date of the senior secured notes held by Marquis and Summerview to March 2010, and the increase in the interest rate of each of such senior secured notes to 13%.

The Company intends to use the proceeds from the transactions set forth in the Securities Purchase Agreements to fund a portion of the Company's 2009 capital expenditure budget, for potential acquisitions, and to provide working capital for general corporate purposes.

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The foregoing summary does not purport to be a complete description of the Securities Purchase Agreements, the Convertible Notes, the Warrants, any of the other related transaction documents or any of the related transactions contemplated thereby and is qualified in its entirety by reference to the Securities Purchase Agreements, the Convertible Notes, the Warrants and other ancillary agreements, copies of which are attached hereto as Exhibits 99.1 through 99.10 and are incorporated herein by reference. A press release announcing the closing of the transaction is attached hereto as Exhibit 99.11.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On June 10, 2009 and June 16, 2009, the Company issued the Convertible Notes in an aggregate original principal amount of $555,000, which Convertible Notes bear interest at a rate of 14% per annum, payable monthly in cash and mature in June 2011. For a more detailed discussion of the Convertible Notes, see Item 1.01 above.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Exhibit Number	Description
99.1	Securities Purchase Agreement between South Texas Oil Company and Buyers, dated as of June 10, 2009.
99.2	Securities Purchase Agreement between South Texas Oil Company and Buyers, dated as of June 16, 2009.
99.3	Form of Convertible Note
99.4	Form of Warrant
99.5	Form of Mortgage
99.6	Form of Guaranty
99.7	Form of Intercreditor Agreement (first closing)
99.8	Form of Amendment to Intercreditor Agreement (second closing)
99.9	Form of June 2009 Waiver and Amendment Agreement (first closing)
99.10	Form of June 2009 Waiver and Amendment Agreement (second closing)
99.11	Press Release

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

SOUTH TEXAS OIL COMPANY

Date: June 16, 2009

By: /s/ MICHAEL J. PAWELEK
Name: Michael J. Pawelek
Title: Chief Executive Officer

Exhibit Number	Description
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EXHIBIT 99.1

THIS AGREEMENT AND THE PAYMENT OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THE INTERCREDITOR AGREEMENT TO THE NOTE DEBT (AS DEFINED IN THE INTERCREDITOR AGREEMENT).

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (the "**Agreement**"), dated as of June 10, 2009, by and among South Texas Oil Company, a Nevada corporation with its principal offices located at 300 E. Sonterra Blvd., Suite 1220, San Antonio, Texas 78258 (the "**Company**"), and each of the investors listed on the Schedule of Buyers attached hereto (each individually, a "**Buyer**," and collectively, the "**Buyers**").

WHEREAS, The Company and each of the Buyers are executing and delivering this Agreement and the securities described herein in reliance upon the exemption from securities registration afforded by Rule 506 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended (the "**1933 Act**");

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Buyers, as provided herein, and the Buyers, in the aggregate, shall purchase **Four Hundred Eighty Thousand Dollars** ($480,000) (the "**Purchase Price**") in principal amount of convertible promissory notes of the Company (the "**Notes**"), convertible into shares of the Company's $0.001 par value common stock ("**Common Stock**") as provided therein, each in the form attached hereto as **Exhibit A**, bearing annual interest of 14%, and share purchase warrants (the "**Warrants**"), each in the form attached hereto as **Exhibit B***,* to purchase shares of Common Stock (the "**Warrant Shares**"), and agree that the Company may subsequently issue and sell additional notes, in a form substantially similar to the Notes, and warrants, in a form substantially similar to the Warrants, to other investors ("**Additional Investors**"), pursuant to securities purchase agreements in a form substantially similar to this Agreement;

WHEREAS, contemporaneously with the Closing, STO Operating Company and STO Properties, LLC, each a direct or indirect wholly owned subsidiary of the Company (collectively, the "**Applicable Subsidiaries**") will execute and deliver to the Buyers one or more mortgages, each in the form attached as **Exhibit C**, pursuant to which the Applicable Subsidiaries shall grant to the Buyers security interests (the "**Mortgages**") in certain oil and gas properties in which the Company has an interest, as described therein (the "**Collateral**"), and in which the Company may grant security interests to Additional Investors;

WHEREAS, contemporaneously with the Closing, each of the Applicable Subsidiaries will execute and deliver a Guaranty, in the form attached hereto as **Exhibit D** (as the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Subsidiary Guaranty**," and the guarantees under the Subsidiary Guaranty, the "**Subsidiary Guarantees**"), pursuant to which the Applicable Subsidiaries shall guaranty the Obligations (as defined in the Mortgages);

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WHEREAS, contemporaneously with the Closing, each of the Buyers, the Company and the Subsidiaries will execute and deliver to the Existing Senior Buyers and the Bridge Buyers (each as defined below) an intercreditor agreement, substantially in the form attached hereto as **Exhibit E** (as may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Intercreditor Agreement**"), setting forth the rights and obligations of the Buyers and (i) the holders (the "**Existing Senior Buyers**") of those certain secured notes, issued on April 1, 2008 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Existing Senior Notes**"), pursuant to that certain Securities Purchase Agreement, dated as of April 1, 2008 (the "**Existing Senior Purchase Agreement**"), among the Company and the investors party thereto, and (ii) the holders (the "**Bridge Buyers**") of those certain senior secured notes, issued on September 19, 2008 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Bridge Notes**" and, together with the Existing Senior Notes, the "**Senior Notes**"), pursuant to that certain Securities Purchase Agreement, dated as of September 19, 2008 (the "**Bridge Purchase Agreement**"), among the Company and the investors party thereto; and

WHEREAS, contemporaneously with the Closing, the Company, the Subsidiaries and the Buyers will execute and deliver to the Existing Senior Buyers and the Bridge Buyers a June 2009 Waiver and Amendment Agreement (as may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**June 2009 Amendment**"), pursuant to which the Company, the Existing Buyers and the Bridge Buyers will amend the Senior Notes and the Existing Buyers and the Bridge Buyers will permit the issuance of the Securities (as defined below), in each case, subject to and upon terms and conditions more specifically set forth therein.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Buyers and the Company hereby agree as follows:

1. PURCHASE AND SALE OF NOTES; WARRANTS

a. Purchase of Notes. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 8 and 9 below, the Company shall issue and sell to each Buyer, and each Buyer severally agrees to purchase from the Company, a Note in the principal amount set forth opposite such Buyer's name on the Schedule of Buyers (the "**Closing**").

b. Warrants. Contemporaneous with the Closing, the Company shall issue to each Buyer Warrants to purchase a number of shares of Common Stock equal to one share of Common Stock for each One Dollar ($1.00) in principal amount of the Note being purchased by such Buyer at the Closing.

c. The Closing Date. The date and time of the Closing (the "**Closing Date**") shall be 10:00 a.m., Central Time, on the first day other than Saturday, Sunday or any other day on which commercial banks in the city of New York are authorized or required by law to remain closed (a "**Business Day**") following that day on which all conditions to Closing set forth in this Agreement in Sections 8 and 9 are satisfied (or such later or earlier date as is mutually agreed to by the Company and the Buyers).

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d. The Closing shall occur on the Closing Date at the offices of South Texas Oil Company, 300 E. Sonterra Blvd., Suite 1220, San Antonio, Texas 78258, or at such other time, date and place as the Company and the Buyers may collectively designate in writing.

e. Form of Payment. On the Closing Date, (i) each Buyer shall pay the applicable Purchase Price to the Company for the Note and the Warrants to be issued and sold to such Buyer on the Closing Date, by wire transfer of immediately available funds in accordance with the Company's written wire instructions (less any amount deducted and paid in accordance with Section 5(h)), and (ii) the Company shall deliver to each Buyer the Note and the Warrants that such Buyer is purchasing hereunder, duly executed on behalf of the Company and registered in the name of such Buyer or its designee.

2. MORTGAGES. As collateral for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Notes, the Company shall cause each of the Applicable Subsidiaries to deliver to each of the Buyers the Mortgages, each duly and validly executed by each of the Applicable Subsidiaries (as applicable).

3. BUYERS' REPRESENTATIONS AND WARRANTIES

Each Buyer represents and warrants, as of the date hereof and the Closing Date, with respect to only itself, that:

a. Investment Purpose. Such Buyer is acquiring the Notes, the Warrants, any shares of Common Stock issued upon conversion of the Note (the "**Conversion Shares**"), any Warrant Shares issued upon exercise of the Warrants, and the Subsidiary Guarantees (the Note, the Conversion Shares, the Subsidiary Guarantees, the Warrants and the Warrant Shares being collectively referred to as the "**Securities**"), for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under, or exempted from the registration requirements of, the 1933 Act; provided, however, that by making the representations herein, such Buyer does not agree to hold any of the Securities for any minimum period or other specific term and such Buyer reserves the right to dispose of the Securities at any time in accordance with or pursuant to an effective registration statement or an exemption from registration under the 1933 Act.

b. Accredited Investor Status. Such Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D. Such Buyer is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable such Buyer to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. Such Buyer has the authority and is duly and legally qualified to purchase and own the Securities, and is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof.

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c. Reliance on Exemptions. Such Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of the securities laws and that the Company is relying in part upon the truth and accuracy of, and Such Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of such Buyer to acquire the Securities. For purposes hereof, "**securities laws**" means the securities laws, legislation and regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of, the securities regulatory authorities (including the SEC) of the United States and any applicable states and other jurisdictions.

d. Information. Such Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and the Subsidiaries and materials relating to the offer and sale of the Securities that have been requested by such Buyer. Such Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Neither such inquiries nor any other due diligence investigations conducted by such Buyer or its advisors, if any, or its representatives shall modify, amend or affect such Buyer's right to rely on the Company's representations and warranties contained in Section 4 below or contained in any of the other Transaction Documents (as defined below). Such Buyer understands that its investment in the Securities involves a high degree of risk, and such Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities. For purposes hereof, (i) "**Subsidiaries**" means STO Operating Company, STO Drilling Company, STO Properties LLC, Southern Texas Oil Company and all other entities in which the Company, STO Operating Company or Southern Texas Oil Company, directly or indirectly, owns Capital Stock or holds equity or similar interests at the time of this Agreement or at any time hereafter; (ii) "**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing; and (iii) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof or any other legal entity.

e. No Governmental Review. Such Buyer understands that no Governmental Entity has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of an investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities. As used in this Agreement, "**Governmental Entity**" means the government of the United States or any other nation, or any political subdivision thereof, whether state, provincial or local, or any agency (including any self-regulatory agency or organization), authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administration powers or functions of or pertaining to government over the Company or any of the Subsidiaries, or any of their respective properties, assets or undertakings.

f. Transfer or Resale. Such Buyer understands that, (i) the Securities have not been and are not being registered under the 1933 Act or any other securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Buyer shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Buyer provides the Company with reasonable assurance that such Securities can be, have been or are being sold, assigned or transferred pursuant to Rule 144 promulgated under the 1933 Act, as amended (or a successor rule thereto) ("**Rule 144**"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144, and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or any other securities laws. Notwithstanding the foregoing, the Securities may be pledged in connection with a bona fide margin account or other loan or financing arrangement secured by the Securities.

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g. Legends. Such Buyer understands that the certificates or other instruments representing the Securities, except as set forth below, shall bear a restrictive legend in the following form (the "**1933 Act Legend**") (and a stop-transfer order may be placed against transfer of such certificates):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Upon the written request to the Company of a holder of a certificate or other instrument representing the Securities, the 1933 Act Legend shall be removed and the Company shall issue a certificate without the 1933 Act Legend to the holder of the Securities upon which it is stamped, if (i) such Securities are registered for resale under the 1933 Act, (ii) in connection with a sale transaction, such holder provides the Company with an opinion of counsel, in a generally acceptable form, to the effect that a public sale, assignment or transfer of the Securities may be made without registration under the 1933 Act, (iii) such holder provides the Company with reasonable assurances that the Securities can then be sold without restriction pursuant to Rule 144 promulgated under the 1933 Act (or a successor rule thereto) without compliance with Rule 144(c), Rule 144(e) or Rule 144(f) (or successors thereto), or (iv) such holder provides the Company reasonable assurances that the Securities have been or are being sold pursuant to Rule 144. The Company shall be responsible for the fees of its transfer agent and all of The Depository Trust Company (the "**DTC**") fees associated with such issuance. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the holders of the Securities. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 3(g) will be inadequate and agrees that, in the event of a breach or threatened breach of this Section 3(g), such holder shall be entitled, in addition to all other available remedies, to an injunctive order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

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h. Authorization; Enforcement; Validity. Such Buyer is a validly existing corporation, partnership or limited liability company, as applicable, and has the requisite corporate, partnership or limited liability company, as applicable, power and authority to purchase the Securities pursuant to this Agreement. Each of this Agreement, the Mortgages, the Subsidiary Guaranty, the Intercreditor Agreement and the June 2009 Amendment has been duly and validly authorized, executed and delivered on behalf of such Buyer, and is a valid and binding agreement of such Buyer, enforceable against such Buyer in accordance with its terms. Each of the other agreements and other documents entered into and executed by such Buyer in connection with the transactions contemplated hereby as of the date hereof will have been duly and validly authorized, executed and delivered on behalf of such Buyer as of the date hereof and will constitute valid and binding agreements of such Buyer, enforceable against such Buyer in accordance with their respective terms.

i. Residency and Offices. Such Buyer is a resident of the jurisdiction specified below its address on the Schedule of Buyers.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants, as of the date hereof and the Closing Date, to each of the Buyers, that:

a. Due Incorporation. Each of the Company and the Subsidiaries is a corporation, limited liability company or other entity duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite corporate, limited liability company or other organizational power and authority to own its properties and to carry on its business as presently conducted. Schedule 4(a) sets forth a true and correct list of the Subsidiaries and the jurisdiction in which each is organized or incorporated and sets forth the percentage of the outstanding Capital Stock or other equity interests of each entity that is held by the Company. Other than with respect to the entities listed on Schedule 4(a), the Company does not directly or indirectly own any security or beneficial interest in any other Person (including through joint venture or partnership agreements) or have any interest in any other Person. The Company and each Subsidiary is duly qualified as a foreign corporation, or other entity, as applicable, to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. For purposes hereof, "**Material Adverse Effect**" means any material adverse effect on (a) the condition, operations, assets, business or prospects of the Company, (b) the Company's ability to pay the Obligations in accordance with the terms hereof or any of the Transaction Documents, or (c) the practical realization of the benefits of the Buyers' rights and remedies under this Agreement and the Transaction Documents.

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b. Outstanding Stock. All issued and outstanding shares of Capital Stock of the Company and each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable.

c. Authorization; Enforcement; Validity. Each of the Company and the applicable Subsidiaries has the requisite corporate power and authority to enter into and perform its obligations under each of this Agreement and each of the other agreements to which it is a party or by which it is bound and which is entered into by the parties hereto in connection with the transactions contemplated hereby and thereby (collectively, the "**Transaction Documents**"), and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of the Transaction Documents by the Company and, to the extent applicable, the Subsidiaries and the consummation by the Company and the Subsidiaries of the transactions contemplated hereby and thereby, including the issuance of the Notes, the Warrants and the reservation for issuance and the issuance of any Conversion Shares issuable upon conversion of the Notes and Warrant Shares issuable upon exercise of the Warrants, have been duly authorized by the Company's and each of the Subsidiaries' respective boards of directors and no further consent or authorization is required by the Company or any of the Subsidiaries, or any of their respective boards of directors or shareholders. This Agreement, the Notes, the Warrants, the Conversion Shares, the Warrant Shares and the other Transaction Documents have been duly executed and delivered by the Company and, to the extent applicable, by the Subsidiaries, constitute the valid and binding obligations of each of the Company and the Subsidiaries that are parties thereto, and are enforceable against such parties in accordance with their terms. Any Transaction Documents dated after the date hereof, when delivered, shall have been duly executed and delivered by the Company and, to the extent applicable, by the Subsidiaries, shall constitute the valid and binding obligations of each of the Company and the Subsidiaries that are parties thereto, and shall be enforceable against such parties in accordance with their terms.

d. Additional Issuances. There are no outstanding agreements or preemptive or similar rights affecting the Common Stock or equity and no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, any shares of common stock or equity of the Company, except as set forth on Schedule 4(d) or as described in the Periodic Reports filed prior to the date hereof. For purposes hereof, "**Periodic Report**" shall mean a current report on Form 8-K, a quarterly report on Form 10-QSB or 10-Q or annual report on Form 10-KSB or 10-K.

e. Consents. Except as set forth on Schedule 4(e), no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company or any of the Subsidiaries, or any of their respective Affiliates, the Principal Market, the Company's shareholders or any of the Subsidiaries' shareholders, is required for the execution by the Company or any Subsidiary of the Transaction Documents or for compliance and performance by the Company or any of the Subsidiaries of its obligations under the Transaction Documents. As used in this Agreement, "**Affiliate**" means, with respect to any Person, a second Person (A) in which the first Person owns a 5% equity interest, or (B) that, directly or indirectly, (i) has a 5% equity interest in such first Person, (ii) has a common ownership with such first Person, (iii) controls such first Person, (iv) is controlled by such first Person or (v) shares or is under common control with such first Person; and "Control" or "controls" means that a Person has the power, direct or indirect, to conduct or govern the policies of another Person.

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f. No Violation or Conflict. Except as set forth on Schedule 4(f), the performance of the obligations of the Company and any of the Subsidiaries under the Transaction Documents do not and will not:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which, with the giving of notice or the lapse of time or both, would be reasonably likely to constitute a default) under (a) the Articles of Incorporation of the Company (the "**Articles of Incorporation**"), the bylaws of the Company (the "**Bylaws**"), or the organizational documents of any Subsidiary, (b) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company or any of the Subsidiaries of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of the Subsidiaries or over the properties or assets of the Company, any of the Subsidiaries or any of their respective Affiliates, including environmental and safety laws, (c) except as set forth in Schedule 4(f), the terms of any bond, debenture, note or any other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company, any of the Subsidiaries or any of their respective Affiliates is a party, by which the Company, any of the Subsidiaries or any of their respective Affiliates is bound, or to which any of the properties of the Company, any of the Subsidiaries or any of their respective Affiliates is subject, or (d) the terms of any "lock-up" or similar provision of any underwriting or similar agreement to which the Company, any of the Subsidiaries or any of their respective Affiliates is a party; or

(ii) except as contemplated hereby, result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company, any of the Subsidiaries or any of their respective Affiliates; or

(iii) result in the acceleration of the due date of any obligation of the Company or any of the Subsidiaries.

Neither the Company nor any of the Subsidiaries is in violation of any term of its certificate or articles of incorporation, certificate or articles of organization, bylaws, operating agreement, partnership agreement or any other governing document, as applicable. Neither the Company nor any of the Subsidiaries is or has been in violation of any term of or in default under (or with the giving of notice or passage of time or both would be in violation of or default under) any contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any Law applicable to the Company or its Subsidiaries, except where such violation or default could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or to result in the acceleration of any Indebtedness (as defined below) or other obligation. The business of the Company and the Subsidiaries has not been and is not being conducted, in violation of any Law of any Governmental Entity except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and each of the Subsidiaries is, and has at all times been, in compliance in all material respects with all Laws relating to employee benefits and employee benefit plans (as such terms are defined in the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")).

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g. The Securities. The Securities, upon issuance:

(i) are and will be, free and clear of any security interests, liens, claims or other encumbrances;

(ii) have been, or will be, duly and validly authorized;

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities or debt of the Company; and

(iv) will not subject the holders thereof to personal liability by reason of being such holders.

h. Litigation. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, that would affect the execution by the Company or any of the Subsidiaries of, or the performance by the Company, or any of the Subsidiaries of their respective obligations under, the Transaction Documents. Except as set forth on Schedule 4(h) or as disclosed in the Periodic Reports filed prior to the date hereof, there is no pending or, to the best knowledge of the Company, basis for or threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, which litigation if adversely determined would have a Material Adverse Effect.

i. Reporting Company. The Company is a publicly-held company, subject to the reporting obligation pursuant to Section 13 and/or 15(d) of the 1934 Act, and has a class of common shares reported pursuant to Section 12(b) of the 1934 Act. Pursuant to the provisions of the 1934 Act, except as set forth on Schedule 4(i), the Company has timely filed all reports and other materials required to be filed thereunder with the SEC during the preceding twelve (12) months.

j. Information Concerning Company. As of their respective dates, Periodic Reports filed by the Company prior to the date this representation is made contained all material information relating to the Company and its operations and financial condition that was required to be disclosed therein. As of their respective dates, the Periodic Reports and other reports, schedules, forms, registration statements and other documents filed by the Company with the SEC prior to the date this representation is made, including the financial statements contained therein, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made. As of their respective dates, the consolidated financial statements of the Company and the Subsidiaries included in the Periodic Reports filed by the Company prior to the date this representation is made complied as to form in all material respects with applicable accounting requirements and the securities laws with respect thereto, such consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("**GAAP**"), consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may have excluded footnotes or may have been condensed or summary statements) and fairly presented in all material respects the financial position of the Company and the Subsidiaries as of the dates thereof and the results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments that were not material individually or in the aggregate). Since the date of the most recent balance sheet included in the Periodic Reports filed prior to the date hereof (the "**Latest Financial Date**"), there has been no Material Adverse Effect relating to the Company's business, financial condition or affairs not disclosed in the Periodic Reports filed prior to the date hereof. The Schedules hereto, individually and in the aggregate, do not contain any material, non-public information with respect to the Company and the Subsidiaries.

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k. Defaults. The Company is not in violation of the Articles of Incorporation or Bylaws and no Subsidiary is in violation of the organizational documents of such Subsidiary. The Company, and each Subsidiary, is (a) not in default under or in violation of any other material agreement or instrument to which it is a party or by which it or any of its properties are bound or affected, which default or violation would have a Material Adverse Effect, (b) not in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters, and (c) to the Company's knowledge, not in violation of any statute, rule or regulation of any governmental authority, which violation would have a Material Adverse Effect.

l. Listing. The Common Stock is currently listed on the NASDAQ Global Market (the "**Principal Market**"; however, if the Common Stock becomes listed on another national securities exchange after the date hereof, the "**Principal Market**" shall mean such exchange) under the symbol "STXX." The Company has not received any oral or written notice that the Common Stock is not eligible, nor that it will become ineligible, for listing on the Principal Market nor that the Common Stock does not meet all requirements for the continuation of such listing. Except as set forth on Schedule 4(l), the Company satisfies all the requirements for the continued listing of the Common Stock on the Principal Market.

m. No Undisclosed Liabilities. The Company has no liabilities or obligations which are material, individually or in the aggregate, (i) that are not disclosed in the Periodic Reports filed prior to the date hereof, other than those incurred in the ordinary course of the Company's businesses since the Latest Financial Date, or (ii) that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

n. No Undisclosed Events or Circumstances. Since the Latest Financial Date, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date this representation is made by the Company, but which has not been so publicly announced or disclosed in the Periodic Reports filed prior to the date hereof.

o. Capitalization. The authorized and outstanding Capital Stock of the Company as of the date this representation is made is set forth in the Periodic Reports filed prior to the date hereof. Except as set forth on Schedule 4(o) or in the Periodic Reports filed prior to the date hereof, there are no options, warrants, or rights to subscribe to, securities, rights or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of Capital Stock of the Company or any of the Subsidiaries. All of the outstanding shares of Common Stock have been duly and validly authorized and issued and are fully paid and nonassessable.

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p. No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company, including but not limited to disputes or conflicts over payment owed to such accountants and lawyers, nor have there been any such disagreements during the two years prior to the date this representation is made.

q. DTC Status. The Company's transfer agent is a participant in, and the Common Stock is eligible for transfer pursuant to, the DTC's Fast Automated Securities Transfer Program.

r. Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

s. No General Solicitation. Neither the Company, nor any Person acting on the behalf of any of the Company, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D), including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or internet or any seminar or meeting whose attendees have been invited by general solicitation or general advertising, in connection with the offer or sale of the Securities.

t. No Integrated Offering. None of the Company, any Subsidiary, or any Person acting on the behalf of any of the foregoing, has, directly or indirectly, made any offers or sales of any security, or solicited any offers to purchase any security, under circumstances that would require registration of any of the Securities under the 1933 Act, nor will the Company, any Subsidiary or any Person acting on behalf of any of the foregoing, take any action or steps that would require registration of the issuance of any of the Securities under the 1933 Act. The issuance by the Company and the Subsidiaries of the Securities is exempt from registration under the 1933 Act and applicable state securities laws.

u. Tax Status. Except as set forth on Schedule 4(u), the Company and each of the Subsidiaries (i) has made or filed all material federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all material taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and for which the Company has made appropriate reserves on its books, and (iii) has set aside on its books provisions reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations (referred to in clause (i) above) apply. There are no material unpaid taxes claimed in writing to be due from the Company or any of its Subsidiaries by the taxing authority of any jurisdiction. Neither the Company nor any of the Subsidiaries is, or after giving effect to the purchases and the other transactions contemplated by this Agreement and the other Transaction Documents will be, a "United States real property holding corporation" ("**USRPHC**") as that term is defined in Section 897(c)(2) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

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v. Outstanding Indebtedness; Liens. Payments of principal and other payments due under the outstanding Notes will rank senior to all Indebtedness of the Company outstanding as of the Closing Date (other than the obligations evidenced by the Diversity Note, which will rank senior to the Notes, and the obligations evidenced by the Senior Notes, which will rank senior to the Notes), and the obligations of the Applicable Subsidiaries under the Subsidiary Guaranty will at all times rank senior to all other Indebtedness of the Subsidiaries as of the Closing Date (other than the obligations of the Subsidiaries under the Bridge Guaranty (as defined in the Bridge Purchase Agreement) with respect to Indebtedness under the Bridge Notes and the Subsidiary Guaranty (as defined in the Existing Senior Purchase Agreement), with respect to Indebtedness under the Existing Senior Notes, which will rank senior to the Subsidiary Guaranty) and, by virtue of the secured position of the Subsidiary Guarantees and to the extent of the Collateral, to all trade account payables of any of the Subsidiaries. Except as set forth on Schedule 4(v), neither the Company nor any of the Subsidiaries has any, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents will not have any, outstanding Indebtedness, except for the obligations evidenced by the Notes, the Bridge Notes, the Existing Senior Notes, the Diversity Note and for the Leexus Additional Consideration Obligation and the Leexus Settlement Obligation. There are no, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents there will not be any, Liens on any of the assets of the Company or the Subsidiaries, except for Permitted Liens (as defined below). There are no, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents there will not be any, financing statements securing obligations of any amounts filed against the Company or any of the Subsidiaries or any of their respective assets, other than pursuant to the Bridge Security Agreement (as defined in the Bridge Purchase Agreement) and the Amended and Restated Security Agreement (as defined in the Existing Senior Security Agreement). For purposes hereof, "**Indebtedness**" of any Person means, without duplication: (i) all indebtedness for borrowed money; (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than unsecured account trade payables that are (A) entered into or incurred in the ordinary course of the Company's and the Subsidiaries' business, including those that arise under standard industry joint operating agreements, (B) on terms that require full payment within ninety (90) days from the date entered into or incurred and (C) not unpaid in excess of ninety (90) days from the date entered into or incurred, or are being contested in good faith and as to which such reserve as is required by GAAP has been made); (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments; (iv) all obligations evidenced by notes, bonds, debentures, redeemable capital stock or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller, bank or other financing source under such agreement in the event of default are limited to repossession or sale of such property); (vi) all Capital Lease Obligations; (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person that owns such assets or property has not assumed or become liable for the payment of such indebtedness; and (viii) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) above; "**Capital Lease Obligation**" means, as to any Person, any obligation that is required to be classified and accounted for as a capital lease on a balance sheet of such Person prepared in accordance with GAAP; "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any indebtedness, lease, dividend or other obligation of another Person if a primary purpose or intent of the Person incurring such liability, or a primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; "**Diversity Note"** means that certain Promissory Note, dated September 24, 2007, in the principal amount of $1,500,000 (as in effect on the date of its original issuance, without any waiver, amendment, supplement, restatement or other modification thereof after such date), issued by the Company to Diversity Petroleum, L.P. ("**Diversity**"), pursuant to that certain Purchase and Sale Agreement, dated as of September 25, 2007, among STO Properties LLC ("**STO**"), a Texas limited liability company and wholly-owned subsidiary of the Company, Diversity and the other parties thereto (collectively with Diversity, the "**Sellers**"), whereby STO purchased certain assets of the Sellers; "**Diversity Security Interest**" means the first priority security interest granted by STO in favor of the Sellers, pursuant to that certain Deed of Trust, Security Agreement and UCC Financing Statement for Fixture Filing, dated September 25, 2007, between STO and Charles D. Perez, as Trustee for the benefit of the Sellers, in STO's right title, interest, privileges and options in the real property subject to the leases set forth on Exhibit B to the Deed of Trust, as security for the performance by STO of its obligations under the Diversity Note (as such security interest was in effect on the date of its grant, without any waiver, amendment, supplement, restatement or other modification thereof after such date); "**Leexus Additional Consideration Obligation**" means the Company's obligation under that certain Agreement and Plan of Merger, dated as of March 7, 2007 (the "**Leexus Merger Agreement**"), by and among the Company, Leexus Operating Company, Leexus Properties Corp. ("**Leexus**") and the shareholders of Leexus (the "**Leexus Shareholders**") (as such agreement was in effect on the original date thereof, without any waiver, amendment, supplement, restatement or other modification after such date other than as set forth in the Leexus Settlement Agreement (as defined below)), to pay Additional Consideration (as defined in the Leexus Merger Agreement) to William Zeltwanger an aggregate of $1,333,334 and deliver up to 666,667 shares of Common Stock pursuant to, and subject to the terms and conditions set forth in, Section IV of the Leexus Merger Agreement; "**Leexus Settlement Obligation**" means the Company's obligation under that certain Settlement Agreement, dated as of May 15, 2008 (the "**Leexus Settlement Agreement**"), by and among the Company, STO Operating, Murray Conradie, Leexus Oil & Gas, LLP, and certain of the Leexus Shareholders (the "**Leexus Settlement Shareholders**") (as such agreement was in effect on the original date thereof, without any waiver, amendment, supplement, restatement or other modification after such date), to pay up to an aggregate amount of $2,000,000 to the Leexus Settlement Shareholders pursuant to, and subject to the terms and conditions set forth in, Section 6 of the Leexus Settlement Agreement; and "**Lien**" means, with respect to any asset or property, any mortgage, lien, pledge, hypothecation,

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charge, security interest, encumbrance or adverse claim of any kind and any restrictive covenant, condition, restriction or exception of any kind that has the practical effect of creating a mortgage, lien, pledge, hypothecation, charge, security interest, encumbrance or adverse claim of any kind (including (i) any of the foregoing created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor with respect to a Capital Lease Obligation, or any financing lease having substantially the same economic effect as any of the foregoing, and (ii) any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of free and clear ownership by a current holder).

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w. Shell Company Status. The Company is not on the date this representation is made, and at no time since its incorporation in the State of Nevada has been, a "shell company" (as defined in Rule 12b-2 under the 1934 Act).

x. Environmental Laws. The Company (i) is in material compliance with any and all Environmental Laws (as defined below), (ii) has received all material permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business and (iii) is in compliance with all material terms and conditions of any such permit, license or approval. The term "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

y. Title to Personal Property. The Company has good and valid title to all personal property owned by it that is material to the business of the Company, in each case free and clear of all Liens. Except as set forth on Schedule 4(z), the Company does not own (rather than lease) any interest in any real property.

z. Real Property. Schedule 4(z) contains a complete and correct list of all the real property; leasehold interests; fee interests; oil, gas and other mineral drilling, exploration and development rights; royalty, overriding royalty, and other payments out of or pursuant to production; other rights in and to oil, gas and other minerals, including contractual rights to production, concessions, net profits interests, working interests and participation interests; any other contractual rights for the acquisition or earning of any of such interests in the real property; facilities; fixtures; equipment that (i) are leased or otherwise owned or possessed by the Company or any of the Subsidiaries, (ii) in connection with which the Company or any of the Subsidiaries has entered into an option agreement, participation agreement or acquisition and drilling agreement or (iii) the Company or any of the Subsidiaries has agreed to lease or otherwise acquire or may be obligated to lease or otherwise acquire in connection with the conduct of its business (collectively, including any of the foregoing acquired after the date of this Agreement, the "**Real Property**"), which list identifies all of the Real Property and specifies which of the Company or the Subsidiaries leases, owns or possesses each of the Real Properties or will do so upon consummation of the Purchases. Schedule 4(z) also contains a complete and correct list of all leases and other agreements with respect to which the Company or any of the Subsidiaries is a party or otherwise bound or affected with respect to the Real Property, except easements, rights of way, access agreements, surface damage agreements, surface use agreements or similar agreements that pertain to Real Property that is contained wholly within the boundaries of any owned or leased Real Property otherwise described on Schedule 4(z) (the "**Real Property Leases**"). Except as set forth in Schedule 4(z), the Company or one of the Subsidiaries is the legal and equitable owner of a leasehold interest in all of the Real Property, and possesses good, marketable and defensible title thereto, free and clear of all Liens (other than Permitted Liens) and other matters affecting title to such leasehold that could impair the ability of the Company or the Subsidiaries to realize the benefits of the rights provided to any of them under the Real Property Leases. Except as set forth in Schedule 4(z), all of the Real Property Leases are valid and in full force and effect and are enforceable against all parties thereto. Except as set forth in Schedule 4(z), neither the Company nor any of the Subsidiaries nor, to the Company's knowledge, any other party thereto is in default in any material respect under any of such Real Property Leases and no event has occurred which with the giving of notice or the passage of time or both could constitute a default under, or otherwise give any party the right to terminate, any of such Real Property Leases, or could adversely affect the Company's or any of the Subsidiaries' interest in and title to the Real Property subject to any of such Real Property Leases. No Real Property Lease is subject to termination, modification or acceleration as a result of the transactions contemplated hereby or by the other Transaction Agreements. Except as set forth in Schedule 4(z), all of the Real Property Leases will remain in full force and effect upon, and permit, the consummation of the transactions contemplated hereby (including the granting of leasehold mortgages). The Real Property is permitted for its present uses under applicable zoning laws, are permitted conforming structures and complies with all applicable building codes, ordinances and other similar Laws. Except as set forth on Schedule 4(z), there are no pending or threatened condemnation, eminent domain or similar proceedings, or litigation or other proceedings affecting the Real Property, or any portion or portions thereof. Except as set forth on Schedule 4(z), there are no pending or threatened requests, applications or proceedings to alter or restrict any zoning or other use restrictions applicable to the Real Property that would interfere with the conduct of the Company's or any of the Subsidiaries' businesses as conducted or proposed to be conducted proposed to be conducted at the time this representation is made. Except as set forth on Schedule 4(z), there are no restrictions applicable to the Real Property that would interfere with the Company's or any Subsidiary's making an assignment or granting of a leasehold or other mortgage to the Buyers as contemplated by the Mortgages, including any requirement under any Real Property Leases requiring the consent of, or notice to, any lessor of any such Real Property.

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aa. Insurance. The Company is insured against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company is engaged.

bb. Transactions With Affiliates. Except as set forth in Schedule 4(bb), no Related Party, nor any of their respective Affiliates, is presently a party to any transaction, contract, agreement, instrument, commitment, understanding or other arrangement or relationship with the Company (other than directly for services as an employee, officer and/or director), whether for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments or consideration to or from any such Related Party. Except as set forth on Schedule 4(bb), no Related Party of the Company or any of its Affiliates, has any direct or indirect ownership interest in any Person (other than ownership of less than one percent (1%) of the outstanding common stock of a publicly traded corporation) in which the Company has any direct or indirect ownership interest or with which the Company competes or has a business relationship. For purposes hereof, "**Related Party**" means the Company's or any Subsidiary's officers, directors, Persons who were officers or directors at any time during the previous two (2) years, stockholders, or Affiliates of the Company or any of the Subsidiaries, or with any individual related by blood, marriage or adoption to any such individual or with any entity in which any such entity or individual owns a beneficial interest.

5. AFFIRMATIVE COVENANTS.

a. Reasonable Best Efforts. Each party shall use its reasonable best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Sections 8 and 9 of this Agreement.

b. Form D and Blue Sky. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyers promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

c. Reporting Status. Until the first date on which none of the Buyers holds any of the Notes (the "**Reporting Period**"), the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act, even if the securities laws would otherwise permit such termination.

d. Use of Proceeds. The Company will use the proceeds from the sale of the Note and the Warrants and from the exercise of the Warrants for general working capital needs and to fund potential acquisitions.

e. Financial Information of the Company. The Company agrees to send the following to each Buyer during the Reporting Period (i) unless the following are filed with the SEC through the SEC's EDGAR system, or successor thereto ("**EDGAR**"), and are immediately available to the public through EDGAR, within one (1) Business Day after the filing thereof with the SEC, a copy of each of its Periodic Reports, Current Reports on Form 8-K, registration statements (other than on Form S-8) and amendments and supplements to each of the foregoing, (ii) unless immediately available through Bloomberg Financial Markets (or any successor thereto), facsimile copies of all press releases issued by the Company or any of the Subsidiaries, contemporaneously with the issuance thereof, and (iii) copies of any notices and other information made available or given to the shareholders of the Company generally, contemporaneously with making available or giving same to the shareholders.

f. Internal Accounting Controls. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to (i) at all times keep books, records and accounts with respect to all of such Person's business activities, in accordance with sound accounting practices and GAAP consistently applied, (ii) maintain a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorizations, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset and liability accountability, (C) access to assets or incurrence of liability is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any differences, (iii) timely file and make publicly available on EDGAR, all certifications and statements required by (M) Rule 13a-14 or Rule 15d-14 under the 1934 Act and (N) Section 906 of Sarbanes Oxley, (iv) maintain disclosure controls and procedures, as required by Rule 13a-15 or Rule 15d-15 under the 1934 Act, designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files with or submits to the SEC (X) is recorded, processed, summarized and reported accurately within the time periods specified in the SEC's rules and forms and (Y) is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, as appropriate to allow timely decisions regarding required disclosure, and (v) maintain internal control over financial reporting, as required by Rule 13a-14 or Rule 15d-14 under the 1934 Act.

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g. Listing. The Company shall take all actions necessary to cause the Common Stock to remain listed on the Principal Market during the Reporting Period. The Company shall not, and shall cause each of the Subsidiaries not to, take any action that would be reasonably expected to result in the delisting or suspension or termination of trading of the Common Stock on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 5(g).

h. Expenses. At the Closing, the Company shall promptly reimburse each Buyer for all of its reasonable out-of-pocket fees, costs and expenses incurred thereby in connection with this Agreement and the transaction contemplated hereby, including travel costs and all other expenses relating to negotiating the Transaction Documents and consummating the transactions contemplated thereby, up to an aggregate maximum amount of $25,000.00 (the **"Transaction Fees"**). The aggregate amount payable to each Buyer pursuant to the preceding sentence at the Closing shall be withheld as an off-set by such Buyer from the Purchase Price to be paid by such Buyer at the Closing.

i. Disclosure of Transactions and Other Material Information.

(i) The Company shall not later than 5:30 p.m. (Eastern Time) on the fourth (4th) Business Day following the execution and delivery of this Agreement, the Company shall file a Form 8-K with the SEC (the "**Announcing Form 8-K**"). The Announcing Form 8-K (A) shall describe the terms of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, (B) shall include, as exhibits to such Form 8-K, this Agreement (excluding the schedules hereto, a form of the Notes, a form of the Warrants, the Subsidiary Guaranty, the June 2009 Amendment and a form of the Mortgages, and (C) shall include any other information required to be disclosed therein pursuant to any securities Laws or other Laws. As used in this Agreement, "**Laws**" means all present or future federal, state local or foreign laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Entity.

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(ii) Subject to the agreements and covenants set forth in this Section 5(i), the Company shall not issue any press releases or any other public statements with respect to the transactions contemplated hereby or disclosing the name of any Buyer, without prior approval of any such Buyer; provided, however, that the Company shall be entitled, without the prior approval of any such Buyer, to make any press release or other public disclosure with respect to such transactions (A) in substantial conformity with the Announcing Form 8-K and contemporaneously therewith and (B) as is required by applicable Law, including as is required by Form 8-K or any successor form thereto (provided that such Buyer shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release and shall be provided with a copy thereof upon request).

(iii) The Company represents, warrants and covenants to the Buyers that, from and after the filing of the Announcing Form 8-K with the SEC (subject to Section 5(m)), no Buyer shall not be in possession of any material nonpublic information received from the Company, any of the Subsidiaries or any of their respective officers, directors, employees or agents. Notwithstanding any provision herein to the contrary, the Company shall not, and shall cause each of the Subsidiaries and its and each of their respective officers, directors, employees and agents not to, provide any Buyer with any material nonpublic information regarding the Company or any of the Subsidiaries from and after the filing of the Announcing Form 8-K with the SEC, without the express prior written consent of the Buyers. In the event of a breach of the foregoing covenant by the Company, any of the Subsidiaries, or any of its or their respective officers, directors, employees and agents, in addition to any other remedy provided herein or in the Transaction Documents, the Buyers shall have the right to make a public disclosure in the form of a press release, public advertisement or otherwise, of such material nonpublic information without the prior approval by the Company, the Subsidiaries, or any of its or their respective officers, directors, employees or agents. The Buyers shall not have any liability to the Company, any of the Subsidiaries or any of its or their respective officers, directors, employees, shareholders or agents for any such disclosure. Notwithstanding anything to the contrary herein, in the event that the Company believes that a notice or communication to any Buyer contains material, nonpublic information relating to the Company or any of the Subsidiaries, the Company shall so indicate to the Buyers contemporaneously with delivery of such notice or communication, and such indication shall provide the Buyers the means to refuse to receive such notice or communication; and in the absence of any such indication, the holders of the Securities shall be allowed to presume that all matters relating to such notice or communication do not constitute material, nonpublic information relating to the Company or any of the Subsidiaries. Upon receipt or delivery by the Company or any of the Subsidiaries of any notice in accordance with the terms of the Transaction Documents, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or the Subsidiaries, the Company shall within one Business Day after any such receipt or delivery publicly disclose such material, nonpublic information.

j. Pledge of Securities. The Company acknowledges and agrees that the Securities of the Buyers may be pledged by any Buyer or its transferees (each, including each of the Buyers, an "**Investor**") in connection with a bona fide margin agreement or other loan secured by the Securities. The pledge of the Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and no Investor effecting any such pledge of Securities shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document, including Section 3(f) of this Agreement. The Company hereby agrees to execute and deliver such documentation as a pledgee of the Securities may reasonably request in connection with a pledge of the Securities to such pledgee by an Investor.

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k. Notices. During the Reporting Period:

(i) Collateral. Promptly (but in no event less than ten (10) days prior to the occurrence thereof) notify each Buyer of any change in the location of the Company's books, records and accounts (or copies thereof) with respect to the operation or production of the Collateral.

(ii) Names and Trade Names. Notify each Buyer in writing (i) at least thirty (30) days in advance of any change in the Company's legal name and (ii) within ten (10) days of the change of the use of any trade name, assumed name, fictitious name or division name not previously disclosed to the Buyers in writing.

(iii) Environmental Matters. Immediately notify each Buyer upon becoming aware of any investigation, proceeding, complaint, order, directive, claim, citation or notice with respect to any non-compliance with or violation of the requirements of any Environmental Law by the Company or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials in violation of the requirements of any Environmental Law or any other environmental, health or safety matter which affects the Company or its business operations or assets or any properties at which the Company has transported, stored or disposed of any Hazardous Materials, unless the foregoing could not reasonably be expected to have a Material Adverse Effect.

(iv) Default; Material Adverse Effect. Promptly advise each Buyer of any material adverse change in the business, property, assets, operations or financial condition of the Company, any other Material Adverse Effect, or the occurrence of any Event of Default or the occurrence of any event which, if uncured, will become an Event of Default after notice or lapse of time (or both).

All of the foregoing notices shall be provided by the Company or the applicable Subsidiary to each Buyer in writing.

l. Compliance with Laws and Maintenance of Permits. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to, maintain all governmental consents, franchises, certificates, licenses, authorizations, approvals and permits, the lack of which would reasonably be expected to have a Material Adverse Effect and to remain in compliance with all Laws (including Environmental Laws and Laws relating to taxes, employer and employee contributions and similar items, securities, ERISA or employee health and safety) the failure with which to comply would have a Material Adverse Effect.

m. Inspection and Audits. During the Reporting Period and subject to each Buyer's execution of a confidentiality agreement reasonably acceptable to the Company with respect to the information provided pursuant to Sections 5(m)(i) and 5(m)(ii) hereto, which execution shall constitute a waiver, with respect to any material non-public information regarding the Company and the Subsidiaries provided to such Buyer directly in response to such Buyer's request hereunder, of the restriction herein on the Company's disclosure to such Buyer of material nonpublic information:

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(i) The Company shall, and shall cause each of the Subsidiaries to, permit each Buyer (and each Buyer's designees), at such Buyer's own expense, to call at the places of business of the Company and of each of the Subsidiaries at any reasonable times, and, upon reasonable advance notice, to inspect, examine and audit the Collateral and to inspect, audit, check and make extracts from the Company's books, records, journals, orders, receipts and any correspondence and other data relating to the Collateral or any transactions between the parties hereto, and each Buyer (and each Buyer's designees) shall have the right to make such verification concerning the Collateral as such Buyer may consider reasonable under the circumstances; and

(ii) Notwithstanding anything to the contrary herein, upon written request to the Company by any Buyer, the Company shall promptly provide such Buyer (or its designee) with any financial, operating or other type of information requested by such Buyer to the extent that it is reasonably available or can be developed without significant effort or expense to the Company.

n. Insurance. During the Reporting Period, for the benefit of the Buyers, the Company shall, and the Company shall cause each of the Subsidiaries to:

(i) Keep the Collateral properly maintained and insured for the full insurable value thereof against loss or damage by fire, theft, explosion, and such other risks with companies that regularly insure companies engaged in businesses similar to that of the Company, such coverage and the premiums payable in respect thereof to be acceptable in scope and amount to the Buyers. Original (or certified) copies of such policies of insurance shall be, no later than ten (10) Business Days after the date hereof, delivered to the Buyers, together with evidence of payment of all premiums therefor, and shall contain an endorsement, in form and substance reasonably acceptable to the Buyers, showing loss under such insurance policies payable to the Buyers. Such endorsement, or an independent instrument furnished to the Buyers, shall provide that the insurance company shall give the Buyers at least thirty (30) days' prior written notice before any such policy of insurance is altered or canceled and that no act, whether willful or negligent, or default of the Company or the applicable Subsidiary shall affect the right of the Buyers to recover under such policy of insurance in case of loss or damage. In addition, the Company or the applicable Subsidiary shall cause to be executed and delivered to the Buyers an assignment of proceeds of its business interruption insurance policies (if any).

(ii) Maintain, at its expense, such public liability and third party property damage insurance with companies that regularly insure entities engaged in businesses similar to that of the Company, such coverage and the premiums payable in respect thereof to be acceptable in scope and amount to the Buyers. Original (or certified) copies of such policies have been or shall be, no later than ten (10) Business Days after the date hereof, delivered to the Buyers, together with evidence of payment of all premiums therefor; each such policy shall contain an endorsement showing the Buyers as an additional insured thereunder and providing that the insurance company shall give the Buyers at least thirty (30) days written notice before any such policy shall be altered or canceled.

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o. Collateral. During the Reporting Period, the Company shall, and shall cause the Subsidiaries to, maintain the Collateral in good condition, repair and order and shall make all necessary repairs to the Collateral and substitutions therefor so that the operating efficiency and the value thereof shall at all times be preserved and maintained, subject to normal wear and tear after the date hereof.

p. Taxes. During the Reporting Period, the Company shall, and the Company shall cause each of the Subsidiaries to, file all required tax returns and pay all of its taxes (including taxes imposed by federal, state or municipal agencies) when due, subject to any extensions granted by the applicable taxing authority, and shall cause any Liens for taxes to be promptly released; provided, however, that the Company shall have the right to contest the payment of any such taxes in good faith by appropriate proceedings so long as (i) the amount so contested is shown on the Company's financial statements; (ii) the contesting of any such payment does not give rise to a Lien for taxes, other than Permitted Liens set forth in clause (ii) of the definition thereof set forth in Section 5(t).

q. Intellectual Property. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to, maintain adequate licenses, patents, patent applications, copyrights, service marks and trademarks to continue its business as presently proposed to be conducted by it (including as described to the Buyers prior to the date hereof) or as hereafter conducted by it, unless the failure to maintain any of the foregoing would not reasonably be expected to have a Material Adverse Effect.

r. Patriot Act, Investor Secrecy Act and Office of Foreign Assets Control. As required by federal law and the Buyers' policies and practices, the Buyers may need to obtain, verify and record certain customer identification information and documentation in connection with opening or maintaining accounts, or establishing or continuing to provide services, and, from the date of this Agreement until the end of the Reporting Period, the Company agrees to, and shall cause each of the Subsidiaries to, provide such information.

s. Security Covenants. During the Reporting Period, the Company shall, and the Company shall cause each of the Subsidiaries to, at its own respective cost and expense, cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as may from time to time be necessary or as any Buyer may from time to time request in order to carry out the intent and purposes of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, including all such actions to establish, create, preserve, protect and perfect the security interest for the benefit of the Buyers in the Collateral (including Collateral that may be substituted for the Collateral existing upon the execution of this Agreement or after the date hereof), subject to the Intercreditor Agreement. For purposes hereof, "**Permitted Lien**" means: (i) Liens created by the Mortgages; (ii) Liens for taxes or other governmental charges not at the time due and payable, or which are being contested in good faith by appropriate proceedings diligently prosecuted, so long as foreclosure, distraint, sale or other similar proceedings have not been initiated, and in each case for which the Company and the Subsidiaries maintain adequate reserves in accordance with GAAP in respect of such taxes and charges; (iii) Liens arising in the ordinary course of business in favor of carriers, warehousemen, mechanics and materialmen, or other similar Liens imposed by law, which remain payable without penalty or which are being contested in good faith by appropriate proceedings diligently prosecuted, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto, and in each case for which adequate reserves in accordance with GAAP are being maintained; (iv) Liens arising in the ordinary course of business in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA); (v) attachments, appeal bonds (and cash collateral securing such bonds), judgments and other similar Liens, for sums not exceeding $250,000 in the aggregate for the Company and the Subsidiaries, arising in connection with court proceedings, provided that the execution or other enforcement of such Liens is effectively stayed; (vi) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens arising in the ordinary course of business and not materially detracting from the value of the property subject thereto and not interfering in any material respect with the ordinary conduct of the business of the Company or any of the Subsidiaries; (vii) 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 of Governors of the U.S. Federal Reserve System and that no such deposit account is intended by the Company or any of the Subsidiaries to provide collateral to the depository institution; (viii) Liens granted in favor of the "secured party" for the benefit of the Existing Senior Buyers pursuant to the Existing Senior Purchase Agreement and the documents and instruments expressly contemplated thereby and entered into in connection therewith; (ix) Liens granted in favor of the "secured party" for the benefit of the Bridge Buyers pursuant to the Bridge Purchase Agreement and the documents and instruments expressly contemplated thereby and entered into in connection therewith; (x) the Diversity Security Interest (but only for so long as the Diversity Note remains outstanding); and (xi) Liens consisting of cash collateral securing the Company's and the Subsidiaries' reimbursement obligations under letters of credit issued for the account of the Company or any of the Subsidiaries in the ordinary course of their business for the purpose of securing performance obligations of the Company or any other of the Subsidiaries or for the purpose of satisfying federal, state and/or local legal requirements for owning and operating oil and gas properties, so long as the aggregate face amount of such letters of credit does not exceed $500,000 at any one time; provided that the aggregate amount of cash collateral securing such Indebtedness does not exceed the undrawn face amount outstanding at any one time.

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t. Public Information. With a view to making available to the holders of the Securities the benefits of Rule 144, the Company agrees to, during the Reporting Period, (A) make and keep public information available, as those terms are understood and defined in Rule 144; (B) file with the SEC in a timely manner all reports and other documents required of the Company under the 1934 Act; and (C) furnish to each holder of Securities so long as such holder of Securities owns Securities, promptly upon request, (1) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144 and the 1934 Act, (2) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company if such reports are not publicly available via EDGAR, and (3) such other information as may be reasonably requested to permit the holders of Securities to sell such Securities pursuant to Rule 144 without registration.

u. Stop Orders. The Company will advise each of the Buyers within one Business Day after it receives notice of issuance by the SEC, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

v. Market Regulations. The Company shall notify the SEC, the Principal Market and applicable state authorities, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable Law for the legal and valid issuance of the Securities to the Buyers and promptly provide copies thereof to the Buyers.

w. Registration Rights. The holders of the Notes and Warrants shall have "piggy-back" registration rights, as follows:

(i) Whenever the Company proposes to register any of its securities under the 1933 Act in connection with a public offering of such securities for cash pursuant to Rule 415 under the 1933 Act (other than a registration relating solely to the sale of securities to participants in a stock incentive plan of the Company, in their capacity as such) and the registration form to be used may be used for the registration of Registrable Securities (as defined below) (a "**Piggyback Registration**"), the Company will give prompt written notice, which notice shall describe the offering contemplated thereby, to all holders of the Securities of its intention to effect such a registration and will include in such registration all Registrable Securities held by any holders of the Securities with respect to which the Company has received written requests for inclusion within ten (10) days after the delivery of the Company's notice, all on the terms applicable to other holders of securities included in such Piggyback Registration. For purposes hereof, "**Registrable Securities**" means (A) the Conversion Shares issued or issuable upon conversion of the Notes (including any principal thereof or interest thereon), (B) the Warrant Shares issued or issuable upon exercise of the Warrants and (C) any shares of capital stock issued or issuable with respect to the Conversion Shares, the Notes, the Warrant Shares and the Warrants as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitations on conversions of Notes or exercises of Warrants; provided, however, that any such Registrable Securities shall cease to be Registrable Securities when (I) a registration statement with respect to the sale of such securities becomes effective under the 1933 Act and such securities are disposed of in accordance with such registration statement, (II) such securities are sold in accordance with Rule 144 or (III) such securities become transferable without any restrictions in accordance with Rule 144(k) (or any successor provision).

(ii) Notwithstanding anything to the contrary contained in Section 5(w)(i) above, the amount of Registrable Securities required to be included in the Piggyback Registration Statement, shall, in the aggregate, be not more than the maximum number of shares of Common Stock which may be included in a single registration statement without exceeding registration limitations imposed by the SEC pursuant to Rule 415 of the 1933 Act.

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6. NEGATIVE COVENANTS.

a. Prohibition Against Variable Priced Securities. From the date of this Agreement until the end of the Reporting Period, the Company shall not in any manner issue or sell any Options (as defined below) or Convertible Securities (as defined below) that are convertible into or exchangeable or exercisable for shares of Common Stock at a price that varies or may vary with the market price of the Common Stock, including

by way of one or more resets to a fixed price, whether or not based on a formulation of the then current market price of the Common Stock. For purposes of this Agreement, "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exchangeable or exercisable for Common Stock and "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

b. Status. From the date of this Agreement until the end of the Reporting Period, the Company shall not, nor will it permit any of the Subsidiaries to, become a U.S. Real Property Holding Corporation (USRPHC); and upon any Buyer's request, the Company shall inform such Buyer whether any of the Securities then held by such Buyer constitute a U.S. real property interest pursuant to Treasury Regulation Section 1.897-2(h) without regard to Treasury Regulation Section 1.897-2(h)(3).

c. Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive it from paying all or any portion of any principal of, or interest or premium on, any of the Notes as contemplated herein or therein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of any of the Transaction Documents; and the Company (to the extent it may lawfully do so), on behalf of itself and the Subsidiaries, hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Buyers, but will suffer and permit the execution of every such power as though no such law has been enacted. Notwithstanding the foregoing, the obligations of the Company hereunder shall be subject to the limitation that payments of Interest (as defined in the Notes) on any Note shall not be required, for any period for which Interest is computed thereon, to the extent (but only to the extent) that contracting for or receiving such payment by the Buyer holding such Note would be contrary to the provisions of any law applicable to such Buyer, and in such event the Company shall pay such Buyer Interest at the highest rate permitted by applicable law ("**Maximum Lawful Rate**"); provided, however, that if at any time thereafter the rate of Interest payable under such Note is less than the Maximum Lawful Rate, Company shall continue to pay Interest thereon at the Maximum Lawful Rate until such time as the total Interest received by such Buyer is equal to the total Interest that would have been received by such Buyer had the Interest payable on such Note been (but for the operation of this paragraph) the Interest rate payable since the date hereof as otherwise provided in such Note.

d. No Avoidance of Obligations. During the Reporting Period, the Company shall not, and shall cause each of the Subsidiaries not to, enter into any agreement which would limit or restrict the Company's or any of the Subsidiaries' ability to perform under, or take any other voluntary action to avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it under, this Agreement, the Notes or the other Transaction Documents.

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e. No Integrated Offering. Neither the Company nor any of the Subsidiaries, nor any Affiliates of the foregoing or any Person acting on the behalf of any of the foregoing, shall, directly or indirectly, make any offers or sales of any security or solicit any offers to purchase any security, under any circumstances that would require registration of any of the Securities under the 1933 Act or require approval of the offering of the Securities by the stockholders of the Company under the rules and regulations of the Principal Market.

f. Regulation M. Neither the Company, nor the Subsidiaries nor any Affiliates of the foregoing shall take any action prohibited by Regulation M under the 1934 Act, in connection with the offer, sale and delivery of the Securities contemplated hereby.

7. TRANSFER AGENT INSTRUCTIONS.

The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates or, provided that such transfer agent is a participant in the DTC Fast Automated Securities Transfer Program, credit shares to the applicable balance accounts at DTC, registered in the name of each Buyer or its respective nominee(s), for any (i) Conversion Shares issued upon the conversion of part or all of the Note; (ii) Warrant Shares issued upon exercise of the Warrant, as provided in the Note and the Warrant. The Company warrants that no other instruction other than the foregoing and any legal opinion pursuant to Section 3(g) hereof that may be required by such transfer agent, will be given by the Company to its transfer agent, and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the other Transaction Documents. If a Buyer effects a sale, assignment or transfer of the Securities in accordance with Section 3(g), the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates or, provided that such transfer agent is a participant in the DTC Fast Automated Securities Transfer Program, credit shares to the applicable balance accounts at DTC in such name and in such denominations as specified by such Buyer to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Option Shares sold, assigned or transferred pursuant to an effective registration statement or pursuant to Rule 144, the transfer agent shall issue such Securities to such Buyer, assignee or transferee, as the case may be, without any restrictive legend. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyers. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 7 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 7, that a Buyer shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

8. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO SELL.

The obligation of the Company to issue and sell the Notes and the Warrants to each Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

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a. Such Buyer shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company.

b. Such Buyer shall have delivered to the Company the Purchase Price for the Note and the Warrants being purchased by such Buyer by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

d. The representations and warranties of such Buyer shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and such Buyer shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Buyer at or prior to the Closing Date.

d. No injunction or other court or governmental agency order shall be in effect that prohibits the transactions contemplated by this Agreement to be effected at the Closing.

9. CONDITIONS TO BUYERS' OBLIGATIONS TO PURCHASE.

The obligation of each Buyer hereunder to purchase the Notes and the Warrants from the Company at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived only by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

a. The Company shall have executed each of the Transaction Documents to which it is a party and delivered the same to such Buyer.

b. The representations and warranties of the Company shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date) and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date. Such Buyer shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer.

c. Such Buyer shall have received a legal opinion from internal legal counsel to the Company dated as of the Closing Date, in form, scope and substance reasonably satisfactory to such Buyer and in substantially the form of Exhibit F attached hereto.

d. The Company shall have executed and delivered to such Buyer the Note and the Warrants being purchased by such Buyer at the Closing.

e. The Company shall have made all filings under all applicable securities laws necessary to consummate the issuance of the Securities pursuant to this Agreement in compliance with such laws.

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10. INDEMNIFICATION.

a. Company Indemnification Obligation. In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's obligations under the Transaction Documents, the Company (for purposes of this Section 10(a), the "**Indemnifying Party**") shall defend, protect, indemnify and hold harmless each of the Buyers and all of their equity holders, partners, officers, directors, members, managers, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including those retained in connection with the transactions contemplated by this Agreement) (for purposes of this Section 10(a), collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (collectively, for purposes of this Section 10, the "**Indemnified Liabilities**"), incurred by any Indemnitees as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Indemnifying Party in any of the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Indemnifying Party contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, or (c) any cause of action, suit or claim brought or made against such Indemnitees and arising out of or resulting from the execution, delivery, performance or enforcement of the Transaction Documents in accordance with the terms hereof or thereof or any other certificate, instrument or document contemplated hereby or thereby in accordance with the terms thereof (other than a cause of action, suit or claim brought or made against an Indemnitee by such Indemnitee's owners, investors or Affiliates). To the extent that the foregoing undertaking by the Indemnifying Party may be unenforceable for any reason, such Indemnifying Party shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

b. Indemnification Procedures. Each Indemnitee (as defined under Section 10(a)) shall (i) give prompt written notice to the Indemnifying Party of any claim with respect to which it seeks indemnification or contribution pursuant to this Agreement (provided, however, that the failure of the Indemnitee to promptly deliver such notice shall not relieve the Indemnifying Party of any liability, except to the extent that the Indemnifying Party is prejudiced in its ability to defend such claim) and (ii) permit such Indemnifying Party, as applicable, to assume the defense of such claim with counsel selected by such Indemnifying Party and reasonably satisfactory to the Indemnitee; provided, however, that any Indemnitee entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of the Indemnitee unless (A) the Indemnifying Party has agreed in writing to pay such fees and expenses, (B) the Indemnifying Party shall have failed to assume the defense of such claim within five (5) days of delivery of the written notice of the Indemnitee with respect to such claim or failed to employ counsel selected by such Indemnifying Party and reasonably satisfactory to the Indemnitee, or (C) in the reasonable judgment of the Indemnitee, based upon advice of its counsel, a conflict of interest may exist between the Indemnitee and the Indemnifying Party with respect to such claims (in which case, if the Indemnitee notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such claim on behalf of the Indemnitee). If the Indemnifying Party assumes the defense of the claim, it shall not be subject to any liability for any settlement or compromise made by the Indemnitee without its consent (but such consent shall not be unreasonably withheld, conditioned or delayed). In connection with any settlement negotiated by an Indemnifying Party, no Indemnifying Party shall, and no Indemnitee shall be required by an Indemnifying Party to, (I) enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnitee of a release from all liability in respect to such claim or litigation, (II) enter into any settlement that attributes by its terms any liability to the Indemnitee, or (III) consent to the entry of any judgment that does not include as a term thereof a full dismissal of the litigation or proceeding with prejudice. In addition, without the consent of the Indemnitee, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement which provides for any action on the part of the Indemnitee other than the payment of money damages which are to be paid in full by the Indemnifying Party. If an Indemnifying Party fails or elects not to assume the defense of a claim pursuant to clause (B) above, or is not entitled to assume or continue the defense of such claim pursuant to clause (C) above, the Indemnitee shall have the right without prejudice to its right of indemnification hereunder to, in its discretion exercised in good faith and upon advice of counsel, to contest, defend and litigate such claim and may settle such claim, either before or after the initiation of litigation, at such time and upon such terms as the Indemnitee deems fair and reasonable, provided that, at least five (5) days prior to any settlement, written notice of its intention to settle is given to the Indemnifying Party. If requested by the Indemnifying Party, the Indemnitee agrees (at no expense to the Indemnitee) to reasonably cooperate with the Indemnifying Party and its counsel in contesting any claim that the Indemnifying Party elects to contest.

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11. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Texas, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Harris County, Texas, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof by registered or certified mail, return receipt requested, or by deposit with a nationally recognized overnight delivery service, to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

b. Counterparts. This Agreement and any amendments hereto may be executed and delivered in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when counterparts have been signed by each party hereto and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. At the request of any party, each other party shall promptly re-execute an original form of this Agreement or any amendment hereto and deliver the same to the other party. No party hereto shall raise the use of a facsimile machine or e-mail delivery of a ".pdf" format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a ".pdf" format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

c. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

e. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements among the Buyers, the Company, and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement, the other Transaction Documents and the other instruments referenced herein and therein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any of the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended, modified or supplemented other than by an instrument in writing signed by the Company and the Buyers.

f. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

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If to the Company:

South Texas Oil Company
300 E. Sonterra Blvd.
Suite 1220
San Antonio, Texas 78258
Facsimile: (210) 545-5994
Attention: Michael J. Pawelek,
Chief Executive Officer and President
MikeP@southtexasoil.com

With a copy to:

Corporate Legal Solutions
6 Wheeler's Point Road
Gloucester, MA 01930-1691
Facsimile: 978-283-4692
Attention: Roy D. Toulan, Jr., Esq.
rdtoulan@CorpLegalSolutions.net

If to a Buyer, to its address and facsimile number set forth on the Schedule of Buyers, with copies to such Buyer's representatives as set forth on the Schedule of Buyers, or, in the case of a Buyer or any other party named above, at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service shall be rebuttable evidence of personal service, receipt by facsimile or deposit with a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Securities. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the holders of the Notes then outstanding. Each Buyer may assign some or all of its rights hereunder without the consent of the Company; provided, however, that any such assignment shall not release such Buyer from its obligations hereunder unless such obligations are assumed by such assignee (as evidenced in writing) and the Company has consented to such assignment and assumption, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary contained in the Transaction Documents, each Buyer shall be entitled to pledge the Securities in connection with a bona fide margin account or other loan or financing arrangement secured by the Securities.

h. No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and, to the extent provided in Section 10 hereof, each Indemnitee, but is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

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i. Survival. The representations and warranties of the Company and the Buyers contained in Sections 3 and 4, respectively, the agreements and covenants set forth in Sections 5, 6 and 11, and the indemnification and contribution provisions set forth in Section 10, shall survive the consummation of the transactions contemplated hereby.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. Termination. Notwithstanding anything to the contrary contained herein, in the event that the Closing shall not have occurred with respect to a Buyer on or before the fifth (5th) Business Day following the date of this Agreement due to the Company's or such Buyer's failure to satisfy the conditions set forth in Sections 8 and 9 above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party with respect thereto (and without affecting any other rights or obligations under this Agreement); provided, however, that if this Agreement is terminated pursuant to this Section 11(k), the Company shall be obligated to pay such Buyer (so long as such Buyer is not a breaching party) its transaction fees and reimbursement amounts as set forth in Section 5(h) as if such Buyer had purchased the principal amount of Notes set forth opposite its name on the Schedule of Buyers.

l. Placement Agent. The Company represents and warrants to each Buyers that it has not engaged any placement agent, broker or financial advisor in connection with the issuance and sale of the Notes. The Company shall be responsible for the payment of any fees or commissions of any placement agent or broker relating to or arising out of the transactions contemplated hereby. The Company shall pay, and hold each Buyer harmless against, any liability, loss or expense (including attorneys' fees and out-of-pocket expenses) arising in connection with any claim for any such payment.

m. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

n. Waiver of Subrogation. The Company expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which the Company may now or hereafter have against any Person directly or contingently liable for the Obligations hereunder, or against or with respect to the Company's property (including, without limitation, any property which is collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

o. Remedies. Each Buyer shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies that such Buyer and holders have been granted at any time under any other agreement or contract and all of the rights that such Buyer has under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security or proving actual damages), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law; provided, however such Buyer shall not be liable to the Company or any of the Subsidiaries for consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

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p. Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever such Buyer exercises a right, election, demand or option under a Transaction Document and the Company or any of the Subsidiaries does not timely perform its related obligations within the periods therein provided, then the Buyers may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

q. Payment Set Aside. To the extent that the Company or any of the Subsidiaries makes a payment or payments to the Buyers pursuant to this Agreement, the Notes or any other Transaction Document or any of the Buyers enforces or exercises rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company or any of the Subsidiaries, by a trustee, receiver or any other Person under any law (including any bankruptcy law, state or federal law, common law or equitable cause of action), then, to the extent of any such restoration, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

r. Independent Nature of the Buyers. The obligations of each Buyer are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer hereunder. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder. The decision of each Buyer to acquire the Securities pursuant to this Agreement has been made by each of the Buyers independently of any other Buyer and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company or any of the Subsidiaries which may have been made or given by any other Buyer or by any agent or employee of any other Buyer, and no Buyer or any of its agents or employees shall have any liability to any other Buyer (or any other Person or entity) relating to or arising from any such information, materials, statements or opinions. Nothing contained herein, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated hereby. Each Buyer shall be entitled to independently protect and enforce its rights, including the rights arising out of this Agreement, the Notes and the other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose.

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s. Interpretative Matters. Unless the context otherwise requires, (a) all references to Sections, Schedules or Exhibits are to Sections, Schedules or Exhibits contained in or attached to this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, and (d) the use of the word "including" in this Agreement shall be by way of example rather than limitation.

* * * * * *

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IN WITNESS WHEREOF, the Company and the Buyers have caused this Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By: ______________________________________
Name: Michael J. Pawelek
Title: Chief Executive Officer and President

BUYERS:

____
a ______________________________________

By: ______________________________________
Name:
Title:

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Schedule of Buyers

First Closing - June 10, 2009

#	**Investor**	**SSN#**	**Amount**	Address	**Home Phone**	**Bus Phone**

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EXHIBIT 99.2

THIS AGREEMENT AND THE PAYMENT OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THE INTERCREDITOR AGREEMENT TO THE NOTE DEBT (AS DEFINED IN THE INTERCREDITOR AGREEMENT).

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (the "**Agreement**"), dated as of June 16, 2009, by and among South Texas Oil Company, a Nevada corporation with its principal offices located at 300 E. Sonterra Blvd., Suite 1220, San Antonio, Texas 78258 (the "**Company**"), and each of the investors listed on the Schedule of Buyers attached hereto (each individually, a "**Buyer**," and collectively, the "**Buyers**").

WHEREAS, The Company and each of the Buyers are executing and delivering this Agreement and the securities described herein in reliance upon the exemption from securities registration afforded by Rule 506 of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended (the "**1933 Act**");

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Buyers, as provided herein, and the Buyers, in the aggregate, shall purchase **Seventy Five Thousand Dollars** ($75,000) (the "**Purchase Price**") in principal amount of convertible promissory notes of the Company (the "**Notes**"), convertible into shares of the Company's $0.001 par value common stock ("**Common Stock**") as provided therein, each in the form attached hereto as **Exhibit A**, bearing annual interest of 14%, and share purchase warrants (the "**Warrants**"), each in the form attached hereto as **Exhibit B***,* to purchase shares of Common Stock (the "**Warrant Shares**");

WHEREAS, contemporaneously with the Closing, STO Operating Company and STO Properties, LLC, each a direct or indirect wholly owned subsidiary of the Company (collectively, the "**Applicable Subsidiaries**"), will execute and deliver to the Buyers amendments to those certain Mortgages previously entered into with certain Other Offering Investors (as defined below), each in the form attached as **Exhibit C**, pursuant to which the Applicable Subsidiaries shall grant to the Buyers security interests (the "**Mortgage Amendments**") in certain oil and gas properties in which the Company has an interest, as described therein (the "**Collateral**"), which Collateral will secure the obligations under each of the other Offering Notes (as defined below) on an equivalent basis;

WHEREAS, contemporaneously with the Closing, each of the Applicable Subsidiaries will execute and deliver a Guaranty, in the form attached hereto as **Exhibit D** (as the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Subsidiary Guaranty**," and the guarantees under the Subsidiary Guaranty, the "**Subsidiary Guarantees**"), pursuant to which the Applicable Subsidiaries shall guaranty the Obligations (as defined in the Mortgage Amendments);

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WHEREAS, contemporaneously with the Closing, each of the Buyers, the Company and the Subsidiaries will execute and deliver to the Existing Senior Buyers and the Bridge Buyers (each as defined below) an amendment to that certain Intercreditor Agreement, among the Company, the Subsidiaries, the Existing Senior Buyers, the Bridge Buyers and Other Offering Investors, dated as of June 10, 2009, a copy of which has been provided to each of the Buyers, such amendment to be in substantially the form attached hereto as **Exhibit E** (the "**Intercreditor Agreement Amendment**"), pursuant to which such Intercreditor Agreement will be amended to set forth the respective rights and obligations of the Buyers and (i) the holders (the "**Existing Senior Buyers**") of those certain secured notes, issued on April 1, 2008 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Existing Senior Notes**"), pursuant to that certain Securities Purchase Agreement, dated as of April 1, 2008 (the "**Existing Senior Purchase Agreement**"), among the Company and the investors party thereto, (ii) the holders (the "**Bridge Buyers**") of those certain senior secured notes, issued on September 19, 2008 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Bridge Notes**" and, together with the Existing Senior Notes, the "**Senior Notes**"), pursuant to that certain Securities Purchase Agreement, dated as of September 19, 2008 (the "**Bridge Purchase Agreement**"), among the Company and the investors party thereto, and (iii) the Other Offering Investors;

WHEREAS, contemporaneously with the Closing, the Company, the Subsidiaries and the Buyers will execute and deliver to the Existing Senior Buyers and the Bridge Buyers a June 2009 Waiver and Amendment Agreement (as may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**June 2009 Amendment**"), pursuant to which the Company, the Existing Buyers and the Bridge Buyers will amend the Senior Notes and the Existing Buyers and the Bridge Buyers will permit the issuance of the Securities (as defined below), in each case, subject to and upon terms and conditions more specifically set forth therein.

WHEREAS, the Company and the Buyers acknowledge and agree that, pursuant to one or more securities purchase agreements, each in a form substantially similar to this Agreement, the Company has previously issued and sold, and may contemporaneously or within the next five business days, issue and sell, to other investors (the "**Other Offering Investors**"), notes, each in a form substantially similar to the Notes (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, and together with the Notes, the "**Offering Notes**"), and warrants, each in a form substantially similar to the Warrants (such warrants, together with any securities issued in exchange or substitution therefor or replacement thereof, and as may be amended, supplemented, restated or otherwise modified and in effect from time to time, and together with the Warrants, the "**Offering Warrants**"), provided that the initial aggregate principal amount of all of the Offering Notes shall not exceed $**[5,000,000]**, and the Company and the Buyers further acknowledge and agree that the offer, sale and issuance of all of the Offering Notes and all of the Offering Warrants shall be deemed to be part of one offering.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Buyers and the Company hereby agree as follows:

1. PURCHASE AND SALE OF NOTES; WARRANTS

a. Purchase of Notes. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 8 and 9 below, the Company shall issue and sell to each Buyer, and each Buyer severally agrees to purchase from the Company, a Note in the principal amount set forth opposite such Buyer's name on the Schedule of Buyers (the "**Closing**").

b. Warrants. Contemporaneous with the Closing, the Company shall issue to each Buyer Warrants to purchase a number of shares of Common Stock equal to one share of Common Stock for each One Dollar ($1.00) in principal amount of the Note being purchased by such Buyer at the Closing.

c. The Closing Date. The date and time of the Closing (the "**Closing Date**") shall be 10:00 a.m., Central Time, on the first day other than Saturday, Sunday or any other day on which commercial banks in the city of New York are authorized or required by law to remain closed (a "**Business Day**") following that day on which all conditions to Closing set forth in this Agreement in Sections 8 and 9 are satisfied (or such later or earlier date as is mutually agreed to by the Company and the Buyers).

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d. The Closing shall occur on the Closing Date at the offices of South Texas Oil Company, 300 E. Sonterra Blvd., Suite 1220, San Antonio, Texas 78258, or at such other time, date and place as the Company and the Buyers may collectively designate in writing.

e. Form of Payment. On the Closing Date, (i) each Buyer shall pay the applicable Purchase Price to the Company for the Note and the Warrants to be issued and sold to such Buyer on the Closing Date, by wire transfer of immediately available funds in accordance with the Company's written wire instructions (less any amount deducted and paid in accordance with Section 5(h)), and (ii) the Company shall deliver to each Buyer the Note and the Warrants that such Buyer is purchasing hereunder, duly executed on behalf of the Company and registered in the name of such Buyer or its designee.

2. MORTGAGE AMENDMENTS. As collateral for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Notes, the Company shall cause each of the Applicable Subsidiaries to deliver to each of the Buyers the Mortgage Amendments, each duly and validly executed by each of the Applicable Subsidiaries (as applicable).

3. BUYERS' REPRESENTATIONS AND WARRANTIES

Each Buyer represents and warrants, as of the date hereof and the Closing Date, with respect to only itself, that:

a. Investment Purpose. Such Buyer is acquiring the Notes, the Warrants, any shares of Common Stock issued upon conversion of the Note (the "**Conversion Shares**"), any Warrant Shares issued upon exercise of the Warrants, and the Subsidiary Guarantees (the Note, the Conversion Shares, the Subsidiary Guarantees, the Warrants and the Warrant Shares being collectively referred to as the "**Securities**"), for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under, or exempted from the registration requirements of, the 1933 Act; provided, however, that by making the representations herein, such Buyer does not agree to hold any of the Securities for any minimum period or other specific term and such Buyer reserves the right to dispose of the Securities at any time in accordance with or pursuant to an effective registration statement or an exemption from registration under the 1933 Act.

b. Accredited Investor Status. Such Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D. Such Buyer is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable such Buyer to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. Such Buyer has the authority and is duly and legally qualified to purchase and own the Securities, and is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof.

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c. Reliance on Exemptions. Such Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of the securities laws and that the Company is relying in part upon the truth and accuracy of, and Such Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of such Buyer to acquire the Securities. For purposes hereof, "**securities laws**" means the securities laws, legislation and regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of, the securities regulatory authorities (including the SEC) of the United States and any applicable states and other jurisdictions.

d. Information. Such Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and the Subsidiaries and materials relating to the offer and sale of the Securities that have been requested by such Buyer. Such Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Neither such inquiries nor any other due diligence investigations conducted by such Buyer or its advisors, if any, or its representatives shall modify, amend or affect such Buyer's right to rely on the Company's representations and warranties contained in Section 4 below or contained in any of the other Transaction Documents (as defined below). Such Buyer understands that its investment in the Securities involves a high degree of risk, and such Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities. For purposes hereof, (i) "**Subsidiaries**" means STO Operating Company, STO Drilling Company, STO Properties LLC, Southern Texas Oil Company and all other entities in which the Company, STO Operating Company or Southern Texas Oil Company, directly or indirectly, owns Capital Stock or holds equity or similar interests at the time of this Agreement or at any time hereafter; (ii) "**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing; and (iii) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof or any other legal entity.

e. No Governmental Review. Such Buyer understands that no Governmental Entity has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of an investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities. As used in this Agreement, "**Governmental Entity**" means the government of the United States or any other nation, or any political subdivision thereof, whether state, provincial or local, or any agency (including any self-regulatory agency or organization), authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administration powers or functions of or pertaining to government over the Company or any of the Subsidiaries, or any of their respective properties, assets or undertakings.

f. Transfer or Resale. Such Buyer understands that, (i) the Securities have not been and are not being registered under the 1933 Act or any other securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Buyer shall have delivered to the Company an opinion of counsel, in a generally acceptable form, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Buyer provides the Company with reasonable assurance that such Securities can be, have been or are being sold, assigned or transferred pursuant to Rule 144 promulgated under the 1933 Act, as amended (or a successor rule thereto) ("**Rule 144**"); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144, and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or any other securities laws. Notwithstanding the foregoing, the Securities may be pledged in connection with a bona fide margin account or other loan or financing arrangement secured by the Securities.

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g. Legends. Such Buyer understands that the certificates or other instruments representing the Securities, except as set forth below, shall bear a restrictive legend in the following form (the "**1933 Act Legend**") (and a stop-transfer order may be placed against transfer of such certificates):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Upon the written request to the Company of a holder of a certificate or other instrument representing the Securities, the 1933 Act Legend shall be removed and the Company shall issue a certificate without the 1933 Act Legend to the holder of the Securities upon which it is stamped, if (i) such Securities are registered for resale under the 1933 Act, (ii) in connection with a sale transaction, such holder provides the Company with an opinion of counsel, in a generally acceptable form, to the effect that a public sale, assignment or transfer of the Securities may be made without registration under the 1933 Act, (iii) such holder provides the Company with reasonable assurances that the Securities can then be sold without restriction pursuant to Rule 144 promulgated under the 1933 Act (or a successor rule thereto) without compliance with Rule 144(c), Rule 144(e) or Rule 144(f) (or successors thereto), or (iv) such holder provides the Company reasonable assurances that the Securities have been or are being sold pursuant to Rule 144. The Company shall be responsible for the fees of its transfer agent and all of The Depository Trust Company (the "**DTC**") fees associated with such issuance. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the holders of the Securities. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 3(g) will be inadequate and agrees that, in the event of a breach or threatened breach of this Section 3(g), such holder shall be entitled, in addition to all other available remedies, to an injunctive order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

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h. Authorization; Enforcement; Validity. Such Buyer is a validly existing corporation, partnership or limited liability company, as applicable, and has the requisite corporate, partnership or limited liability company, as applicable, power and authority to purchase the Securities pursuant to this Agreement. Each of this Agreement, the Mortgage Amendments, the Subsidiary Guaranty, the Intercreditor Agreement Amendment and the June 2009 Amendment has been duly and validly authorized, executed and delivered on behalf of such Buyer, and is a valid and binding agreement of such Buyer, enforceable against such Buyer in accordance with its terms. Each of the other agreements and other documents entered into and executed by such Buyer in connection with the transactions contemplated hereby as of the date hereof will have been duly and validly authorized, executed and delivered on behalf of such Buyer as of the date hereof and will constitute valid and binding agreements of such Buyer, enforceable against such Buyer in accordance with their respective terms.

i. Residency and Offices. Such Buyer is a resident of the jurisdiction specified below its address on the Schedule of Buyers.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants, as of the date hereof and the Closing Date, to each of the Buyers, that:

a. Due Incorporation. Each of the Company and the Subsidiaries is a corporation, limited liability company or other entity duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite corporate, limited liability company or other organizational power and authority to own its properties and to carry on its business as presently conducted. Schedule 4(a) sets forth a true and correct list of the Subsidiaries and the jurisdiction in which each is organized or incorporated and sets forth the percentage of the outstanding Capital Stock or other equity interests of each entity that is held by the Company. Other than with respect to the entities listed on Schedule 4(a), the Company does not directly or indirectly own any security or beneficial interest in any other Person (including through joint venture or partnership agreements) or have any interest in any other Person. The Company and each Subsidiary is duly qualified as a foreign corporation, or other entity, as applicable, to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. For purposes hereof, "**Material Adverse Effect**" means any material adverse effect on (a) the condition, operations, assets, business or prospects of the Company, (b) the Company's ability to pay the Obligations in accordance with the terms hereof or any of the Transaction Documents, or (c) the practical realization of the benefits of the Buyers' rights and remedies under this Agreement and the Transaction Documents.

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b. Outstanding Stock. All issued and outstanding shares of Capital Stock of the Company and each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable.

c. Authorization; Enforcement; Validity. Each of the Company and the applicable Subsidiaries has the requisite corporate power and authority to enter into and perform its obligations under each of this Agreement and each of the other agreements to which it is a party or by which it is bound and which is entered into by the parties hereto in connection with the transactions contemplated hereby and thereby (collectively, the "**Transaction Documents**"), and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of the Transaction Documents by the Company and, to the extent applicable, the Subsidiaries and the consummation by the Company and the Subsidiaries of the transactions contemplated hereby and thereby, including the issuance of the Notes, the Warrants and the reservation for issuance and the issuance of any Conversion Shares issuable upon conversion of the Notes and Warrant Shares issuable upon exercise of the Warrants, have been duly authorized by the Company's and each of the Subsidiaries' respective boards of directors and no further consent or authorization is required by the Company or any of the Subsidiaries, or any of their respective boards of directors or shareholders. This Agreement, the Notes, the Warrants, the Conversion Shares, the Warrant Shares and the other Transaction Documents have been duly executed and delivered by the Company and, to the extent applicable, by the Subsidiaries, constitute the valid and binding obligations of each of the Company and the Subsidiaries that are parties thereto, and are enforceable against such parties in accordance with their terms. Any Transaction Documents dated after the date hereof, when delivered, shall have been duly executed and delivered by the Company and, to the extent applicable, by the Subsidiaries, shall constitute the valid and binding obligations of each of the Company and the Subsidiaries that are parties thereto, and shall be enforceable against such parties in accordance with their terms.

d. Additional Issuances. There are no outstanding agreements or preemptive or similar rights affecting the Common Stock or equity and no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, any shares of common stock or equity of the Company, except as set forth on Schedule 4(d) or as described in the Periodic Reports filed prior to the date hereof. For purposes hereof, "**Periodic Report**" shall mean a current report on Form 8-K, a quarterly report on Form 10-QSB or 10-Q or annual report on Form 10-KSB or 10-K.

e. Consents. Except as set forth on Schedule 4(e), no consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company or any of the Subsidiaries, or any of their respective Affiliates, the Principal Market, the Company's shareholders or any of the Subsidiaries' shareholders, is required for the execution by the Company or any Subsidiary of the Transaction Documents or for compliance and performance by the Company or any of the Subsidiaries of its obligations under the Transaction Documents. As used in this Agreement, "**Affiliate**" means, with respect to any Person, a second Person (A) in which the first Person owns a 5% equity interest, or (B) that, directly or indirectly, (i) has a 5% equity interest in such first Person, (ii) has a common ownership with such first Person, (iii) controls such first Person, (iv) is controlled by such first Person or (v) shares or is under common control with such first Person; and "Control" or "controls" means that a Person has the power, direct or indirect, to conduct or govern the policies of another Person.

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f. No Violation or Conflict. Except as set forth on Schedule 4(f), the performance of the obligations of the Company and any of the Subsidiaries under the Transaction Documents do not and will not:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which, with the giving of notice or the lapse of time or both, would be reasonably likely to constitute a default) under (a) the Articles of Incorporation of the Company (the "**Articles of Incorporation**"), the bylaws of the Company (the "**Bylaws**"), or the organizational documents of any Subsidiary, (b) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company or any of the Subsidiaries of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of the Subsidiaries or over the properties or assets of the Company, any of the Subsidiaries or any of their respective Affiliates, including environmental and safety laws, (c) except as set forth in Schedule 4(f), the terms of any bond, debenture, note or any other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company, any of the Subsidiaries or any of their respective Affiliates is a party, by which the Company, any of the Subsidiaries or any of their respective Affiliates is bound, or to which any of the properties of the Company, any of the Subsidiaries or any of their respective Affiliates is subject, or (d) the terms of any "lock-up" or similar provision of any underwriting or similar agreement to which the Company, any of the Subsidiaries or any of their respective Affiliates is a party; or

(ii) except as contemplated hereby, result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company, any of the Subsidiaries or any of their respective Affiliates; or

(iii) result in the acceleration of the due date of any obligation of the Company or any of the Subsidiaries.

Neither the Company nor any of the Subsidiaries is in violation of any term of its certificate or articles of incorporation, certificate or articles of organization, bylaws, operating agreement, partnership agreement or any other governing document, as applicable. Neither the Company nor any of the Subsidiaries is or has been in violation of any term of or in default under (or with the giving of notice or passage of time or both would be in violation of or default under) any contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any Law applicable to the Company or its Subsidiaries, except where such violation or default could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or to result in the acceleration of any Indebtedness (as defined below) or other obligation. The business of the Company and the Subsidiaries has not been and is not being conducted, in violation of any Law of any Governmental Entity except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and each of the Subsidiaries is, and has at all times been, in compliance in all material respects with all Laws relating to employee benefits and employee benefit plans (as such terms are defined in the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")).

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g. The Securities. The Securities, upon issuance:

(i) are and will be, free and clear of any security interests, liens, claims or other encumbrances;

(ii) have been, or will be, duly and validly authorized;

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities or debt of the Company; and

(iv) will not subject the holders thereof to personal liability by reason of being such holders.

h. Litigation. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, that would affect the execution by the Company or any of the Subsidiaries of, or the performance by the Company, or any of the Subsidiaries of their respective obligations under, the Transaction Documents. Except as set forth on Schedule 4(h) or as disclosed in the Periodic Reports filed prior to the date hereof, there is no pending or, to the best knowledge of the Company, basis for or threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, which litigation if adversely determined would have a Material Adverse Effect.

i. Reporting Company. The Company is a publicly-held company, subject to the reporting obligation pursuant to Section 13 and/or 15(d) of the 1934 Act, and has a class of common shares reported pursuant to Section 12(b) of the 1934 Act. Pursuant to the provisions of the 1934 Act, except as set forth on Schedule 4(i), the Company has timely filed all reports and other materials required to be filed thereunder with the SEC during the preceding twelve (12) months.

j. Information Concerning Company. As of their respective dates, Periodic Reports filed by the Company prior to the date this representation is made contained all material information relating to the Company and its operations and financial condition that was required to be disclosed therein. As of their respective dates, the Periodic Reports and other reports, schedules, forms, registration statements and other documents filed by the Company with the SEC prior to the date this representation is made, including the financial statements contained therein, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made. As of their respective dates, the consolidated financial statements of the Company and the Subsidiaries included in the Periodic Reports filed by the Company prior to the date this representation is made complied as to form in all material respects with applicable accounting requirements and the securities laws with respect thereto, such consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("**GAAP**"), consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may have excluded footnotes or may have been condensed or summary statements) and fairly presented in all material respects the financial position of the Company and the Subsidiaries as of the dates thereof and the results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments that were not material individually or in the aggregate). Since the date of the most recent balance sheet included in the Periodic Reports filed prior to the date hereof (the "**Latest Financial Date**"), there has been no Material Adverse Effect relating to the Company's business, financial condition or affairs not disclosed in the Periodic Reports filed prior to the date hereof. The Schedules hereto, individually and in the aggregate, do not contain any material, non-public information with respect to the Company and the Subsidiaries.

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k. Defaults. The Company is not in violation of the Articles of Incorporation or Bylaws and no Subsidiary is in violation of the organizational documents of such Subsidiary. The Company, and each Subsidiary, is (a) not in default under or in violation of any other material agreement or instrument to which it is a party or by which it or any of its properties are bound or affected, which default or violation would have a Material Adverse Effect, (b) not in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters, and (c) to the Company's knowledge, not in violation of any statute, rule or regulation of any governmental authority, which violation would have a Material Adverse Effect.

l. Listing. The Common Stock is currently listed on the NASDAQ Global Market (the "**Principal Market**"; however, if the Common Stock becomes listed on another national securities exchange after the date hereof, the "**Principal Market**" shall mean such exchange) under the symbol "STXX." The Company has not received any oral or written notice that the Common Stock is not eligible, nor that it will become ineligible, for listing on the Principal Market nor that the Common Stock does not meet all requirements for the continuation of such listing. Except as set forth on Schedule 4(l), the Company satisfies all the requirements for the continued listing of the Common Stock on the Principal Market.

m. No Undisclosed Liabilities. The Company has no liabilities or obligations which are material, individually or in the aggregate, (i) that are not disclosed in the Periodic Reports filed prior to the date hereof, other than those incurred in the ordinary course of the Company's businesses since the Latest Financial Date, or (ii) that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

n. No Undisclosed Events or Circumstances. Since the Latest Financial Date, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date this representation is made by the Company, but which has not been so publicly announced or disclosed in the Periodic Reports filed prior to the date hereof.

o. Capitalization. The authorized and outstanding Capital Stock of the Company as of the date this representation is made is set forth in the Periodic Reports filed prior to the date hereof. Except as set forth on Schedule 4(o) or in the Periodic Reports filed prior to the date hereof, there are no options, warrants, or rights to subscribe to, securities, rights or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of Capital Stock of the Company or any of the Subsidiaries. All of the outstanding shares of Common Stock have been duly and validly authorized and issued and are fully paid and nonassessable.

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p. No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company, including but not limited to disputes or conflicts over payment owed to such accountants and lawyers, nor have there been any such disagreements during the two years prior to the date this representation is made.

q. DTC Status. The Company's transfer agent is a participant in, and the Common Stock is eligible for transfer pursuant to, the DTC's Fast Automated Securities Transfer Program.

r. Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

s. No General Solicitation. Neither the Company, nor any Person acting on the behalf of any of the Company, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D), including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or internet or any seminar or meeting whose attendees have been invited by general solicitation or general advertising, in connection with the offer or sale of the Securities.

t. No Integrated Offering. None of the Company, any Subsidiary, or any Person acting on the behalf of any of the foregoing, has, directly or indirectly, made any offers or sales of any security, or solicited any offers to purchase any security, under circumstances that would require registration of any of the Securities under the 1933 Act, nor will the Company, any Subsidiary or any Person acting on behalf of any of the foregoing, take any action or steps that would require registration of the issuance of any of the Securities under the 1933 Act. The issuance by the Company and the Subsidiaries of the Securities is exempt from registration under the 1933 Act and applicable state securities laws.

u. Tax Status. Except as set forth on Schedule 4(u), the Company and each of the Subsidiaries (i) has made or filed all material federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all material taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and for which the Company has made appropriate reserves on its books, and (iii) has set aside on its books provisions reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations (referred to in clause (i) above) apply. There are no material unpaid taxes claimed in writing to be due from the Company or any of its Subsidiaries by the taxing authority of any jurisdiction. Neither the Company nor any of the Subsidiaries is, or after giving effect to the purchases and the other transactions contemplated by this Agreement and the other Transaction Documents will be, a "United States real property holding corporation" ("**USRPHC**") as that term is defined in Section 897(c)(2) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

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v. Outstanding Indebtedness; Liens. Payments of principal and other payments due under the outstanding Notes will rank senior to all Indebtedness of the Company outstanding as of the Closing Date (other than the obligations evidenced by the Diversity Note, which will rank senior to the Notes, the obligations evidenced by the Senior Notes, which will rank senior to the Notes, and the obligations evidenced by each of the other outstanding Offering Notes, which will be *pari passu* with the Notes), and the obligations of the Applicable Subsidiaries under the Subsidiary Guaranty will at all times rank senior to all other Indebtedness of the Subsidiaries as of the Closing Date (other than the obligations of the Subsidiaries under the Bridge Guaranty (as defined in the Bridge Purchase Agreement) with respect to Indebtedness under the Bridge Notes, the Subsidiary Guaranty (as defined in the Existing Senior Purchase Agreement), with respect to Indebtedness under the Existing Senior Notes, which will rank senior to the Subsidiary Guaranty, and the obligations of the Applicable Subsidiaries under the other executed Subsidiary Guaranties with respect to Indebtedness under the other outstanding Offering Notes, which will be *pari passu* with the Subsidiary Guaranty) and, by virtue of the secured position of the Subsidiary Guarantees and to the extent of the Collateral, to all trade account payables of any of the Subsidiaries. Payments of principal and other payments due under the outstanding Notes will be *pari passu* with those due under all other Offering Notes outstanding as of the Closing Date or thereafter, and the obligations of the Applicable Subsidiaries under the Subsidiary Guaranty will be *pari passu* with the obligations of the Applicable Subsidiaries under any other Subsidiary Guaranties with respect to the Indebtedness under the other Offering Notes outstanding as of the Closing Date or thereafter. Except as set forth on Schedule 4(v), neither the Company nor any of the Subsidiaries has any, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents will not have any, outstanding Indebtedness as of the Closing Date, except for the obligations evidenced by the Notes, the other Offering Notes outstanding as of the Closing Date, the Bridge Notes, the Existing Senior Notes, the Diversity Note and for the Leexus Additional Consideration Obligation and the Leexus Settlement Obligation. There are no, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents there will not be any, Liens on any of the assets of the Company or the Subsidiaries, except for Permitted Liens (as defined below). There are no, and upon consummation of the transactions contemplated hereby and by the other Transaction Documents there will not be any, financing statements securing obligations of any amounts filed against the Company or any of the Subsidiaries or any of their respective assets, other than pursuant to the Bridge Security Agreement (as defined in the Bridge Purchase Agreement) and the Amended and Restated Security Agreement (as defined in the Existing Senior Security Agreement). For purposes hereof, "**Indebtedness**" of any Person means, without duplication: (i) all indebtedness for borrowed money; (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than unsecured account trade payables that are (A) entered into or incurred in the ordinary course of the Company's and the Subsidiaries' business, including those that arise under standard industry joint operating agreements, (B) on terms that require full payment within ninety (90) days from the date entered into or incurred and (C) not unpaid in excess of ninety (90) days from the date entered into or incurred, or are being contested in good faith and as to which such reserve as is required by GAAP has been made); (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments; (iv) all obligations evidenced by notes, bonds, debentures, redeemable capital stock or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller, bank or other financing source under such agreement in the event of default are limited to repossession or sale of such property); (vi) all Capital Lease Obligations; (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person that owns such assets or property has not assumed or become liable for the payment of such indebtedness; and (viii) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) above; "**Capital Lease Obligation**" means, as to any Person, any obligation that is required to be classified and accounted for as a capital lease on a balance sheet of such Person prepared in accordance with GAAP; "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any indebtedness, lease, dividend or other obligation of another Person if a primary purpose or intent of the Person incurring such liability, or a primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; "**Diversity Note**" means that certain Promissory Note, dated September 24, 2007, in the principal amount of $1,500,000 (as in effect on the date of its original issuance, without any waiver, amendment, supplement, restatement or other modification thereof after such date), issued by the Company to Diversity Petroleum, L.P. ("**Diversity**"), pursuant to that certain Purchase and Sale Agreement, dated as of September 25, 2007, among STO Properties LLC ("**STO**"), a Texas limited liability company and wholly-owned subsidiary of the Company, Diversity and the other parties thereto (collectively with Diversity, the "**Sellers**"), whereby STO purchased certain assets of the Sellers; "**Diversity Security Interest**" means the first priority security interest granted by STO in favor of the Sellers, pursuant to that certain Deed of Trust, Security Agreement and UCC Financing Statement for Fixture Filing, dated September 25, 2007, between STO and Charles D. Perez, as Trustee for the benefit of the Sellers, in STO's right title, interest, privileges and options in the real property subject to the leases set forth on Exhibit B to the Deed of Trust, as security for the performance by STO of its obligations under the Diversity Note (as such security interest was in effect on the date of its grant, without any waiver, amendment, supplement, restatement or other modification thereof after such date); "**Leexus Additional Consideration Obligation**" means the Company's obligation under that certain Agreement and Plan of Merger, dated as of March 7, 2007 (the "**Leexus Merger Agreement**"), by and among the Company, Leexus Operating Company, Leexus Properties Corp. ("**Leexus**") and the shareholders of Leexus (the "**Leexus Shareholders**") (as such agreement was in effect on the original date thereof, without any waiver, amendment, supplement, restatement or other modification after such date other than as set forth in the Leexus Settlement Agreement (as defined below)), to pay Additional Consideration (as defined in the Leexus Merger Agreement) to William Zeltwanger an aggregate of $1,333,334 and deliver up to

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666,667 shares of Common Stock pursuant to, and subject to the terms and conditions set forth in, Section IV of the Leexus Merger Agreement; "**Leexus Settlement Obligation**" means the Company's obligation under that certain Settlement Agreement, dated as of May 15, 2008 (the "**Leexus Settlement Agreement**"), by and among the Company, STO Operating, Murray Conradie, Leexus Oil & Gas, LLP, and certain of the Leexus Shareholders (the "**Leexus Settlement Shareholders**") (as such agreement was in effect on the original date thereof, without any waiver, amendment, supplement, restatement or other modification after such date), to pay up to an aggregate amount of $2,000,000 to the Leexus Settlement Shareholders pursuant to, and subject to the terms and conditions set forth in, Section 6 of the Leexus Settlement Agreement; and "**Lien**" means, with respect to any asset or property, any mortgage, lien, pledge, hypothecation, charge, security interest, encumbrance or adverse claim of any kind and any restrictive covenant, condition, restriction or exception of any kind that has the practical effect of creating a mortgage, lien, pledge, hypothecation, charge, security interest, encumbrance or adverse claim of any kind (including (i) any of the foregoing created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor with respect to a Capital Lease Obligation, or any financing lease having substantially the same economic effect as any of the foregoing, and (ii) any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of free and clear ownership by a current holder).

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w. Shell Company Status. The Company is not on the date this representation is made, and at no time since its incorporation in the State of Nevada has been, a "shell company" (as defined in Rule 12b-2 under the 1934 Act).

x. Environmental Laws. The Company (i) is in material compliance with any and all Environmental Laws (as defined below), (ii) has received all material permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business and (iii) is in compliance with all material terms and conditions of any such permit, license or approval. The term "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

y. Title to Personal Property. The Company has good and valid title to all personal property owned by it that is material to the business of the Company, in each case free and clear of all Liens. Except as set forth on Schedule 4(z), the Company does not own (rather than lease) any interest in any real property.

z. Real Property. Schedule 4(z) contains a complete and correct list of all the real property; leasehold interests; fee interests; oil, gas and other mineral drilling, exploration and development rights; royalty, overriding royalty, and other payments out of or pursuant to production; other rights in and to oil, gas and other minerals, including contractual rights to production, concessions, net profits interests, working interests and participation interests; any other contractual rights for the acquisition or earning of any of such interests in the real property; facilities; fixtures; equipment that (i) are leased or otherwise owned or possessed by the Company or any of the Subsidiaries, (ii) in connection with which the Company or any of the Subsidiaries has entered into an option agreement, participation agreement or acquisition and drilling agreement or (iii) the Company or any of the Subsidiaries has agreed to lease or otherwise acquire or may be obligated to lease or otherwise acquire in connection with the conduct of its business (collectively, including any of the foregoing acquired after the date of this Agreement, the "**Real Property**"), which list identifies all of the Real Property and specifies which of the Company or the Subsidiaries leases, owns or possesses each of the Real Properties or will do so upon consummation of the Purchases. Schedule 4(z) also contains a complete and correct list of all leases and other agreements with respect to which the Company or any of the Subsidiaries is a party or otherwise bound or affected with respect to the Real Property, except easements, rights of way, access agreements, surface damage agreements, surface use agreements or similar agreements that pertain to Real Property that is contained wholly within the boundaries of any owned or leased Real Property otherwise described on Schedule 4(z) (the "**Real Property Leases**"). Except as set forth in Schedule 4(z), the Company or one of the Subsidiaries is the legal and equitable owner of a leasehold interest in all of the Real Property, and possesses good, marketable and defensible title thereto, free and clear of all Liens (other than Permitted Liens) and other matters affecting title to such leasehold that could impair the ability of the Company or the Subsidiaries to realize the benefits of the rights provided to any of them under the Real Property Leases. Except as set forth in Schedule 4(z), all of the Real Property Leases are valid and in full force and effect and are enforceable against all parties thereto. Except as set forth in Schedule 4(z), neither the Company nor any of the Subsidiaries nor, to the Company's knowledge, any other party thereto is in default in any material respect under any of such Real Property Leases and no event has occurred which with the giving of notice or the passage of time or both could constitute a default under, or otherwise give any party the right to terminate, any of such Real Property Leases, or could adversely affect the Company's or any of the Subsidiaries' interest in and title to the Real Property subject to any of such Real Property Leases. No Real Property Lease is subject to termination, modification or acceleration as a result of the transactions contemplated hereby or by the other Transaction Agreements. Except as set forth in Schedule 4(z), all of the Real Property Leases will remain in full force and effect upon, and permit, the consummation of the transactions contemplated hereby (including the granting of leasehold mortgages). The Real Property is permitted for its present uses under applicable zoning laws, are permitted conforming structures and complies with all applicable building codes, ordinances and other similar Laws. Except as set forth on Schedule 4(z), there are no pending or threatened condemnation, eminent domain or similar proceedings, or litigation or other proceedings affecting the Real Property, or any portion or portions thereof. Except as set forth on Schedule 4(z), there are no pending or threatened requests, applications or proceedings to alter or restrict any zoning or other use restrictions applicable to the Real Property that would interfere with the conduct of the Company's or any of the Subsidiaries' businesses as conducted or proposed to be conducted proposed to be conducted at the time this representation is made. Except as set forth on Schedule 4(z), there are no restrictions applicable to the Real Property that would interfere with the Company's or any Subsidiary's making an assignment or granting of a leasehold or other mortgage to the Buyers as contemplated by the Mortgage Amendments, including any requirement under any Real Property Leases requiring the consent of, or notice to, any lessor of any such Real Property.

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aa. Insurance. The Company is insured against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company is engaged.

bb. Transactions With Affiliates. Except as set forth in Schedule 4(bb), no Related Party, nor any of their respective Affiliates, is presently a party to any transaction, contract, agreement, instrument, commitment, understanding or other arrangement or relationship with the Company (other than directly for services as an employee, officer and/or director), whether for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments or consideration to or from any such Related Party. Except as set forth on Schedule 4(bb), no Related Party of the Company or any of its Affiliates, has any direct or indirect ownership interest in any Person (other than ownership of less than one percent (1%) of the outstanding common stock of a publicly traded corporation) in which the Company has any direct or indirect ownership interest or with which the Company competes or has a business relationship. For purposes hereof, "**Related Party**" means the Company's or any Subsidiary's officers, directors, Persons who were officers or directors at any time during the previous two (2) years, stockholders, or Affiliates of the Company or any of the Subsidiaries, or with any individual related by blood, marriage or adoption to any such individual or with any entity in which any such entity or individual owns a beneficial interest.

5. AFFIRMATIVE COVENANTS.

a. Reasonable Best Efforts. Each party shall use its reasonable best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Sections 8 and 9 of this Agreement.

b. Form D and Blue Sky. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyers promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

c. Reporting Status. Until the first date on which none of the Buyers holds any of the Notes (the "**Reporting Period**"), the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act, even if the securities laws would otherwise permit such termination.

d. Use of Proceeds. The Company will use the proceeds from the sale of the Notes and the Warrants and from the exercise of the Warrants for general working capital needs and to fund potential acquisitions.

e. Financial Information of the Company. The Company agrees to send the following to each Buyer during the Reporting Period (i) unless the following are filed with the SEC through the SEC's EDGAR system, or successor thereto ("**EDGAR**"), and are immediately available to the public through EDGAR, within one (1) Business Day after the filing thereof with the SEC, a copy of each of its Periodic Reports, Current Reports on Form 8-K, registration statements (other than on Form S-8) and amendments and supplements to each of the foregoing, (ii) unless immediately available through Bloomberg Financial Markets (or any successor thereto), facsimile copies of all press releases issued by the Company or any of the Subsidiaries, contemporaneously with the issuance thereof, and (iii) copies of any notices and other information made available or given to the shareholders of the Company generally, contemporaneously with making available or giving same to the shareholders.

f. Internal Accounting Controls. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to (i) at all times keep books, records and accounts with respect to all of such Person's business activities, in accordance with sound accounting practices and GAAP consistently applied, (ii) maintain a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorizations, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset and liability accountability, (C) access to assets or incurrence of liability is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any differences, (iii) timely file and make publicly available on EDGAR, all certifications and statements required by (M) Rule 13a-14 or Rule 15d-14 under the 1934 Act and (N) Section 906 of Sarbanes Oxley, (iv) maintain disclosure controls and procedures, as required by Rule 13a-15 or Rule 15d-15 under the 1934 Act, designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files with or submits to the SEC (X) is recorded, processed, summarized and reported accurately within the time periods specified in the SEC's rules and forms and (Y) is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, as appropriate to allow timely decisions regarding required disclosure, and (v) maintain internal control over financial reporting, as required by Rule 13a-14 or Rule 15d-14 under the 1934 Act.

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g. Listing. The Company shall take all actions necessary to cause the Common Stock to remain listed on the Principal Market during the Reporting Period. The Company shall not, and shall cause each of the Subsidiaries not to, take any action that would be reasonably expected to result in the delisting or suspension or termination of trading of the Common Stock on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 5(g).

h. Expenses. At the Closing, the Company shall promptly reimburse each Buyer for all of its reasonable out-of-pocket fees, costs and expenses incurred thereby in connection with this Agreement and the transaction contemplated hereby, including travel costs and all other expenses relating to negotiating the Transaction Documents and consummating the transactions contemplated thereby, up to an aggregate maximum amount of $25,000.00 (the **"Transaction Fees"**). The aggregate amount payable to each Buyer pursuant to the preceding sentence at the Closing shall be withheld as an off-set by such Buyer from the Purchase Price to be paid by such Buyer at the Closing.

i. Disclosure of Transactions and Other Material Information.

(i) The Company shall not later than 5:30 p.m. (Eastern Time) on the fourth (4th) Business Day following the execution and delivery of this Agreement, the Company shall file a Form 8-K with the SEC (the "**Announcing Form 8-K**"). The Announcing Form 8-K (A) shall describe the terms of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, (B) shall include, as exhibits to such Form 8-K, this Agreement (excluding the schedules hereto), a form of the Notes, a form of the Warrants, the Subsidiary Guaranty, the Intercreditor Agreement Amendment, the June 2009 Amendment and a form of the Mortgage Amendments, and (C) shall include any other information required to be disclosed therein pursuant to any securities Laws or other Laws. As used in this Agreement, "**Laws**" means all present or future federal, state local or foreign laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Entity.

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(ii) Subject to the agreements and covenants set forth in this Section 5(i), the Company shall not issue any press releases or any other public statements with respect to the transactions contemplated hereby or disclosing the name of any Buyer, without prior approval of any such Buyer; provided, however, that the Company shall be entitled, without the prior approval of any such Buyer, to make any press release or other public disclosure with respect to such transactions (A) in substantial conformity with the Announcing Form 8-K and contemporaneously therewith and (B) as is required by applicable Law, including as is required by Form 8-K or any successor form thereto (provided that such Buyer shall be consulted by the Company in connection with any such press release or other public disclosure prior to its release and shall be provided with a copy thereof upon request).

(iii) The Company represents, warrants and covenants to the Buyers that, from and after the filing of the Announcing Form 8-K with the SEC (subject to Section 5(m)), no Buyer shall be in possession of any material nonpublic information received from the Company, any of the Subsidiaries or any of their respective officers, directors, employees or agents. Notwithstanding any provision herein to the contrary, the Company shall not, and shall cause each of the Subsidiaries and its and each of their respective officers, directors, employees and agents not to, provide any Buyer with any material nonpublic information regarding the Company or any of the Subsidiaries from and after the filing of the Announcing Form 8-K with the SEC, without the express prior written consent of the Buyers. In the event of a breach of the foregoing covenant by the Company, any of the Subsidiaries, or any of its or their respective officers, directors, employees and agents, in addition to any other remedy provided herein or in the Transaction Documents, the Buyers shall have the right to make a public disclosure in the form of a press release, public advertisement or otherwise, of such material nonpublic information without the prior approval by the Company, the Subsidiaries, or any of its or their respective officers, directors, employees or agents. The Buyers shall not have any liability to the Company, any of the Subsidiaries or any of its or their respective officers, directors, employees, shareholders or agents for any such disclosure. Notwithstanding anything to the contrary herein, in the event that the Company believes that a notice or communication to any Buyer contains material, nonpublic information relating to the Company or any of the Subsidiaries, the Company shall so indicate to the Buyers contemporaneously with delivery of such notice or communication, and such indication shall provide the Buyers the means to refuse to receive such notice or communication; and in the absence of any such indication, the holders of the Securities shall be allowed to presume that all matters relating to such notice or communication do not constitute material, nonpublic information relating to the Company or any of the Subsidiaries. Upon receipt or delivery by the Company or any of the Subsidiaries of any notice in accordance with the terms of the Transaction Documents, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or the Subsidiaries, the Company shall within one Business Day after any such receipt or delivery publicly disclose such material, nonpublic information.

j. Pledge of Securities. The Company acknowledges and agrees that the Securities of the Buyers may be pledged by any Buyer or its transferees (each, including each of the Buyers, an "**Investor**") in connection with a bona fide margin agreement or other loan secured by the Securities. The pledge of the Securities shall not be deemed to be a transfer, sale or assignment of the Securities hereunder, and no Investor effecting any such pledge of Securities shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document, including Section 3(f) of this Agreement. The Company hereby agrees to execute and deliver such documentation as a pledgee of the Securities may reasonably request in connection with a pledge of the Securities to such pledgee by an Investor.

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k. Notices. During the Reporting Period:

(i) Collateral. Promptly (but in no event less than ten (10) days prior to the occurrence thereof) notify each Buyer of any change in the location of the Company's books, records and accounts (or copies thereof) with respect to the operation or production of the Collateral.

(ii) Names and Trade Names. Notify each Buyer in writing (i) at least thirty (30) days in advance of any change in the Company's legal name and (ii) within ten (10) days of the change of the use of any trade name, assumed name, fictitious name or division name not previously disclosed to the Buyers in writing.

(iii) Environmental Matters. Immediately notify each Buyer upon becoming aware of any investigation, proceeding, complaint, order, directive, claim, citation or notice with respect to any non-compliance with or violation of the requirements of any Environmental Law by the Company or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials in violation of the requirements of any Environmental Law or any other environmental, health or safety matter which affects the Company or its business operations or assets or any properties at which the Company has transported, stored or disposed of any Hazardous Materials, unless the foregoing could not reasonably be expected to have a Material Adverse Effect.

(iv) Default; Material Adverse Effect. Promptly advise each Buyer of any material adverse change in the business, property, assets, operations or financial condition of the Company, any other Material Adverse Effect, or the occurrence of any Event of Default or the occurrence of any event which, if uncured, will become an Event of Default after notice or lapse of time (or both).

All of the foregoing notices shall be provided by the Company or the applicable Subsidiary to each Buyer in writing.

l. Compliance with Laws and Maintenance of Permits. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to, maintain all governmental consents, franchises, certificates, licenses, authorizations, approvals and permits, the lack of which would reasonably be expected to have a Material Adverse Effect and to remain in compliance with all Laws (including Environmental Laws and Laws relating to taxes, employer and employee contributions and similar items, securities, ERISA or employee health and safety) the failure with which to comply would have a Material Adverse Effect.

m. Inspection and Audits. During the Reporting Period and subject to each Buyer's execution of a confidentiality agreement reasonably acceptable to the Company with respect to the information provided pursuant to Sections 5(m)(i) and 5(m)(ii) hereto, which execution shall constitute a waiver, with respect to any material non-public information regarding the Company and the Subsidiaries provided to such Buyer directly in response to such Buyer's request hereunder, of the restriction herein on the Company's disclosure to such Buyer of material nonpublic information:

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(i) The Company shall, and shall cause each of the Subsidiaries to, permit each Buyer (and each Buyer's designees), at such Buyer's own expense, to call at the places of business of the Company and of each of the Subsidiaries at any reasonable times, and, upon reasonable advance notice, to inspect, examine and audit the Collateral and to inspect, audit, check and make extracts from the Company's books, records, journals, orders, receipts and any correspondence and other data relating to the Collateral or any transactions between the parties hereto, and each Buyer (and each Buyer's designees) shall have the right to make such verification concerning the Collateral as such Buyer may consider reasonable under the circumstances; and

(ii) Notwithstanding anything to the contrary herein, upon written request to the Company by any Buyer, the Company shall promptly provide such Buyer (or its designee) with any financial, operating or other type of information requested by such Buyer to the extent that it is reasonably available or can be developed without significant effort or expense to the Company.

n. Insurance. During the Reporting Period, for the benefit of the Buyers, the Company shall, and the Company shall cause each of the Subsidiaries to:

(i) Keep the Collateral properly maintained and insured for the full insurable value thereof against loss or damage by fire, theft, explosion, and such other risks with companies that regularly insure companies engaged in businesses similar to that of the Company, such coverage and the premiums payable in respect thereof to be acceptable in scope and amount to the Buyers. Original (or certified) copies of such policies of insurance shall be, no later than ten (10) Business Days after the date hereof, delivered to the Buyers, together with evidence of payment of all premiums therefor, and shall contain an endorsement, in form and substance reasonably acceptable to the Buyers, showing loss under such insurance policies payable to the Buyers. Such endorsement, or an independent instrument furnished to the Buyers, shall provide that the insurance company shall give the Buyers at least thirty (30) days' prior written notice before any such policy of insurance is altered or canceled and that no act, whether willful or negligent, or default of the Company or the applicable Subsidiary shall affect the right of the Buyers to recover under such policy of insurance in case of loss or damage. In addition, the Company or the applicable Subsidiary shall cause to be executed and delivered to the Buyers an assignment of proceeds of its business interruption insurance policies (if any).

(ii) Maintain, at its expense, such public liability and third party property damage insurance with companies that regularly insure entities engaged in businesses similar to that of the Company, such coverage and the premiums payable in respect thereof to be acceptable in scope and amount to the Buyers. Original (or certified) copies of such policies have been or shall be, no later than ten (10) Business Days after the date hereof, delivered to the Buyers, together with evidence of payment of all premiums therefor; each such policy shall contain an endorsement showing the Buyers as an additional insured thereunder and providing that the insurance company shall give the Buyers at least thirty (30) days written notice before any such policy shall be altered or canceled.

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o. Collateral. During the Reporting Period, the Company shall, and shall cause the Subsidiaries to, maintain the Collateral in good condition, repair and order and shall make all necessary repairs to the Collateral and substitutions therefor so that the operating efficiency and the value thereof shall at all times be preserved and maintained, subject to normal wear and tear after the date hereof.

p. Taxes. During the Reporting Period, the Company shall, and the Company shall cause each of the Subsidiaries to, file all required tax returns and pay all of its taxes (including taxes imposed by federal, state or municipal agencies) when due, subject to any extensions granted by the applicable taxing authority, and shall cause any Liens for taxes to be promptly released; provided, however, that the Company shall have the right to contest the payment of any such taxes in good faith by appropriate proceedings so long as (i) the amount so contested is shown on the Company's financial statements; (ii) the contesting of any such payment does not give rise to a Lien for taxes, other than Permitted Liens set forth in clause (ii) of the definition thereof set forth in Section 5(t).

q. Intellectual Property. During the Reporting Period, the Company shall, and shall cause each of the Subsidiaries to, maintain adequate licenses, patents, patent applications, copyrights, service marks and trademarks to continue its business as presently proposed to be conducted by it (including as described to the Buyers prior to the date hereof) or as hereafter conducted by it, unless the failure to maintain any of the foregoing would not reasonably be expected to have a Material Adverse Effect.

r. Patriot Act, Investor Secrecy Act and Office of Foreign Assets Control. As required by federal law and the Buyers' policies and practices, the Buyers may need to obtain, verify and record certain customer identification information and documentation in connection with opening or maintaining accounts, or establishing or continuing to provide services, and, from the date of this Agreement until the end of the Reporting Period, the Company agrees to, and shall cause each of the Subsidiaries to, provide such information.

s. Security Covenants. During the Reporting Period, the Company shall, and the Company shall cause each of the Subsidiaries to, at its own respective cost and expense, cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as may from time to time be necessary or as any Buyer may from time to time request in order to carry out the intent and purposes of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, including all such actions to establish, create, preserve, protect and perfect the security interest for the benefit of the Buyers in the Collateral (including Collateral that may be substituted for the Collateral existing upon the execution of this Agreement or after the date hereof), subject to the Intercreditor Agreement Amendment. For purposes hereof, "**Permitted Lien**" means: (i) Liens created by the Mortgage Amendments; (ii) Liens for taxes or other governmental charges not at the time due and payable, or which are being contested in good faith by appropriate proceedings diligently prosecuted, so long as foreclosure, distraint, sale or other similar proceedings have not been initiated, and in each case for which the Company and the Subsidiaries maintain adequate reserves in accordance with GAAP in respect of such taxes and charges; (iii) Liens arising in the ordinary course of business in favor of carriers, warehousemen, mechanics and materialmen, or other similar Liens imposed by law, which remain payable without penalty or which are being contested in good faith by appropriate proceedings diligently prosecuted, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto, and in each case for which adequate reserves in accordance with GAAP are being maintained; (iv) Liens arising in the ordinary course of business in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA); (v) attachments, appeal bonds (and cash collateral securing such bonds), judgments and other similar Liens, for sums not exceeding $250,000 in the aggregate for the Company and the Subsidiaries, arising in connection with court proceedings, provided that the execution or other enforcement of such Liens is effectively stayed; (vi) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens arising in the ordinary course of business and not materially detracting from the value of the property subject thereto and not interfering in any material respect with the ordinary conduct of the business of the Company or any of the Subsidiaries; (vii) 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 of Governors of the U.S. Federal Reserve System and that no such deposit account is intended by the Company or any of the Subsidiaries to provide collateral to the depository institution; (viii) Liens granted in favor of the "secured party" for the benefit of the Existing Senior Buyers pursuant to the Existing Senior Purchase Agreement and the documents and instruments expressly contemplated thereby and entered into in connection therewith; (ix) Liens granted in favor of the "secured party" for the benefit of the Bridge Buyers pursuant to the Bridge Purchase Agreement and the documents and instruments expressly contemplated thereby and entered into in connection therewith; (x) the Diversity Security Interest (but only for so long as the Diversity Note remains outstanding); and (xi) Liens consisting of cash collateral securing the Company's and the Subsidiaries' reimbursement obligations under letters of credit issued for the account of the Company or any of the Subsidiaries in the ordinary course of their business for the purpose of securing performance obligations of the Company or any other of the Subsidiaries or for the purpose of satisfying federal, state and/or local legal requirements for owning and operating oil and gas properties, so long as the aggregate face amount of such letters of credit does not exceed $500,000 at any one time; provided that the aggregate amount of cash collateral securing such Indebtedness does not exceed the undrawn face amount outstanding at any one time.

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t. Public Information. With a view to making available to the holders of the Securities the benefits of Rule 144, the Company agrees to, during the Reporting Period, (A) make and keep public information available, as those terms are understood and defined in Rule 144; (B) file with the SEC in a timely manner all reports and other documents required of the Company under the 1934 Act; and (C) furnish to each holder of Securities so long as such holder of Securities owns Securities, promptly upon request, (1) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144 and the 1934 Act, (2) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company if such reports are not publicly available via EDGAR, and (3) such other information as may be reasonably requested to permit the holders of Securities to sell such Securities pursuant to Rule 144 without registration.

u. Stop Orders. The Company will advise each of the Buyers within one Business Day after it receives notice of issuance by the SEC, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

v. Market Regulations. The Company shall notify the SEC, the Principal Market and applicable state authorities, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable Law for the legal and valid issuance of the Securities to the Buyers and promptly provide copies thereof to the Buyers.

w. Registration Rights. The holders of the Notes and Warrants shall have “piggy-back” registration rights, as follows:

(i) Whenever the Company proposes to register any of its securities under the 1933 Act in connection with a public offering of such securities for cash pursuant to Rule 415 under the 1933 Act (other than a registration relating solely to the sale of securities to participants in a stock incentive plan of the Company, in their capacity as such) and the registration form to be used may be used for the registration of Registrable Securities (as defined below) (a “**Piggyback Registration**”), the Company will give prompt written notice, which notice shall describe the offering contemplated thereby, to all holders of the Securities of its intention to effect such a registration and will include in such registration all Registrable Securities held by any holders of the Securities with respect to which the Company has received written requests for inclusion within ten (10) days after the delivery of the Company’s notice, all on the terms applicable to other holders of securities included in such Piggyback Registration. For purposes hereof, “**Registrable Securities**” means (A) the Conversion Shares issued or issuable upon conversion of the Notes (including any principal thereof or interest thereon), (B) the Warrant Shares issued or issuable upon exercise of the Warrants and (C) any shares of capital stock issued or issuable with respect to the Conversion Shares, the Notes, the Warrant Shares and the Warrants as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitations on conversions of Notes or exercises of Warrants; provided, however, that any such Registrable Securities shall cease to be Registrable Securities when (I) a registration statement with respect to the sale of such securities becomes effective under the 1933 Act and such securities are disposed of in accordance with such registration statement, (II) such securities are sold in accordance with Rule 144 or (III) such securities become transferable without any restrictions in accordance with Rule 144(k) (or any successor provision).

(ii) Notwithstanding anything to the contrary contained in Section 5(w)(i) above, the amount of Registrable Securities required to be included in the Piggyback Registration Statement, shall, in the aggregate, be not more than the maximum number of shares of Common Stock which may be included in a single registration statement without exceeding registration limitations imposed by the SEC pursuant to Rule 415 of the 1933 Act.

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6. NEGATIVE COVENANTS.

a. Prohibition Against Variable Priced Securities. From the date of this Agreement until the end of the Reporting Period, the Company shall not in any manner issue or sell any Options (as defined below) or Convertible Securities (as defined below) that are convertible into or exchangeable or exercisable for shares of Common Stock at a price that varies or may vary with the market price of the Common Stock, including by way of one or more resets to a fixed price, whether or not based on a formulation of the then current market price of the Common Stock. For purposes of this Agreement, "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exchangeable or exercisable for Common Stock and "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

b. Status. From the date of this Agreement until the end of the Reporting Period, the Company shall not, nor will it permit any of the Subsidiaries to, become a U.S. Real Property Holding Corporation (USRPHC); and upon any Buyer's request, the Company shall inform such Buyer whether any of the Securities then held by such Buyer constitute a U.S. real property interest pursuant to Treasury Regulation Section 1.897-2(h) without regard to Treasury Regulation Section 1.897-2(h)(3).

c. Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive it from paying all or any portion of any principal of, or interest or premium on, any of the Notes as contemplated herein or therein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of any of the Transaction Documents; and the Company (to the extent it may lawfully do so), on behalf of itself and the Subsidiaries, hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Buyers, but will suffer and permit the execution of every such power as though no such law has been enacted. Notwithstanding the foregoing, the obligations of the Company hereunder shall be subject to the limitation that payments of Interest (as defined in the Notes) on any Note shall not be required, for any period for which Interest is computed thereon, to the extent (but only to the extent) that contracting for or receiving such payment by the Buyer holding such Note would be contrary to the provisions of any law applicable to such Buyer, and in such event the Company shall pay such Buyer Interest at the highest rate permitted by applicable law ("**Maximum Lawful Rate**"); provided, however, that if at any time thereafter the rate of Interest payable under such Note is less than the Maximum Lawful Rate, Company shall continue to pay Interest thereon at the Maximum Lawful Rate until such time as the total Interest received by such Buyer is equal to the total Interest that would have been received by such Buyer had the Interest payable on such Note been (but for the operation of this paragraph) the Interest rate payable since the date hereof as otherwise provided in such Note.

d. No Avoidance of Obligations. During the Reporting Period, the Company shall not, and shall cause each of the Subsidiaries not to, enter into any agreement which would limit or restrict the Company's or any of the Subsidiaries' ability to perform under, or take any other voluntary action to avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it under, this Agreement, the Notes or the other Transaction Documents.

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e. No Integrated Offering. Neither the Company nor any of the Subsidiaries, nor any Affiliates of the foregoing or any Person acting on the behalf of any of the foregoing, shall, directly or indirectly, make any offers or sales of any security or solicit any offers to purchase any security, under any circumstances that would require registration of any of the Securities under the 1933 Act or require approval of the offering of the Securities by the stockholders of the Company under the rules and regulations of the Principal Market.

f. Regulation M. Neither the Company, nor the Subsidiaries nor any Affiliates of the foregoing shall take any action prohibited by Regulation M under the 1934 Act, in connection with the offer, sale and delivery of the Securities contemplated hereby.

7. TRANSFER AGENT INSTRUCTIONS.

The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates or, provided that such transfer agent is a participant in the DTC Fast Automated Securities Transfer Program, credit shares to the applicable balance accounts at DTC, registered in the name of each Buyer or its respective nominee(s), for any (i) Conversion Shares issued upon the conversion of part or all of the Note; (ii) Warrant Shares issued upon exercise of the Warrant, as provided in the Note and the Warrant. The Company warrants that no other instruction other than the foregoing and any legal opinion pursuant to Section 3(g) hereof that may be required by such transfer agent, will be given by the Company to its transfer agent, and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the other Transaction Documents. If a Buyer effects a sale, assignment or transfer of the Securities in accordance with Section 3(g), the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates or, provided that such transfer agent is a participant in the DTC Fast Automated Securities Transfer Program, credit shares to the applicable balance accounts at DTC in such name and in such denominations as specified by such Buyer to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Option Shares sold, assigned or transferred pursuant to an effective registration statement or pursuant to Rule 144, the transfer agent shall issue such Securities to such Buyer, assignee or transferee, as the case may be, without any restrictive legend. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyers. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 7 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 7, that a Buyer shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

8. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO SELL.

The obligation of the Company to issue and sell the Notes and the Warrants to each Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

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a. Such Buyer shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company.

b. Such Buyer shall have delivered to the Company the Purchase Price for the Note and the Warrants being purchased by such Buyer by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

d. The representations and warranties of such Buyer shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and such Buyer shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Buyer at or prior to the Closing Date.

d. No injunction or other court or governmental agency order shall be in effect that prohibits the transactions contemplated by this Agreement to be effected at the Closing.

9. CONDITIONS TO BUYERS' OBLIGATIONS TO PURCHASE.

The obligation of each Buyer hereunder to purchase the Notes and the Warrants from the Company at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived only by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

a. The Company shall have executed each of the Transaction Documents to which it is a party and delivered the same to such Buyer.

b. The representations and warranties of the Company shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date) and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date. Such Buyer shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer.

c. Such Buyer shall have received a legal opinion from internal legal counsel to the Company dated as of the Closing Date, in form, scope and substance reasonably satisfactory to such Buyer and in substantially the form of Exhibit F attached hereto.

d. The Company shall have executed and delivered to such Buyer the Note and the Warrants being purchased by such Buyer at the Closing.

e. The Company shall have made all filings under all applicable securities laws necessary to consummate the issuance of the Securities pursuant to this Agreement in compliance with such laws.

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10. INDEMNIFICATION.

a. Company Indemnification Obligation. In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's obligations under the Transaction Documents, the Company (for purposes of this Section 10(a), the "**Indemnifying Party**") shall defend, protect, indemnify and hold harmless each of the Buyers and all of their equity holders, partners, officers, directors, members, managers, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including those retained in connection with the transactions contemplated by this Agreement) (for purposes of this Section 10(a), collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (collectively, for purposes of this Section 10, the "**Indemnified Liabilities**"), incurred by any Indemnitees as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Indemnifying Party in any of the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Indemnifying Party contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, or (c) any cause of action, suit or claim brought or made against such Indemnitees and arising out of or resulting from the execution, delivery, performance or enforcement of the Transaction Documents in accordance with the terms hereof or thereof or any other certificate, instrument or document contemplated hereby or thereby in accordance with the terms thereof (other than a cause of action, suit or claim brought or made against an Indemnitee by such Indemnitee's owners, investors or Affiliates). To the extent that the foregoing undertaking by the Indemnifying Party may be unenforceable for any reason, such Indemnifying Party shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

b. Indemnification Procedures. Each Indemnitee (as defined under Section 10(a)) shall (i) give prompt written notice to the Indemnifying Party of any claim with respect to which it seeks indemnification or contribution pursuant to this Agreement (provided, however, that the failure of the Indemnitee to promptly deliver such notice shall not relieve the Indemnifying Party of any liability, except to the extent that the Indemnifying Party is prejudiced in its ability to defend such claim) and (ii) permit such Indemnifying Party, as applicable, to assume the defense of such claim with counsel selected by such Indemnifying Party and reasonably satisfactory to the Indemnitee; provided, however, that any Indemnitee entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of the Indemnitee unless (A) the Indemnifying Party has agreed in writing to pay such fees and expenses, (B) the Indemnifying Party shall have failed to assume the defense of such claim within five (5) days of delivery of the written notice of the Indemnitee with respect to such claim or failed to employ counsel selected by such Indemnifying Party and reasonably satisfactory to the Indemnitee, or (C) in the reasonable judgment of the Indemnitee, based upon advice of its counsel, a conflict of interest may exist between the Indemnitee and the Indemnifying Party with respect to such claims (in which case, if the Indemnitee notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such claim on behalf of the Indemnitee). If the Indemnifying Party assumes the defense of the claim, it shall not be subject to any liability for any settlement or compromise made by the Indemnitee without its consent (but such consent shall not be unreasonably withheld, conditioned or delayed). In connection with any settlement negotiated by an Indemnifying Party, no Indemnifying Party shall, and no Indemnitee shall be required by an Indemnifying Party to, (I) enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnitee of a release from all liability in respect to such claim or litigation, (II) enter into any settlement that attributes by its terms any liability to the Indemnitee, or (III) consent to the entry of any judgment that does not include as a term thereof a full dismissal of the litigation or proceeding with prejudice. In addition, without the consent of the Indemnitee, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement which provides for any action on the part of the Indemnitee other than the payment of money damages which are to be paid in full by the Indemnifying Party. If an Indemnifying Party fails or elects not to assume the defense of a claim pursuant to clause (B) above, or is not entitled to assume or continue the defense of such claim pursuant to clause (C) above, the Indemnitee shall have the right without prejudice to its right of indemnification hereunder to, in its discretion exercised in good faith and upon advice of counsel, to contest, defend and litigate such claim and may settle such claim, either before or after the initiation of litigation, at such time and upon such terms as the Indemnitee deems fair and reasonable, provided that, at least five (5) days prior to any settlement, written notice of its intention to settle is given to the Indemnifying Party. If requested by the Indemnifying Party, the Indemnitee agrees (at no expense to the Indemnitee) to reasonably cooperate with the Indemnifying Party and its counsel in contesting any claim that the Indemnifying Party elects to contest.

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11. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Texas, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Harris County, Texas, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof by registered or certified mail, return receipt requested, or by deposit with a nationally recognized overnight delivery service, to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

b. Counterparts. This Agreement and any amendments hereto may be executed and delivered in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when counterparts have been signed by each party hereto and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. At the request of any party, each other party shall promptly re-execute an original form of this Agreement or any amendment hereto and deliver the same to the other party. No party hereto shall raise the use of a facsimile machine or e-mail delivery of a ".pdf" format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a ".pdf" format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

c. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

e. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements among the Buyers, the Company, and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement, the other Transaction Documents and the other instruments referenced herein and therein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor any of the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended, modified or supplemented other than by an instrument in writing signed by the Company and the Buyers.

f. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

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If to the Company:

South Texas Oil Company
300 E. Sonterra Blvd.
Suite 1220
San Antonio, Texas 78258
Facsimile: (210) 545-5994
Attention: Michael J. Pawelek,
Chief Executive Officer and President
MikeP@southtexasoil.com

With a copy to:

Corporate Legal Solutions
6 Wheeler's Point Road
Gloucester, MA 01930-1691
Facsimile: 978-283-4692
Attention: Roy D. Toulan, Jr., Esq.
rdtoulan@CorpLegalSolutions.net

If to a Buyer, to its address and facsimile number set forth on the Schedule of Buyers, with copies to such Buyer's representatives as set forth on the Schedule of Buyers, or, in the case of a Buyer or any other party named above, at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service shall be rebuttable evidence of personal service, receipt by facsimile or deposit with a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Securities. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the holders of the Notes then outstanding. Each Buyer may assign some or all of its rights hereunder without the consent of the Company; provided, however, that any such assignment shall not release such Buyer from its obligations hereunder unless such obligations are assumed by such assignee (as evidenced in writing) and the Company has consented to such assignment and assumption, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary contained in the Transaction Documents, each Buyer shall be entitled to pledge the Securities in connection with a bona fide margin account or other loan or financing arrangement secured by the Securities.

h. No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and, to the extent provided in Section 10 hereof, each Indemnitee, but is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

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i. Survival. The representations and warranties of the Company and the Buyers contained in Sections 3 and 4, respectively, the agreements and covenants set forth in Sections 5, 6 and 11, and the indemnification and contribution provisions set forth in Section 10, shall survive the consummation of the transactions contemplated hereby.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. Termination. Notwithstanding anything to the contrary contained herein, in the event that the Closing shall not have occurred with respect to a Buyer on or before the fifth (5th) Business Day following the date of this Agreement due to the Company's or such Buyer's failure to satisfy the conditions set forth in Sections 8 and 9 above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party with respect thereto (and without affecting any other rights or obligations under this Agreement); provided, however, that if this Agreement is terminated pursuant to this Section 11(k), the Company shall be obligated to pay such Buyer (so long as such Buyer is not a breaching party) its transaction fees and reimbursement amounts as set forth in Section 5(h) as if such Buyer had purchased the principal amount of Notes set forth opposite its name on the Schedule of Buyers.

l. Placement Agent. The Company represents and warrants to each Buyers that it has not engaged any placement agent, broker or financial advisor in connection with the issuance and sale of the Notes. The Company shall be responsible for the payment of any fees or commissions of any placement agent or broker relating to or arising out of the transactions contemplated hereby. The Company shall pay, and hold each Buyer harmless against, any liability, loss or expense (including attorneys' fees and out-of-pocket expenses) arising in connection with any claim for any such payment.

m. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

n. Waiver of Subrogation. The Company expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which the Company may now or hereafter have against any Person directly or contingently liable for the Obligations hereunder, or against or with respect to the Company's property (including, without limitation, any property which is collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

o. Remedies. Each Buyer shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies that such Buyer and holders have been granted at any time under any other agreement or contract and all of the rights that such Buyer has under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security or proving actual damages), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law; provided, however such Buyer shall not be liable to the Company or any of the Subsidiaries for consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

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p. Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever such Buyer exercises a right, election, demand or option under a Transaction Document and the Company or any of the Subsidiaries does not timely perform its related obligations within the periods therein provided, then the Buyers may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

q. Payment Set Aside. To the extent that the Company or any of the Subsidiaries makes a payment or payments to the Buyers pursuant to this Agreement, the Notes or any other Transaction Document or any of the Buyers enforces or exercises rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company or any of the Subsidiaries, by a trustee, receiver or any other Person under any law (including any bankruptcy law, state or federal law, common law or equitable cause of action), then, to the extent of any such restoration, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

r. Independent Nature of the Buyers. The obligations of each Buyer are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer hereunder. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder. The decision of each Buyer to acquire the Securities pursuant to this Agreement has been made by each of the Buyers independently of any other Buyer and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company or any of the Subsidiaries which may have been made or given by any other Buyer or by any agent or employee of any other Buyer, and no Buyer or any of its agents or employees shall have any liability to any other Buyer (or any other Person or entity) relating to or arising from any such information, materials, statements or opinions. Nothing contained herein, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated hereby. Each Buyer shall be entitled to independently protect and enforce its rights, including the rights arising out of this Agreement, the Notes and the other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose.

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s. Interpretative Matters. Unless the context otherwise requires, (a) all references to Sections, Schedules or Exhibits are to Sections, Schedules or Exhibits contained in or attached to this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, and (d) the use of the word “including” in this Agreement shall be by way of example rather than limitation.

* * * * * *

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IN WITNESS WHEREOF, the Company and the Buyers have caused this Securities Purchase Agreement to be duly executed as of the date first written above.

COMPANY:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By: ____________________________________
Name: Michael J. Pawelek
Title: Chief Executive Officer and President

BUYERS:

____
a _____________________________________

By: ___________________________________
Name:
Title:

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Buyer's Name	Buyer's Address and Facsimile Number	Principal Amount of Notes	Buyer's Legal Representative's Address and Facsimile Number
		$_________	

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EXHIBIT 99.3

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTION 4 HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 4 HEREOF.

THIS CONVERTIBLE NOTE AND THE INDEBTEDNESS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THE INTERCREDITOR AGREEMENT TO THE NOTE DEBT (AS DEFINED IN THE INTERCREDITOR AGREEMENT).

CONVERTIBLE NOTE

Issuance Date: June __, 2009

Note No.: Spring 2009 - __ $_____________

FOR VALUE RECEIVED, SOUTH TEXAS OIL COMPANY, a Nevada Company (the "**Company**"), hereby promises to pay to ____________ or his registered assigns (the "**Holder**"), the principal amount of ___________________**and 00/100 United States Dollars** ($________), when due, whether upon maturity, acceleration, redemption or otherwise, and to pay interest ("**Interest**") on the unpaid principal balance hereof on each Interest Payment Date (as defined in the Appendix hereto) and upon maturity, or earlier upon acceleration or prepayment pursuant to the terms hereof, from (and including) the Issuance Date through and including the Maturity Date at the Applicable Interest Rate (as defined in the Appendix hereto). Interest on this Note is payable on each Interest Payment Date and on the Maturity Date, if applicable, or if earlier, upon acceleration or redemption pursuant to the terms hereof, and such Interest shall accrue from and after the Issuance Date (as defined in the Appendix hereto) and shall be computed on the basis of a 365-day year and actual days elapsed.

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This Note is being issued in connection with the Securities Purchase Agreement (as defined in the Appendix hereto).

(1) Certain Defined Terms. Each capitalized term used and not otherwise defined in this Note shall have the meaning ascribed to such term in the Appendix hereto (or incorporated by reference therein), and the meaning of each such term is incorporated herein by this reference.

(2) Payments of Principal and Interest. Except as otherwise may be provided herein, all payments under this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice to the Company in accordance with the provisions of this Note. Interest shall be paid monthly in arrears on each Interest Payment Date and on the Maturity Date. Any amount that is not paid when due shall bear interest at the Default Rate from the date such amount is initially due until the same is paid in full. Whenever any amount expressed to be due by the terms of this Note is due on any day that is not a Business Day, the same shall be due instead on the next succeeding Business Day and interest thereon shall be payable at the Applicable Interest Rate.

Notwithstanding the foregoing, on each of the first three Interest Payment Dates, any Interest Amount payable on such Interest Payment Date shall be paid by adding such Interest Amount to the Principal (i.e., by capitalizing such Interest Amount) on such Interest Payment Date, and after such Interest Payment Date such Interest Amount shall itself (as part of the Principal) bear Interest in accordance herewith.

(3) Principal Redemptions.

(a) On the Maturity Date. If any Principal remains outstanding on the Maturity Date, then the Holder shall surrender this Note, duly endorsed for cancellation to the Company, and such Principal shall be redeemed by the Company as of the Maturity Date by payment on the Maturity Date, respectively, to the Holder, by wire transfer of immediately available funds, of an amount equal to such Principal and the related Interest Amount, together with all other amounts payable under this Note or the Securities Purchase Agreement.

(b) Optional Early Redemption by Company.

(i) General. At any time, and from time to time, after the Issuance Date, the Company shall have the right to redeem some or all of the Principal (a "**Company Early Redemption**") by delivering to the Holder written notice (the "**Company Early Redemption Notice**") at least five (5) Business Days prior to the date selected by the Company for such Company Early Redemption. Any Company Early Redemption shall be for an amount in cash equal to the sum of (such sum, the "**Aggregate Early Redemption Amount**"):

(A) the Principal then being redeemed and prepaid by the Company on the Company Early Redemption Date (as defined below) pursuant to this Section 3(b) (the "**Early Redemption Principal Amount**"); and

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(B) the Interest Amount with respect to such Early Redemption Principal Amount as of the applicable prepayment date (the "**Early Redemption Interest Amount**" and together with any Early Redemption Principal Amount, the "**Early Redemption Principal and Interest Amount**"), which date shall be the date on which the Company Early Redemption will occur (the "**Company Early Redemption Date**").

The Company Early Redemption Notice shall state:

(A) the Company Early Redemption Date;

(B) the Aggregate Early Redemption Amount; and

(C) that the Company is simultaneously redeeming the same percentage of the outstanding principal balance of each Other Note.

A Company Early Redemption Notice shall be irrevocable by the Company. The failure of the Company to pay the Aggregate Early Redemption Amount in full on the Company Early Redemption Date stated in such notice shall constitute an Event of Default. Any portion of the Aggregate Early Redemption Amount not paid on the Company Early Redemption Date shall bear interest at the Default Rate until paid in full.

(ii) Mechanics of Company Early Redemption. If the Company has delivered a Company Early Redemption Notice in accordance with Section 3(b)(i), then, on the Company Early Redemption Date, the Company shall pay the Aggregate Early Redemption Amount in cash by wire transfer of immediately available funds to an account designated by the Holder. Notwithstanding anything contained herein to the contrary, (A) the Company shall not effect any Company Early Redemption unless it is simultaneously redeeming the same percentage of the outstanding principal balance of each Other Note, and (B) no Company Early Redemption Notice shall contain any material non-public information regarding the Company or any of the Subsidiaries. Any Company Early Redemption pursuant to this Section 3(b) shall be applied to the remaining mandatory Scheduled Principal Redemptions (as defined below) in order of maturity as to the remaining scheduled installments thereof (i.e., the Early Redemption Principal Amount shall be deducted first from the Scheduled Principal Redemption next payable and then sequentially from the immediately succeeding Scheduled Principal Redemptions and then from the Principal payable at Maturity).

(c) Scheduled Principal Redemptions. Subject to the reduction in the scheduled amount of installment payments in accordance with the application of optional redemptions pursuant to the preceding Section 3(b) or reductions in the Principal pursuant to Section 7 below, the Company shall redeem Principal in twelve (12) equal monthly installments, each in the cash amount of $1,333.33, on each of the Interest Payment Dates, commencing with the Interest Payment Date in July 2010 (each such required redemption of Principal, a "**Scheduled Principal Redemption**").

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(4) Surrender of Note. Notwithstanding anything to the contrary set forth in this Note, upon any redemption of the Principal of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless all of the Principal is being repaid and the related Interest Amount and all other obligations payable under this Note (including any other amounts due under this Note) have been paid in full. The Register (as defined in Section 14 hereof) shall show the principal amount redeemed and the date(s) of such redemptions, so as not to require physical surrender of this Note upon each such redemption The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following redemption of any portion of this Note, the Principal may be less than the principal amount stated on the face hereof.

(5) Interest. Interest shall be payable by the Company, on each Interest Payment Date and at the Maturity Date, to the record Holder of this Note on such Interest Payment Date by wire transfer of immediately available funds. Any accrued and unpaid Interest which is not paid within three (3) Business Days of such accrued and unpaid Interest's Interest Payment Date shall bear interest at the Default Rate from such Interest Payment Date until the same is paid in full.

(6) Voting Rights. The holders of the Notes shall have no voting rights, except as required by law and as expressly provided in this Note.

(7) Conversion of Principal to Equity.

(a) Conversion Rights. Subject to the further provisions of this Section 7, the Holder of the Note shall have the right at any time subsequent to ninety (90) days after the issuance to the Holder of the Note, to convert all or part of Principal, and any accrued but unpaid Interest of the Note, plus accrued but unpaid Interest due with respect to the Principal converted pursuant to this Section 7, into fully paid and non-assessable shares of Common Stock of the Company determined in accordance with Section 7(b) below; provided, that the Principal to be converted shall be at least $10,000 (unless if at the time of such conversion the Principal of the Note remaining unpaid to Holder is less than $10,000, then the whole Principal remaining may be converted). Any conversions of the Principal pursuant to this Section 7 shall be applied to the remaining mandatory Scheduled Principal Redemptions in order of maturity as to the remaining scheduled installments thereof (i.e., the reduction in Principal resulting from any such conversion shall be deducted first from the Scheduled Principal Redemption next payable, and then sequentially from the immediately succeeding Scheduled Principal Redemption and then from the Principal payable at Maturity).

(b) Conversion Price. The number of shares of Common Stock issuable upon conversion of each One ($1.00) Dollar of Principal shall equal (i) One ($1.00) Dollar (ii) divided by the Conversion Price. The "**Conversion Price**" shall be $0.50, subject to proportional adjustment for stock splits, stock dividends, stock combinations and similar events after the date hereof.

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(c) Conversion Procedure. The Holder will give notice of its decision to exercise its right to convert the Principal of the Note, or part thereof, by telecopying an executed and completed "**Notice of Conversion**" (a form of which is annexed as Exhibit A to this Note) to the Company via confirmed telecopier transmission. The Holder will not be required to surrender the Note until in each case the Principal of the Note has been fully converted. Each date on which a Notice of Conversion is telecopied to the Company in accordance with the provisions hereof shall be deemed a "**Conversion Date**". The Company will itself or cause the Company's transfer agent to transmit the Company's Common Stock certificates representing the Common Stock issuable upon conversion of part or all of the Principal of the Note to the Holder via express courier for receipt by the Holder within five (5) Business Days after receipt by the Company of the Notice of Conversion (the "**Delivery Date**"). In the event the Common Stock is electronically transferable, then delivery of the Common Stock must be made by electronic transfer, provided request for such electronic transfer has been made by the Holder. A replacement Note representing the balance of the Principal of the Note not so converted will be provided by the Company to the Holder if requested by Holder, provided the Holder has delivered the original Note (or replacement Note) to the Company. To the extent that a Holder elects not to surrender the Note for reissuance upon partial payment or conversion, the Holder hereby indemnifies the Company against any and all loss or damage attributable to a third-party claim in an amount in excess of the actual Principal of the Note then owned by the Holder.

(d) Common Stock Issuance Date. In the case of the exercise of the conversion rights set forth in paragraph 7(a) the conversion privilege shall be deemed to have been exercised and the shares of Common Stock issuable upon such conversion shall be deemed to have been issued upon the date of receipt by the Company of the Notice of Conversion. The person or entity entitled to receive Common Stock issuable upon such conversion shall, on the date such conversion privilege is deemed to have been exercised and thereafter, be treated for all purposes as the record holder of such Common Stock and shall on the same date cease to be treated for any purpose as the record Holder of such shares of Principal of the Note so converted.

(e) Adjustments. Upon the conversion of any Principal of the Note, no adjustment or payment shall be made with respect to such conversion on account of any dividend on the Common Stock, except that the Holder of such converted Principal of the Note shall be entitled to be paid any dividends declared on shares of Common Stock after issuance thereof upon conversion hereof.

(f) Fractional Shares. The Company shall not be required, in connection with any conversion of Principal of the Note, to issue a fraction of a share of Common Stock and may instead deliver a stock certificate representing the next whole number.

(g) Forced Conversion. Upon 20 calendar days written notice following the first date on which the issuance of all of the shares of Common Stock then issuable upon conversion of all of the then outstanding Notes would not exceed that number of shares of Common Stock which the Company may issue upon conversion of the Notes and upon exercise of the Warrants without breaching the Company's obligations under the rules and regulations of the Principal Market, and provided that a registration statement filed with the Securities and Exchange Commission on Form S-1 or S-3 registering all of the shares of Common Stock then issuable upon conversion of the Note pursuant to this Section 7(g) for unrestricted public resale by the Holder is then effective or all of such shares may then be sold by the Holder without restriction (other than compliance with a current public information requirement) pursuant to Rule 144, the Company may require the Holder to convert the Note into Common Stock (at the Conversion Price) at any time after the Company's Common Stock (i) closes at a price exceeding $1.00 (subject to proportional adjustment for stock splits, stock dividends, stock combinations and similar events) for any 20 consecutive trading days (the "**Lookback Period**") and (ii) the reported daily trading volume of the Common Stock during each trading day during the Lookback Period is not less than 100,000 (subject to proportional adjustment for stock splits, stock dividends, stock combinations and similar events) shares of Common Stock.

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(8) Defaults and Remedies.

(a) Events of Default. An "**Event of Default**" means:

(i) Any default in payment of (A) any Principal on any of the Notes or (B) any Aggregate Early Redemption Amount, when and as due;

(ii) Any default in payment of any Interest Amount or any other amount due that is not included in an amount described in the immediately preceding clause (i) and that is not cured within three (3) Business Days from the date such Interest Amount or other amount was due;

(iii) Any failure by the Company, for a period of ten (10) consecutive days (after giving effect to any grace period set forth in the Securities Purchase Agreement or other Transaction Document relating to any such breach), to comply with any other provision of this Note in all material respects;

(iv) The Company or any of the Subsidiaries pursuant to or within the meaning of any Bankruptcy Law: (A) commences a voluntary case or applies for a receiving order; (B) consents to the entry of an order for relief against it in an involuntary case or consents to any involuntary application for a receiving order; (C) consents to the appointment of a Custodian of it or any of the Subsidiaries for all or substantially all of its property; (D) makes a general assignment for the benefit of its creditors; (E) admits in writing that it is generally unable to pay its debts as the same become due; or (F) takes any action for the purpose of effecting any of the foregoing;

(v) An involuntary case or other proceeding is commenced directly against the Company or any of the Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its Indebtedness under any Bankruptcy Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other Bankruptcy Law proceeding remains undismissed and unstayed for a period of thirty (30) days, or an order of relief is entered against the Company or any of the Subsidiaries as debtor under the Bankruptcy Laws as are now or hereafter in effect;

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(vi) One or more judgments, non-interlocutory orders or decrees shall be entered by a U.S. state or federal or a foreign court or administrative agency of competent jurisdiction against the Company and/or any of the Subsidiaries involving, in the aggregate, a liability as to any single or related series of transactions, incidents or conditions, of $500,000 or more, and the same shall remain unsatisfied, unvacated, unbonded or unstayed, pending appeal for a period of thirty (30) days after the entry thereof;

(vii) Any representation, warranty, certification or statement made by the Company or any of the Subsidiaries in the Securities Purchase Agreement, this Note or any other Transaction Documents or in any certificate delivered pursuant to any such Transaction Document is incorrect in any material respect when made (or deemed made);

(viii) The Lien created by the Mortgages shall at any time fail to constitute a valid perfected Lien on all of the Collateral purported to be secured thereby;

Within two (2) Business Days after the occurrence of any Event of Default, the Company shall deliver written notice thereof to the Holder and, contemporaneously, Publicly Disclose such occurrence and the remedies available to the holders of the Notes.

(b) Remedies. If an Event of Default occurs and is continuing, the Holder may declare all of this Note, including all amounts payable hereunder (the "**Acceleration Amount**"), to be due and payable immediately, except that in the case of an Event of Default arising from events described in clauses (iv) and (v) of Section 8(a) above, all amounts payable hereunder immediately shall become due and payable without further action or notice. In addition to any remedy the Holder may have under this Note and the other Transaction Documents, such unpaid amounts shall bear interest at the Default Rate, and any payment of Principal prior to the scheduled maturity thereof as a result of acceleration under this Section 8(b) shall be accompanied by the Redemption Premium in respect thereof. Nothing in this Section 8 shall limit any other rights the Holder may have under this Note or the other Transaction Documents.

(9) Lost or Stolen Notes. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Company in customary form and reasonably satisfactory to the Company and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver a replacement Note of like tenor and date.

(10) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under the Securities Purchase Agreement and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy, and nothing herein shall limit the Holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

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(11) Specific Shall Not Limit General; Construction. No specific provision contained in this Note shall limit or modify any more general provision contained herein. This Note shall be deemed to be jointly drafted by the Company and the Holders pursuant to the Securities Purchase Agreement and shall not be construed against any person as the drafter hereof.

(12) Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(13) Notice. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given and deemed received in accordance with Section 11(f) of the Securities Purchase Agreement.

(14) Transfer of this Note and Note Register. The Holder may assign or transfer some or all of its rights hereunder, subject to compliance with the provisions of Section 3(f) of the Securities Purchase Agreement, without the consent of the Company. The Holder shall promptly provide notice to the Company of the name and address of the assignee or transferee and the principal amount of Notes assigned or transferred, as applicable. The Company shall maintain, at one of its offices in the United States, a register for the recordation of the names and addresses of each holder of the Notes, and the principal amount of the Notes owed to each such holder pursuant to the terms hereof and of the Other Notes from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Company and the Holder shall treat each person whose name is recorded in the Register pursuant to the terms hereof as the Holder for all purposes, notwithstanding notice to the contrary. The Register shall be available for inspection by any holder of the Notes, at any reasonable time and from time to time upon reasonable prior notice. The Notes are intended to be obligations in "registered form" for purposes of Sections 871 and 881 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, and the provision of this Note shall be interpreted consistently therewith.

(15) Payment of Collection, Enforcement and Other Costs. Without limiting the provisions of the Securities Purchase Agreement and the other Transaction Documents, if (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding, or (b) an attorney is retained to represent the Holder in any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action, including reasonable attorneys' fees and disbursements.

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(16) Cancellation. After all Principal, Interest and other amounts at any time owed under this Note have been paid in full in accordance with the terms hereof, this Note shall automatically be deemed canceled and deemed surrendered to the Company for cancellation. Additionally, the Holder shall deliver the original Note to the Company, which shall be cancelled by the Company and shall not be reissued.

(17) Note Exchangeable for Different Denominations. Subject to Section 4, in the event of a redemption of less than all of the Principal pursuant to the terms hereof, the Company shall, upon the request of Holder and tender of this Note promptly cause to be issued and delivered to the Holder, a new Note of like tenor representing the remaining Principal that has not been so repaid. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes containing the same terms and conditions and representing in the aggregate the Principal, and each such new Note will represent such portion of such Principal as is designated by the Holder at the time of such surrender.

(18) Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Company or any of the Subsidiaries under this Note, the Securities Purchase Agreement or any other Transaction Document shall be made without any set-off, counterclaim or deduction and free and clear of and without deduction for any Indemnified Taxes; provided that if the Company or any of the Subsidiaries shall be required to deduct any Indemnified 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 18(a)), the Holder receives an amount equal to the sum it would have received had no such deductions been made;

(ii) The Company or such Subsidiary, as applicable, shall make such deductions; and

(iii) The Company or such Subsidiary shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Indemnification by the Company. The Company shall indemnify the Holder, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes imposed upon the Holder, on or with respect to any payment by or on account of any obligation of the Company or any of the Subsidiaries under any of the Notes, the Securities Purchase Agreement and the other Transaction Documents (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 18) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Holder shall provide the Company reasonably prompt notification of the assessment and pay the Indemnified Taxes to the Governmental Authority promptly following receipt of indemnification therefor from the Company. A certificate of the Holder as to the amount of such payment or liability under this Section 18 shall be delivered to the Company within one (1) year of the payment of Indemnified Taxes by the Holder and shall be conclusive absent manifest error.

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(c) Refunds. If the Holder receives a refund in respect of any Indemnified Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts pursuant to this Section 18, it shall, within thirty (30) days from the date of such receipt, pay over such refund to the Company (but only to the extent of additional amounts paid by the Company under this Section 18 with respect to the Indemnified Taxes giving rise to the refund), net of all reasonable out-of-pocket expenses of the Holder and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided that the Company, upon the request of the Holder, agrees to repay the amount paid over to the Company (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Holder in the event the Holder is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Holder to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Company or any other person.

(d) Certificates. A Holder that is a U.S. person for U.S. federal income tax purposes will provide the Company with all clearance certificates and completed and executed Internal Revenue Service Form W-9's or valid substitutions thereof, or similar documents that may be required under applicable law to relieve the Company of any obligation to withhold or escrow any portion of the amounts paid under this Note, reasonably promptly following the reasonable written request therefor by the Company. On or prior to the Issuance Date, a Holder that is not a U.S. person for U.S. federal income tax purposes will provide the Company with all appropriate clearance certificates and completed and executed Internal Revenue Service Form W-8BENs, W-8ECIs and/or W-8IMYs, as applicable, or valid substitutions thereof, or similar documents that may be required under applicable law to relieve the Company of any obligation to withhold or escrow any portion of the amounts paid under this Note.

(19) Waiver of Notice. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, the Securities Purchase Agreement and the other Transaction Documents.

(20) Governing Law. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of Texas, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Texas or any other country or jurisdiction) that would cause the application of the laws of any jurisdiction or country other than the State of Texas. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Harris County, State of Texas, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.

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(21) Payment Set Aside. To the extent that the Company makes a payment or payments to the Holder hereunder or the Holder enforces or exercises its rights hereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, by a trustee, receiver or any other person under any law (including any Bankruptcy Law, U.S. state or federal law, the laws of any foreign government or any political subdivision thereof, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(22) Interpretative Matters. Unless the context otherwise requires, (a) all references to Sections, Schedules, Appendices or Exhibits are to Sections, Schedules, Appendices or Exhibits contained in or attached to this Note, (b) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, (c) the words "hereof," "herein" and words to similar effect refer to this Note in its entirety, and (d) the use of the word "including" in this Note shall be by way of example rather than limitation.

(23) Signatures. In the event that any signature to this Note or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. Notwithstanding the foregoing, the Company shall be required to deliver an originally executed Note to the Holder. At the request of any party each other party shall promptly re-execute an original form of this Note or any amendment hereto and deliver the same to the other party. No party hereto shall raise the use of a facsimile machine or e-mail delivery of a ".pdf" format data file to deliver a signature to this Note or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a ".pdf" format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

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SIGNATURE PAGE TO CONVERTIBLE NOTE

IN WITNESS WHEREOF, the Company has caused this Note to be executed on its behalf by the undersigned as of the year and date first above written.

SOUTH TEXAS OIL COMPANY,
a Nevada Company

By: ___________________________
Name: Michael J. Pawelek
Title: Chief Executive Officer

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APPENDIX

CERTAIN DEFINED TERMS

Capitalized terms used and not otherwise defined in this Note shall have the respective meanings ascribed to such terms in the Securities Purchase Agreement, dated as of June 10, 2009, pursuant to which this Note was originally issued (as such agreement may be amended, restated, supplemented or modified from time to time as provided therein, the "**Securities Purchase Agreement**"). For purposes of this Note, the following terms shall have the following meanings:

"**1934 Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Aggregate Notes Principal Balance**" means, as of any date of determination, the aggregate outstanding principal amount of all the Notes as of such date.

"**Applicable Interest Rate**" means the Interest Rate, or, for so long as an Event of Default shall have occurred and be continuing, the Default Rate.

"**Bankruptcy Law**" means Title 11, U.S. Code, or any similar U.S. federal or state law or law of any applicable foreign government or political subdivision thereof for the relief of debtors.

"**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"**Change of Control**" means (i) the consolidation, merger or other business combination of the Company with or into another Person (other than (A) a consolidation, merger or other business combination in which holders of the Company's voting power immediately prior to the transaction continue after the transaction to hold, directly or indirectly, a majority of the combined voting power of the surviving entity or entities entitled to vote generally for the election of a majority of the members of the board of directors (or their equivalent if other than a Company) of such entity or entities, or (B) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of the Company); (ii) the sale or transfer of all or substantially all of the Company's assets (including, for the avoidance of doubt, the sale of all or substantially all of the assets of the Subsidiaries in the aggregate); or (iii) the consummation of a purchase, tender or exchange offer made to, and accepted by, the holders of more than a majority of the outstanding Common Stock.

"**Current Report**" means a current report on Form 8-K under the 1934 Act.

"**Custodian**" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

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"**Default Rate**" means the percent per annum rate equal to the sum of (i) the Interest Rate plus (ii) 5.00 percent (i.e., 500 basis points).

"**Dollars**" or "**$**" means U.S. Dollars.

"**Excluded Taxes**" means, with respect to the Holder, or any other recipient of any payment made or to be made by or on account of any obligations of the Company or any of the Subsidiaries under the Notes, the Securities Purchase Agreement or any other Transaction Document, income or franchise taxes imposed on (or measured by) such recipient's net income by any jurisdiction under which such recipient is organized or in which its principal offices are located.

"**Governmental Authority**" means the government of the United States of America or any other nation, or any political subdivision thereof, whether state, provincial or local, or any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administration powers or functions of or pertaining to government.

"**Indemnified Taxes**" means taxes other than Excluded Taxes.

"**Interest Amount**" means as of any date, with respect to any of the Principal, all accrued and unpaid Interest (including any Interest at the Default Rate) on such Principal through and including such date.

"**Interest Payment Date**" means the first Business Day of each calendar month, in arrears, beginning with July 2009, through and including the last calendar quarter that commences prior to the Maturity Date.

"**Interest Rate**" means Fourteen Percent (14.0%) per annum.

"**Issuance Date**" means June 10, 2009.

"**Maturity Date**" means June 10, 2011.

"**Notes**" means, collectively, this Note and all Other Notes issued by the Company pursuant to the Securities Purchase Agreement, and all notes issued in exchange or substitution therefor or replacement thereof.

"**Other Notes**" means all of the Notes, other than this Note, that have been issued by the Company pursuant to the Securities Purchase Agreement on the Issuance Date and all Notes issued in exchange or substitution therefor or replacement thereof.

"**Person**" means an individual, a limited liability company, a partnership, a joint venture, a Company, a trust, an unincorporated organization or a Governmental Entity or any other legal entity.

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“**Principal**” means the outstanding principal amount of this Note as of any date of determination.

“**Public Disclosure**” or “**Publicly Disclose**” means the Company’s public dissemination of information through the filing via the Electronic Data Gathering, Analysis, and Retrieval system (or successor thereto) of the SEC of a Periodic Report or Current Report disclosing such information pursuant to the requirements of the 1934 Act.

“**SEC**” means the U.S. Securities and Exchange Commission, or any successor thereto.

“**U.S.**” means the United States of America.

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Exhibit A

NOTICE OF CONVERSION

Note No.: Spring 2009 – 05

(To be executed by the Registered Holder in order to convert the Note)

The undersigned hereby elects to convert $_____________ of the **principal** and $_____________ of the **interest** due on the Note issued by SOUTH TEXAS OIL COMPANY on June 10, 2009 into Shares of Common Stock of SOUTH TEXAS OIL COMPANY (the "Company") according to the conditions set forth in such Note, as of the date written below.

Date of Conversion: ______________________________

Conversion Price: ______________________________

Shares To Be Issued: ______________________________

Signature: ______________________________

Print Name: ______________________________

Address: ______________________________

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EXHIBIT 99.4

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO SOUTH TEXAS OIL COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Right to Purchase _______ shares of Common Stock of South Texas Oil Company (subject to adjustment as provided herein)

COMMON STOCK PURCHASE WARRANT

No. Spring 2009-__
Issue Date: June __, 2009

SOUTH TEXAS OIL COMPANY, a corporation organized under the laws of the State of Nevada (the "**Company**"), hereby certifies that, for value received, _______________________, Fax. #_____________________, or his assigns (the "**Holder"**), is entitled, subject to the terms set forth below, to purchase from the Company at any time commencing on the Issue Date and through and until 5:00 p.m., E.S.T on the fifth (5th) anniversary of the Issue Date (the "**Expiration Date**"), 80,000 fully paid and nonassessable shares of Common Stock at a per share purchase price of $0.50. The aforedescribed purchase price per share, as adjusted from time to time as herein provided, is referred to herein as the "**Purchase Price**." The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein. The Company may reduce the Purchase Price of some or all of the Warrant Shares, permanently or temporarily, without the consent of the Holder provided ten days prior notice of such reduction is given to the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "**SECURITIES PURCHASE AGREEMENT**") and Note ("**NOTE**"), each dated June 10, 2009, entered into by the Company and Holder.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "**Company"** shall mean South Texas Oil Company and any corporation which shall succeed or assume the obligations of South Texas Oil Company hereunder.

(b) The term "**Common Stock"** includes (a) the Company's common stock, $.001 par value per share, as authorized on the date of the Securities Purchase Agreement, and (b) any Other Securities into which or for which any of the securities described in (a) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

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(c) The term "**Other Securities**" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 or otherwise.

(d) The term "**Warrant Shares**" shall mean the Common Stock issuable upon exercise of this Warrant.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise. From and after the Issue Date through and including the Expiration Date, the Holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. Full Exercise. This Warrant may be exercised in full by the Holder hereof by delivery of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the "**Securities Purchase Form**") duly executed by such Holder and surrender of the original Warrant within three (3) days of exercise, to the Company at its principal office or at the office of its Warrant Agent (as provided hereinafter), accompanied by payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect.

1.3. Partial Exercise. This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the Holder on such partial exercise shall be the amount obtained by multiplying

(a) the number of whole shares of Common Stock designated by the Holder in the Securities Purchase Form by

(b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the Holder hereof a new Warrant of like tenor, in the name of the Holder hereof or as such Holder (upon payment by such Holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised for the balance of.

1.4. Fair Market Value. Fair Market Value of a share of Common Stock as of a particular date (the "**Determination Date**") shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("**NASDAQ**"), National Market System, the NASDAQ Capital Market or the American Stock Exchange, LLC, then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date;

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(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System, the NASDAQ Capital Market or the American Stock Exchange, Inc., but is traded in the over-the-counter market, then the average of the closing bid and ask prices reported for the last business day immediately preceding the Determination Date;

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree, or in the absence of such an agreement, by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided; or

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment. The Company will, at the time of the exercise of the Warrant, upon the request of the Holder hereof acknowledge in writing its continuing obligation to afford to such Holder any rights to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.6. Trustee for Warrant Holders. In the event that a qualified bank or trust company shall have been appointed as trustee for the Holder of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

1.7. Delivery of Stock Certificates, etc. on Exercise. The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within three (3) business days thereafter (**"Warrant Share Delivery Date"**), the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder hereof, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such Holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share of Common Stock, together with any other stock or other securities and property (including cash, where applicable) to which such Holder is entitled upon such exercise pursuant to Section 1 or otherwise. The Company understands that a delay in the delivery of the Warrant Shares after the Warrant Share Delivery Date could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay (as **"Liquidated Damages"** and not as a penalty) to the Holder for late issuance of Warrant Shares upon exercise of this Warrant the amount of $100 per business day after the Warrant Share Delivery Date for each $10,000 of Purchase Price of Warrant Shares for which this Warrant is exercised which are not timely delivered. The Company shall pay any payments incurred under this Section in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company. The maximum amount of aggregate Liquidated Damages payable hereunder pursuant to this Section and Section 10 hereof is fifteen percent (15%) of the aggregate exercise price.

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1.8. Buy-In. In addition to any other rights available to the Holder, if the Company fails to deliver to a Holder the Warrant Shares as required pursuant to this Warrant, within seven (7) business days after the Warrant Share Delivery Date and the Holder or a broker on the Holder's behalf, purchases (in an open market transaction or otherwise) shares of common stock to deliver in satisfaction of a sale by such Holder of the Warrant Shares which the Holder was entitled to receive from the Company (a "**BUY-IN**"), then the Company shall pay in cash to the Holder (in addition to any remedies available to or elected by the Holder) the amount by which (A) the Holder's total purchase price (including brokerage commissions, if any) for the shares of common stock so purchased exceeds (B) the aggregate Purchase Price of the Warrant Shares required to have been delivered together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Holder purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to $10,000 of Purchase Price of Warrant Shares to have been received upon exercise of this Warrant, the Company shall be required to pay the Holder $1,000, plus interest. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In.

2. Cashless Exercise.

(a) Except as described below, if a registration statement registering the Warrant Shares with the Securities and Exchange Commission on a Form S-1, SB-2 or S-3, for unrestricted public resale ("**Registration Statement"**) is effective and the Holder may sell its shares of Common Stock upon exercise hereof pursuant to the Registration Statement, this Warrant may be exercisable in whole or in part for cash only as set forth in Section 1 above. If such Registration Statement is not available, payment upon exercise may be made at the option of the Holder either in cash, wire transfer or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price or (i) by cashless exercise in accordance with Section (b) below, or (ii) by a combination of any of the foregoing methods, for the number of shares of Common Stock specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the Holder per the terms of this Warrant) and the Holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) If the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, the Holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Securities Purchase Form in which event the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the average of the closing bid prices of the Common Stock for the five (5) Trading Days immediately prior to (but not including) the Exercise Date

B= Purchase Price (as adjusted to the date of such calculation)

For purposes of Rule 144 promulgated under the 1933 Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

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3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Reorganization, Consolidation, Merger, etc. In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the Holder of this Warrant, on the exercise hereof as provided in Section 1, at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or such effective date, the stock and other securities and property (including cash) to which such Holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such Holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. Dissolution. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable in accordance with Section 3.1 by the Holder upon their exercise after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company (a "**Trustee**") having its principal office in New York, NY, as trustee for the Holder.

3.3. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where applicable) receivable by the Holder of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

4. Extraordinary Events Regarding Common Stock. In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the Holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be adjusted to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

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5. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 11 hereof).

6. Reservation of Stock, etc. Issuable on Exercise of Warrant; Financial Statements. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock from time to time issuable on the exercise of the Warrant. This Warrant entitles the Holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant. Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "**Transferor**"). On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the "**Transferor Endorsement Form"**) and together with an opinion of counsel reasonably satisfactory to the Company that the transfer of this Warrant will be in compliance with applicable securities laws, the Company at its expense, twice, only, but with payment by the Transferor of any applicable transfer taxes, will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "**Transferee**"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor. No such transfers shall result in a public distribution of the Warrant.

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8. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense, twice only, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Maximum Exercise. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 4.99%. The Holder may increase the permitted beneficial ownership amount up to 9.99% upon and effective after sixty-one (61) days prior notice to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Holder shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

10. Registration Rights. The Holder is hereby granted the registration rights vis-à-vis the Warrant Shares as set forth in Section 5(w) of the Securities Purchase Agreement. The relevant terms of the Securities Purchase Agreement are incorporated herein by this reference.

11. Warrant Agent. The Company may, by written notice to the Holder of the Warrant, appoint an agent (a "**Warrant Agent**") for the purpose of issuing Common Stock on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

12. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur or (c) three business days after deposited in the mail if delivered pursuant to subsection (ii) above. The addresses for such communications shall be: (i) if to the Company to: South Texas Oil Company, 769 Highway 95 N., Bastrop, Texas 78602, Fax: (512) 321-4737, with an additional copy by telecopier only to: Roy D. Toulan, Jr., Esq., Corporate Legal Solutions, 6 Wheeler's Point, Gloucester, MA 01930-1691, Fax: (978) 283-4692, and (ii) if to the Holder, to the addresses and telecopier number set forth in the first paragraph of this Warrant, with an additional copy by telecopier only to: ____.

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14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of Texas. Any dispute relating to this Warrant shall be adjudicated in Harris County in the State of Texas. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

* * * * *

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IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

SOUTH TEXAS OIL COMPANY

By: ______________________________

Name: Michael J. Pawelek

Title: President

Witness: ___________________________

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<u>**EXHIBIT A**</u>

FORM OF SUBSCRIPTION

(to be signed only on exercise of Warrant)

TO: South Texas Oil Company

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. Spring 2009-05), hereby irrevocably elects to purchase (check applicable box):

___ ________ shares of the Common Stock covered by such Warrant; or

___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is $___________. Such payment takes the form of (check applicable box or boxes):

___ $__________ in lawful money of the United States; and/or

___ the cancellation of the Warrant to the extent necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to whose address is

The undersigned represents and warrants that the representations and warranties in Section 4 of the Securities Purchase Agreement (as defined in this Warrant) are true and accurate with respect to the undersigned on the date hereof.

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to an exemption from registration under the Securities Act.

Dated:___________________

____

(Signature must conform to name of holder

as specified on the face of the Warrant)

____

____

____
(Address)

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EXHIBIT B

FORM OF TRANSFEROR ENDORSEMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of South Texas Oil Company to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of South Texas Oil Company with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: __________________________

____
(Signature must conform to name of holder as specified on the face of the Warrant)

Signed in the presence of:

____
(Name)

____
____
(address)

____
____
(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

____
(Name)

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EXHIBIT 99.5

WHEN RECORDED RETURN TO:
[____________]
[____________]
[____________]
Attn: **[____________]**

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

FROM

[____________]

TO

[____________], AS TRUSTEE

FOR THE BENEFIT OF

[____________],
AS COLLATERAL AGENT

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

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE COUNTY RECORDERS OF THE COUNTIES LISTED ON EXHIBIT A HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

This **MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT** (this "Mortgage") is entered into as of the Effective Date (as hereinafter defined) by **[____________]**, a **[____________]**, **[____________]** ("Mortgagor"), to **[____________]**, as Trustee, whose address for notice is **[____________]** ("Trustee"), for the benefit of **[____________]**, whose address for notice is **[____________]**, acting in its capacity as **[Collateral Agent]** (together with its successors and assigns in such capacity, the "Mortgagee") on behalf of the Buyers (as defined in the Purchase Agreement referred to below).

R E C I T A L S:

A. Pursuant to that certain Securities Purchase Agreement dated as of May __, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"), by and among South Texas Oil Company, a Nevada corporation ("Borrower"), and the "Buyers" party thereto, Borrower has, among other things, agreed to issue to Buyers, and Buyers have agreed to purchase from Borrower, the Notes (as defined in the Purchase Agreement), subject in each case to the terms and conditions set forth in the Purchase Agreement.

B. Mortgagor and the other "Guarantors" party thereto have executed and delivered to Mortgagee that certain Guaranty dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty"), pursuant to which Mortgagor has guaranteed the payment and performance of all of the "Obligations" under (and as defined in) the Guaranty, which includes, without limitation, all obligations, liabilities and indebtedness of Borrower under the Purchase Agreement and the Notes.

C. Mortgagor has agreed that all of the Indebtedness (as defined in Section 1.03 hereof) is intended to be secured in part by this Mortgage and recorded in those jurisdictions as set forth on Exhibit A of this Mortgage.

D. The entering into of the Purchase Agreement by the Buyers and the satisfaction of their obligations thereunder were conditioned upon the execution and delivery by Mortgagor of this Mortgage, and Mortgagor has agreed to enter into this Mortgage.

THEREFORE, in order to comply with the terms and conditions of the Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor hereby agrees with Trustee and Mortgagee as follows:

ARTICLE I

Grant of Lien and Indebtedness Secured

Section 1.01 Grant of Liens. To secure payment of the Indebtedness and the performance of the covenants and obligations herein contained and contained in the Guaranty and any other Loan Document (as defined below) to which Mortgagor is a party, Mortgagor does by these presents hereby GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, PLEDGE, HYPOTHECATE, TRANSFER and CONVEY unto Trustee and Trustee's successors and substitutes in trust hereunder, WITH A POWER OF SALE, for the use and benefit of Mortgagee **[(on its behalf and on behalf of the Buyers)]**, the real and personal property, rights, titles, interests and estates described in the following paragraphs (a) through (e) (collectively called the "Mortgaged Property"):

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(a) The real property described in Exhibit A, together with all existing and future easements and rights affording access to it (collectively called the "Hydrocarbon Property"); together with

(b) All claims, demands, judgments, insurance policies, insurance proceeds, refunds, reserves, cost savings, deposits, rights of action, awards of damages, compensation, settlements and other rights to the payment of money hereafter made resulting from or relating to (i) the taking of any Hydrocarbon Property or any part thereof under the power of eminent domain, (ii) any damage (whether caused by such taking, by casualty or otherwise) to any Hydrocarbon Property or any part thereof, or (iii) the ownership of the Mortgaged Property; together with

(c) All books and records pertaining to any and all of the property described above, including computer-readable memory and any computer hardware or software necessary to access and process such memory; together with

(d) All proceeds and products and renewals of, additions and accretions to, substitutions and replacements for, and changes in any of the property described above; and together with

(e) Any and all after-acquired right, title or interest of Mortgagor in and to any property of the types described in the preceding granting clauses.

; provided, that, in no event shall Mortgaged Property include (i) as-extracted collateral, including any oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined therefrom and all other minerals (collectively called the "Hydrocarbons") in and under and which may be produced and saved from or attributable to the Mortgaged Property, the lands pooled or unitized therewith and Mortgagor's interests therein, in each case, that are actually extracted from the Mortgaged Property or proceeds therefrom or (ii) any royalties, receipts, receivables, rents or other rights to payment on account of the Mortgaged Property (unless same arises from an Enforcement Action (as defined in the Intercreditor Agreement) or a sale, exchange or other disposition of all or any portion of the Mortgaged Property) or the Hydrocarbons extracted therefrom.

Any fractions or percentages specified on attached Exhibit A in referring to Mortgagor's interests are solely for purposes of the warranties made by Mortgagor pursuant to Section 3.01 hereof and shall in no manner limit the quantum of interest affected by this Section 1.01 with respect to any Hydrocarbon Property or with respect to any unit or well identified on said Exhibit A.

TO HAVE AND TO HOLD the Mortgaged Property unto Trustee and to his successors and assigns forever to secure the payment of the Indebtedness and to secure the performance of the covenants, agreements, and obligations of Mortgagor herein contained.

Section 1.02 [Reserved].

Section 1.03 Indebtedness Secured. This Mortgage is executed and delivered by Mortgagor to secure and enforce the following (the "Indebtedness"):

(a) Payment of and performance of any and all indebtedness, obligations and liabilities of Mortgagor pursuant to the Guaranty including the "Obligations" under and as defined in such Guaranty.

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(b) Payment of and performance of any and all other indebtedness, obligations and liabilities of Mortgagor, Borrower and any direct or indirect subsidiary of Borrower (collectively, the "Mortgagor Parties" and each, individually, a "Mortgagor Party") under, evidenced by or pursuant to the Purchase Agreement, the Notes or any other **[Transaction Document]** (as defined in the Purchase Agreement) and all of the other agreements, documents and instruments contemplated thereby and executed in connection therewith (collectively, the "Loan Documents"), including, without limitation, (i) principal and interest (including without limitation, interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceeding, whether or not an allowed claim) on the Notes and (ii) obligations owing under any other Loan Document; and all renewals, extensions, rearrangements and/or other modifications of any of the foregoing.

(c) Any sums which may be advanced or paid by Mortgagee or Trustee under the terms hereof or under any other Loan Document on account of the failure of Mortgagor or any other Mortgagor Party to comply with the covenants contained herein or in any other Loan Document.

(d) Without limiting the generality of the foregoing, all post-petition interest, expenses and other duties and liabilities with respect to indebtedness, liabilities or other obligations described above in this Section 1.03, which would be owed but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 1.04 Financing Statement, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) this Mortgage is to be filed of record in the real estate records as a financing statement and (ii) Mortgagor is the record owner of the real estate or interests in the real estate comprised of the Mortgaged Property.

Section 1.05 No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter, limit or modify the absolute obligation of Mortgagor and the other Mortgagor Parties to make prompt payment of all principal, interest and other amounts owing on the Indebtedness when and as the same become due.

Section 1.06 Defined Terms. Any capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning assigned to such term in the Purchase Agreement.

ARTICLE II

[Reserved]

ARTICLE III

Representations, Warranties and Covenants

Mortgagor hereby represents, warrants and covenants as follows:

Section 3.01 Title. Except as set forth on Schedule 3.01 attached hereto, Mortgagor owns an undivided working interest in each well included in the Mortgaged Property of not more than the working interest set forth in

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Exhibit A attached hereto (to the extent the interest of Mortgagor is a working interest as opposed to an overriding royalty interest) and Mortgagor owns an undivided net revenue interest or overriding royalty interest in each well included in the Mortgaged Property of not less than the net revenue interest or overriding royalty interest set forth in Exhibit A attached hereto. With respect to the Mortgaged Property, Mortgagor represents and warrants that Mortgagor has good, marketable and indefeasible title in fee simple to all Mortgaged Property constituting real property owned (rather than leased) by it, in each case free and clear of all Liens except those Liens set forth in Exhibit A.

Section 3.02 Defend Title. This Mortgage is, and always will be kept as, a direct security interest upon the Mortgaged Property subject only to those Liens set forth in Exhibit A (the "Permitted Liens") and, except the Permitted Liens, Mortgagor will not create or suffer to be created or permit to exist any lien, security interest or charge prior or junior to or on a parity with the lien and security interest of this Mortgage upon the Mortgaged Property or any part thereof. Mortgagor will warrant and defend the title to the Mortgaged Property against the claims and demands of all other persons whomsoever and will maintain and preserve the lien created hereby so long as any of the Indebtedness secured hereby remains unpaid. Should an adverse claim be made against or a cloud develop upon the title to any part of the Mortgaged Property, Mortgagor agrees it will immediately defend against such adverse claim or take appropriate action to remove such cloud at Mortgagor's cost and expense, and Mortgagor further agrees that Trustee and/or Mortgagee may take such other action as they deem advisable to protect and preserve their interests in the Mortgaged Property, and in such event Mortgagor will indemnify Trustee and Mortgagee against any and all costs, attorney's fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud.

Section 3.03 Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 3.04 [Reserved].

Section 3.05 [Reserved].

Section 3.06 Failure to Perform. Mortgagor agrees that if Mortgagor fails to perform any act or to take any action which Mortgagor is required to perform or take hereunder or pay any money which Mortgagor is required to pay hereunder, each of Mortgagee and Trustee in Mortgagor's name or its or their own name may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by Mortgagor to Mortgagee or Trustee, as the case may be, and each of Mortgagee and Trustee, upon making such payment, shall be subrogated to all of the rights of the person or entity receiving such payment as such rights relate to the Mortgaged Property. Each amount due and owing by Mortgagor to each of Mortgagee and Trustee pursuant to this Mortgage shall bear interest from the date of

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such expenditure or payment or other occurrence which gives rise to such amount being owed to such Person until paid at a rate per annum equal to the default rate of interest charged under the Notes plus 2%, and all such amounts together with such interest thereon shall be a part of the Indebtedness described in Section 1.03 hereof.

Section 3.07 [Reserved]»

.

Section 3.08 [Reserved]»

.

Section 3.09 Operation of Mortgaged Property»

. The Mortgagor will promptly pay and discharge or cause to be paid and discharged all rentals, delay rentals, royalties and indebtedness accruing under, and perform or cause to be performed each and every act, matter or thing required by, each and all of the assignments, deeds, subject leases, sub-leases, contracts and agreements described or referred to herein or affecting the Mortgagor's interests in the Mortgaged Property and will do or cause to be done all other things reasonably necessary to keep unimpaired the Mortgagor's rights with respect thereto and prevent any intentional forfeiture thereof or default with respect thereto, other than a default which might occur as a result of cessation of production thereunder.

Section 3.10 Suits and Claims»

. Except to the extent disclosed under the Purchase Agreement, there are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to Mortgagor's knowledge, threatened) which affect the Mortgaged Property (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Mortgaged Property) and no judicial or administrative actions, suits or proceedings pending (or, to Mortgagor's knowledge, threatened) against Mortgagor.

Section 3.11 Environmental.

(a) Current Status. The Mortgaged Property and Mortgagor are not in violation of Applicable Environmental Laws (as hereinafter defined), or subject to any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority or any other person under or with respect to Applicable Environmental Laws, or subject to any remedial obligations under Applicable Environmental Laws, and are in compliance with all permits and licenses required under Applicable Environmental Laws, and, to the best knowledge of Mortgagor, this representation will continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Mortgaged Property and Mortgagor. "Applicable Environmental Laws" shall mean any applicable laws, orders, rules, or regulations pertaining to safety, health or the environment, as such laws, orders, rules or regulations now exist or are hereafter enacted and/or amended (including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state and local law). Mortgagor undertook, at the time of acquisition of the Mortgaged Property, all appropriate inquiry into the previous ownership and uses of the Mortgaged

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Property consistent with good commercial or customary practice. Mortgagor has taken reasonable steps necessary, consistent with customary practice in the industry in which it operates its business, to determine and has determined that no hazardous substances or solid wastes have been disposed of or otherwise released at, into, upon or under the Mortgaged Property, except in accordance with Applicable Environmental Laws. The use which Mortgagor makes and intends to make of the Mortgaged Property will not result in the use, treatment, storage or disposal or other release of any hazardous substance or solid waste at, into, upon or under the Mortgaged Property, except such usage, and temporary storage in anticipation of usage, as is in the ordinary course of business and in compliance with Applicable Environmental Laws. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. The "Associated Property" (as such term is hereinafter defined) is not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in title to the Mortgaged Property would be responsible (to the best of Mortgagor's knowledge with respect to Associated Property not owned or operated by Mortgagor). The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and/or carved out of) the lands which are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(b) Future Performance. Mortgagor will not cause or permit the Mortgaged Property or Mortgagor to be in violation of, or do anything or permit anything to be done which will subject the Mortgaged Property to any remedial obligations under, or result in noncompliance with applicable permits and licenses under, any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Mortgaged Property and Mortgagor will promptly notify Mortgagee in writing of any existing, pending or, to the best knowledge of Mortgagor, threatened investigation, claim, suit or inquiry by any governmental authority or any person in connection with any Applicable Environmental Laws. Mortgagor will take steps necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Mortgaged Property. Mortgagor will not cause or permit the disposal or other release of any hazardous substance or solid waste at, into, upon or under the Mortgaged Property and covenants and agrees to keep or cause the Mortgaged Property to be kept free of any hazardous substance or solid waste (except such use, and temporary storage in anticipation of use, as is required in the ordinary course of business, all while in compliance with Applicable Environmental Laws), and to remove the same (or if removal is prohibited by law, to take whatever action is required by law), promptly upon discovery at its sole expense. Upon Mortgagee's reasonable request, at any time and from time to time during the existence of this Mortgage, but not more often than once every calendar year (so long as no Event of Default has occurred), Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Mortgaged Property from an engineering or consulting firm approved by Mortgagee, indicating the presence or absence of hazardous substances and solid waste on the Mortgaged Property and compliance with Applicable Environmental Laws.

Section 3.12 [Reserved].

Section 3.13 Condemnation Awards»

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. If at any time all or any portion of the Mortgaged Property shall be taken or damaged under the power of eminent domain, the award received by condemnation proceedings for any property so taken or any payment received in lieu of such condemnation proceedings shall be paid directly to Mortgagee as agent for Mortgagor and all or any portion of such award or payment, at the option of Mortgagee, shall be applied to the Indebtedness or paid over, wholly or in part, to Mortgagor for any purpose or object satisfactory to Mortgagee; provided that Mortgagee shall not be obligated to see to the application of any amount paid over to Mortgagor. Mortgagor immediately upon obtaining knowledge of the institution of any proceedings or negotiations for the condemnation of the Mortgaged Property, or any portion thereof, will notify Mortgagee of the pendency of such negotiations or proceedings. Mortgagee may participate in any such negotiations or proceedings, and Mortgagor from time to time will execute and deliver to Mortgagee all instruments requested by Mortgagee to permit such participation.

Section 3.14 [Reserved].»

Section 3.15 [Reserved]»

.

Section 3.16 Further Assurance»

. Mortgagor will, on request of Mortgagee, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other document or instrument executed in connection with any of the Loan Documents, or in the execution or acknowledgment of this Mortgage or any other document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements and continuation statements) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Mortgaged Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Mortgagee to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

Section 3.17 Name and Place of Business»

. Except as disclosed in writing to Mortgagee, Mortgagor has not during the preceding five (5) years been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity, state of formation or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Mortgagee of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Mortgagee for the purpose of further perfecting or protecting the liens and security interests in the Mortgaged Property created hereby. Mortgagor's exact name is the name set forth in this Mortgage. Mortgagor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company). Mortgagor is located (as determined pursuant to the UCC) in the state under which it is organized, which is as set forth in the preamble to this Mortgage. Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Mortgaged Property has for the preceding four months, been, and

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will continue to be (unless Mortgagor notifies Mortgagee of any change in writing at least thirty (30) days prior to the date of such change), the address set forth on the signature page of this Mortgage.

Section 3.18 Compliance with Laws and Agreements»

. Mortgagor is in compliance with all governmental requirements applicable to it or its property, including, without limitation, all FERC regulations and the USA Patriot Act, and all indentures, agreements and other instruments binding upon it or its property. The execution and performance of the Loan Documents, this Mortgage and the other documents and instruments contemplated hereby and thereby will not violate the Trading with the Enemy Act, as amended, any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, the Executive Order referred to in the following sentence or the U.S. Bank Secrecy Act (31 U.S.C. §§ 5311 et seq.). Mortgagor is not a Person described by section 1 of Executive Order 13224 of September 24, 2001 entitled Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism, 66 Fed. Reg. 49,079 (2001), as amended, and Mortgagor does not engage in any transactions or dealings, or is otherwise associated with any such Persons. Mortgagor is not bound by any agreement, document, instrument, judgment, decree, order, statute, law, rule or regulation that limits or could reasonably be expected to limit its performance under the Loan Documents or this Mortgage.

Section 3.19 Inspection»

. Mortgagee and any persons authorized by Mortgagee shall have the right to enter and inspect the Mortgaged Property at all reasonable times.

ARTICLE IV

Rights and Remedies

Section 4.01 Event of Default»

. As used in this Mortgage, an "Event of Default" means (i) the failure by Mortgagor to comply with any covenant, agreement, warranty or condition herein or in any **[Transaction Document]** required to be observed, kept or performed by it and such failure to comply is not cured or waived within five (5) days from the date Mortgagor knew or should have known of such failure to comply and (ii) the occurrence of an "Event of Default" as defined under the Notes.

Section 4.02 Foreclosure and Sale»

.

(a) If an Event of Default shall occur and be continuing, Mortgagee shall have the right and option to proceed with foreclosure by directing Trustee, or his successors or substitutes in trust, to proceed with foreclosure and to sell, to the extent permitted by law, all or any portion of the Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 4.02 shall be construed so as to limit in any way Trustee's rights to sell the Mortgaged Property, or any portion thereof, by private sale if, and to the extent

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that, such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. Mortgagor hereby irrevocably appoints Trustee to be the attorney of Mortgagor and in the name and on behalf of Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which Mortgagor ought to execute and deliver and do and perform any and all such acts and things which Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of Mortgagor in the exercise of all or any of the powers hereby conferred on Trustee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for Trustee to have physically present, or to have constructive possession of, the Mortgaged Property (Mortgagor hereby covenanting and agreeing to deliver to Trustee any portion of the Mortgaged Property not actually or constructively possessed by Trustee immediately upon demand by Trustee) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by Trustee shall contain a general warranty of title, binding upon Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by Trustee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Indebtedness, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor Trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of Trustee or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Indebtedness (in the order of priority set forth in Section 4.14 hereof) in lieu of cash payment.

(b) With respect to that portion, if any, of the Mortgaged Property situated in the State of Texas, this instrument may be foreclosed by advertisement and sale as provided by applicable Texas statutes.

(c) Cumulative of the foregoing and the other provisions of this Section 4.02 as to any portion of the Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such State are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Mortgaged Properties shall be conducted at the courthouse of any county (whether or not the counties in which such Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a particular Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

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(d) Upon the occurrence of an Event of Default, Mortgagee may exercise its rights of enforcement with respect to the Mortgaged Properties or any part thereof located in the State of Texas under the Texas Business and Commerce Code, as amended, under the Uniform Commercial Code of any State where any portion of the Mortgaged Properties are located or under any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.02, in the event of a foreclosure of the liens, privileges and/or security interests evidenced hereby and the Mortgaged Properties, or any part thereof, may, at the option of Mortgagee, be sold, as a whole or in parts, together or separately.

Section 4.03 Agents»

. Trustee or his successor or substitute may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Trustee, including the posting of notices and the conduct of sale, but in the name and on behalf of Trustee, his successor or substitute. If Trustee or his successor or substitute shall have given notice of sale hereunder, any successor or substitute trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee conducting the sale.

Section 4.04 Judicial Foreclosure; Receivership»

. If any of the Indebtedness shall become due and payable and shall not be promptly paid, Trustee or Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Mortgaged Property under the judgment or decree of any court or courts of competent jurisdiction or for the enforcement of any other appropriate legal or equitable remedy. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence of an Event of Default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default hereunder, Mortgagee shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Mortgaged Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Mortgaged Property or the solvency of any person or persons liable for the payment of the Indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Mortgagee. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Mortgagee of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Trustee and/or Mortgagee in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) included in the Indebtedness owing by Mortgagor to the Trustee and/or Mortgagee and shall bear interest from the date of making such advance by Trustee and/or Mortgagee until paid at the then applicable interest rate under the Notes (the "Applicable Rate").

Section 4.05 Foreclosure for Installments»

. Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Indebtedness which have not been paid when due either through the courts or by directing Trustee or his successors in trust to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Indebtedness as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest due; such sale may be made subject to the unmatured portion of the Indebtedness, and any such sale shall not in any manner affect the

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unmatured portion of the Indebtedness, but as to such unmatured portion of the Indebtedness this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Indebtedness without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Indebtedness.

Section 4.06 Separate Sales»

. The Mortgaged Property may be sold in one or more parcels and in such manner and order as Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 4.07 Possession of Mortgaged Property»

. Mortgagor agrees, to the full extent that it lawfully may agree, that, in case one or more of the Events of Default shall have occurred and shall not have been remedied, then, and in every such case, Trustee or Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Mortgaged Property in the possession of Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude Mortgagor, its successors or assigns, and all persons claiming under Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, Trustee may use, administer, manage, operate and control the Mortgaged Property and conduct the business thereof to the same extent as Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of Mortgagor, in the name, place and stead of Mortgagor, or otherwise as Trustee shall deem best. All costs, expenses and liabilities of every character incurred by Trustee and/or Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Trustee and/or Mortgagee and shall bear interest from date of expenditure until paid at the Applicable Rate, all of which shall constitute a portion of the Indebtedness and shall be secured by this Mortgage and all other security instruments.

Section 4.08 Occupancy After Foreclosure»

. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor, or Mortgagor's representatives, successors or assigns or any other person claiming any interest in the Mortgaged Property by, through or under Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 4.09 Remedies Cumulative, Concurrent and Nonexclusive»

. Every right, power and remedy herein given to Trustee or Mortgagee shall be cumulative and, in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute, each and every right, power and remedy whether specifically herein given

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or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by Trustee or Mortgagee, and the exercise, or the beginning of the exercise, of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power or remedy. No delay or omission by Trustee or Mortgagee in the exercise of any right, power or remedy shall impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing.

Section 4.10 No Release of Obligations»

. None of Mortgagor, any other Mortgagor Party, any guarantor of the Indebtedness or any other person or entity hereafter obligated for payment of all or any part of the Indebtedness shall be relieved of such obligation by reason of (a) the failure of Trustee to comply with any request of Mortgagor, any other Mortgagor Party, any such guarantor or any such other person or entity so obligated to foreclose the lien of this Mortgage or to enforce any provision hereunder or under any of the Loan Documents; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to Mortgagor, any other Mortgagor Party, any such guarantor or such other person or entity, and in such event Mortgagor, the Mortgagor Parties, such guarantor and all such other persons and entities shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by Mortgagee; or (d) by any other act or occurrence save and except the complete payment of the Indebtedness and the complete fulfillment of all obligations hereunder or under the Loan Documents.

Section 4.11 Release of and Resort to Collateral»

. Mortgagee may release, regardless of consideration, any part of the Mortgaged Property without, as to the remainder, in any way impairing, affecting, subordinating or releasing the lien or security interest created in or evidenced by this Mortgage or its stature as a lien and security interest in and to the Mortgaged Property, and without in any way releasing or diminishing the liability of any person or entity liable for the repayment of the Indebtedness. For payment of the Indebtedness, Mortgagee may resort to any other security therefor held by Mortgagee or Trustee in such order and manner as Mortgagee may elect.

Section 4.12 Waiver of Redemption, Notice and Marshalling of Assets, Etc»

. To the fullest extent permitted by law, Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to Mortgagor by virtue of any present or future moratorium law or other law exempting the Mortgaged Property from attachment, levy or sale on execution or providing for any appraisement, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; provided, however, that if the laws of any state do not permit the redemption period to be waived, the redemption period is specifically reduced to the minimum amount of time allowable by statute; (b) all notices of any Event of Default or of Mortgagee's intention to accelerate maturity of the Indebtedness or of Trustee's election to exercise or his actual exercise of any right, remedy or recourse provided for hereunder or under the Loan Documents; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof.

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Section 4.13 Discontinuance of Proceedings»

. In case Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under the Loan Documents and shall thereafter elect to discontinue or abandon same for any reason, Mortgagee shall have the unqualified right to do so and, in such an event, Mortgagor and Mortgagee shall be restored to their former positions with respect to the Indebtedness, this Mortgage, the Loan Documents, the Mortgaged Property and otherwise, and the rights, remedies, recourses and powers of Mortgagee shall continue as if same had never been invoked.

Section 4.14 Application of Proceeds»

. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received by Trustee or Mortgagee in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) first, to the payment of all costs and expenses incurred by Trustee or Mortgagee incident to the enforcement of this Mortgage, the Loan Documents or any of the Indebtedness (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to Trustee acting in connection herewith or hereunder), and to the payment of all other charges, expenses, liabilities and advances incurred or made by Trustee or Mortgagee under this Mortgage or in executing any trust or power hereunder;

(b) second, to payment of the Indebtedness in such order and manner as Mortgagee may elect in Mortgagee's sole discretion; and

(c) third, to Mortgagor or such other persons as may be entitled thereto by law or as otherwise required by any court of competent jurisdiction.

Section 4.15 Resignation of Operator»

. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and Trustee or Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure), Mortgagee or Trustee shall have the right to request that any operator of any Mortgaged Property which is either Mortgagor or any affiliate of Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by Mortgagor of any such request, Mortgagor shall resign (or cause such other party to resign) as operator of such Mortgaged Property.

Section 4.16 **INDEMNITY»**

. In connection with any action taken by Trustee and/or Mortgagee pursuant to this Mortgage, Trustee and/or Mortgagee and their officers, directors, Partners, Members, Investors, Equity Holders, employees, representatives, agents, advisors, attorneys, accountants and experts and any persons or entities owned or controlled by Trustee, or Mortgagee or any such other person or entity ("Indemnified Parties") shall not be liable for any loss sustained by Mortgagor resulting from any act or omission of any Indemnified Party in administering, managing, operating or controlling the Mortgaged Property, including such loss which may result from the ordinary negligence of an Indemnified Party, unless such loss is caused by the gross negligence or willful misconduct of an Indemnified Party, nor shall Trustee and/or Mortgagee be obligated to perform or discharge any obligation, duty or liability of Mortgagor.

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Mortgagor shall and does hereby agree to indemnify each Indemnified Party for, and to hold each Indemnified Party harmless from, any and all liability, loss or damage which may or might be incurred by any Indemnified Party by reason of this Mortgage or the exercise of rights or remedies hereunder; should Trustee and/or Mortgagee make any expenditure on account of any such liability, loss or damage, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Trustee and/or Mortgagee and shall bear interest from the date expended until paid at a rate per annum equal to the default rate of interest charged under the Notes plus 2%, shall be a part of the Indebtedness and shall be secured by this Mortgage and any other Loan Document pursuant to which Mortgagor has granted any liens or security interests to Mortgagee as collateral security for the Indebtedness. Mortgagor hereby assents to, ratifies and confirms any and all actions of Trustee and/or Mortgagee with respect to the Mortgaged Property taken under this Mortgage. The liabilities of Mortgagor as set forth in this Section 4.16 shall survive the termination of this Mortgage.

ARTICLE V

Trustee

Section 5.01 Duties, Rights, and Powers of Trustee»

. It shall be no part of the duty of Trustee to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against Mortgagor, or to see to the performance or observance by Mortgagor of any of the covenants and agreements contained herein. Trustee shall not be responsible for the execution, acknowledgment or validity of this Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of Mortgagee. Trustee shall have the right to seek advice with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. Trustee shall not incur any personal liability hereunder except for Trustee's own willful misconduct; and Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 5.02 Successor Trustee»

. Trustee may resign by written notice addressed to Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of Mortgagee. In case of the death, resignation or removal of Trustee, a successor trustee may be appointed by Mortgagee by instrument of substitution complying with any applicable requirements of law, or, in the absence of any such requirement, without other formality than appointment and designation in writing. Written notice of such appointment and designation shall be given by Mortgagee to Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited, and, upon the making of any such appointment and designation, this Mortgage shall vest in the successor trustee all the estate and title in and to all of the Mortgaged Property, and the successor trustee shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate a successor trustee hereunder but such right may be exercised repeatedly as long as any Indebtedness remains unpaid hereunder. To facilitate the administration of the duties hereunder, Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as Mortgagee may designate.

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Section 5.03 Retention of Moneys»

. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VI

Miscellaneous

Section 6.01 Instrument Construed as Mortgage, Etc»

. With respect to any portions of the Mortgaged Property located in any state or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of Trustee as herein provided, the general language of conveyance hereof to Trustee is intended and the same shall be construed as words of mortgage unto and in favor of Mortgagee and the rights and authority granted to Trustee herein may be enforced and asserted by Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the lien hereof and the purposes and agreements herein set forth.

Section 6.02 Release of Mortgage»

. If all Indebtedness secured hereby shall be paid in full in cash and all Loan Documents terminated, Mortgagee shall forthwith cause satisfaction and discharge of this Mortgage to be entered upon the record at the expense of Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of satisfaction and reassignment as may be appropriate. Otherwise, this Mortgage shall remain and continue in full force and effect.

Section 6.03 Severability»

. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of Trustee and Mortgagee in order to effectuate the provisions hereof, and the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 6.04 Successors and Assigns of Parties»

. The term "Mortgagee" as used herein shall mean and include any legal owner, holder, assignee or pledgee of any of the Indebtedness secured hereby. The terms used to designate Trustee, Mortgagee and Mortgagor shall be deemed to include the respective heirs, legal representatives, successors and assigns of such parties.

Section 6.05 Satisfaction of Prior Encumbrance»

. To the extent that proceeds of the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Mortgaged Property, such

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proceeds have been advanced by Mortgagee at Mortgagor's request, and Mortgagee shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances to the extent such rights, security interests and liens relate to the Mortgaged Property, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such other indebtedness by Mortgagee, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 6.06 Subrogation of Trustee»

. This Mortgage is made with full substitution and subrogation of Trustee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 6.07 Nature of Covenants»

. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 6.08 Notices»

. All notices, requests, consents, demands and other communications required or permitted hereunder shall be given or furnished in accordance with the terms of the Purchase Agreement relating to the giving of notices (it being agreed to and understood that delivery to Borrower of any such notice, request, consent, demand or other communication shall be deemed delivery to Mortgagor).

Section 6.09 Counterparts»

. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one jurisdiction, descriptions of only those portions of the Mortgaged Property located in, and descriptions of the Prior Mortgages (as defined herein) for, the jurisdiction in which a particular counterpart is recorded shall be attached as Exhibit A thereto. An Exhibit A containing a description of all Mortgaged Property wheresoever situated will be attached to that certain counterpart to be attached to a Financing Statement and filed with the Secretary of State of Texas in the Uniform Commercial Code Records. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument, provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

Section 6.10 Effective as a Financing Statement»

. This Mortgage shall be effective as a financing statement covering all Mortgaged Property. This Mortgage is to be filed for record in the real/immovable property records of each county or parish where any part of the Mortgaged Property is situated. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Mortgagee from which information concerning the security interests hereunder may be obtained is the address of Mortgagee set forth at the end of this Mortgage. Nothing contained in this paragraph shall be construed to limit the scope of this Mortgage nor its effectiveness as a financing statement covering any type of property. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to

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this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in this Section. Without limiting any other provision herein, Mortgagor hereby authorizes Mortgagee to file, in any filing or recording office, one or more financing statements and any renewal or continuation statements thereof.

Section 6.11 No Impairment of Security»

. To the extent allowed by applicable law, the lien, privilege, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured obligations, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Mortgaged Property, or any part thereof or any interest therein, or any release or indulgence granted to any borrower, endorser, guarantor or surety of any Indebtedness.

Section 6.12 Acts Not Constituting Waiver»

. Any Event of Default may be waived without waiving any other prior or subsequent Event of Default. Any Event of Default may be remedied without waiving the Event of Default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Mortgagee and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any Indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of an Event of Default hereunder.

Section 6.13 Mortgagor’s Successors»

. In the event the ownership of any Mortgaged Property or any part thereof becomes vested in a person other than Mortgagor, then, without notice to Mortgagor, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the obligations secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor’s liability hereunder or for the payment of the Indebtedness or performance of the obligations secured hereby. No transfer of any Mortgaged Property, no forbearance, and no extension of the time for the payment of any Indebtedness secured hereby, shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the Indebtedness or performance of the obligations secured hereby, or the liability of any other person hereunder or for the payment of the Indebtedness.

Section 6.14 Certain Consents»

. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Mortgagee is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Mortgagee, and Mortgagee shall not, for any reason or to any extent, be required to grant such approval or consent or

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exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 6.15 GOVERNING LAW»

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

Section 6.16 EXCULPATION PROVISIONS»

. Each of the parties hereto specifically agrees that it has a duty to read this Mortgage; and agrees that it is charged with notice and knowledge of the terms of this Mortgage; that it has in fact read this Mortgage and is fully informed and has full notice and knowledge of the terms, conditions and effects of this Mortgage; that it has been represented by independent legal counsel of its choice throughout the negotiations preceding its execution of this Mortgage and has received the advice of its attorney in entering into this Mortgage; and that it recognizes that certain of the terms of this Mortgage 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 Mortgage on the basis that the party had no notice or knowledge of such provision or that the provision is not "conspicuous."

Section 6.17 FINAL AGREEMENT»

. THE LOAN DOCUMENTS, THIS MORTGAGE AND THE OTHER WRITTEN DOCUMENTS EXECUTED IN CONNECTION THEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OR PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 6.18 Subrogation; Prior Mortgages»

. To the extent that proceeds of the Indebtedness are used to pay obligations secured by any outstanding lien, privilege, security interest, charge or prior encumbrance against any Mortgaged Property ("Prior Mortgages"), such proceeds have been advanced at Mortgagor's request, and the Trustee for the benefit of the Mortgagee or the Mortgagee as agent for the party or parties advancing the same shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such Prior Mortgages, privileges, security interests, charges or encumbrances to the extent such Prior Mortgages, privileges, security interests, charges or encumbrances relate to the Mortgaged Property, irrespective of whether said liens, privileges, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such obligations, Mortgagor hereby waives and

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releases all demands and causes of action for offsets and payments to, upon and in connection with the said obligations. Mortgagor and Mortgagee acknowledge that this Mortgage amends, restates and consolidates the Prior Mortgages, and all liens, claims, rights, titles, interests and benefits created and granted by the Prior Mortgages in the Mortgaged Property shall continue to exist, remain valid and subsisting, shall not be impaired or released hereby, shall remain in full force and effect and are hereby renewed, extended, carried forward and conveyed as security for the Indebtedness.

Section 6.19 Compliance with Usury Laws»

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

Section 6.20 Certain Obligations of Mortgagor»

. Without limiting Mortgagor's obligations hereunder, Mortgagor's liability hereunder and the obligations secured hereby shall extend to and include all post petition interest, expenses and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 6.21 Authority of Mortgagee»

. The holders of the Indebtedness secured hereby may, by agreement among them, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such persons and recorded in the same counties as this Mortgage is recorded, (i) all persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, or the appointment or substitution of trustees hereunder and the bidding in of all or any part of the Indebtedness held by any one or more persons, whether the same be conducted under the provisions hereof or otherwise) of Mortgagee, without inquiry into any such agreements or the existence of required consent or approval of any holders of Indebtedness and without the joinder of any party other than Mortgagee in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Mortgagee.

Section 6.22 Intercreditor Agreement»

. This Mortgage and the Obligations are subordinated to the Note Debt (as defined in the Intercreditor Agreement) in the manner and to the extent set forth in the Intercreditor Agreement, as more particularly described therein, and the Mortgagee, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement. Mortgagor shall not be obligated (and Mortgagee shall not be entitled) to take, or fail to take, any action to the extent that such action, or failure to take such action, would be prohibited by, or would in any way conflict with, the Intercreditor Agreement. Mortgagee acknowledges and agrees that the exercise of all rights and remedies hereunder in the nature of powers-of-attorney, ability to collect and receive cash or non-cash proceeds and ability to maintain possession of any collateral security shall be considered “Enforcement Actions” as defined in the Intercreditor Agreement, subject to the terms thereof.

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WITNESS THE EXECUTION HEREOF, this __ day of May, 2009, to be effective as of said date (the "Effective Date").

MORTGAGOR:
SOUTHERN TEXAS OIL COMPANY
By:
Name:
Title:

The name and address of the Mortgagor is:

Southern Texas Oil Company
c/o South Texas Oil Company
300 E. Sonterra Blvd., Suite 1220
San Antonio, Texas 78258

The name and address of the Mortgagee is:

[_____________]
[_____________]
[_____________]

The name and address of the Trustee is:

[_____________]

[_____________]

[_____________]

[_____________]

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STATE OF TEXAS)
)
COUNTY OF BEXAR)

The foregoing instrument was acknowledged before me this ___ day of May, 2009, by Michael Pawelek, as President and CEO of Southern Texas Oil Company, a Texas corporation, on behalf of said corporation.

Witness my hand and official seal.

My Commission Expires: ________________________________

Notary Public

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EXHIBIT A

Property Descriptions

SEE ATTACHED

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SCHEDULE 3.01

TITLE

[To be completed]

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EXHIBIT 99.6

WHEN RECORDED RETURN TO:
[____________]
[____________]
[____________]
Attn: **[____________]**

FIRST AMENDMENT TO
MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

FROM

[______________], a [_________]

TO

[____________], AS TRUSTEE

FOR THE BENEFIT OF

Daniel Ryweck, as Collateral Agent

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

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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FIRST AMENDMENT TO MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

THIS FIRST AMENDMENT TO MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT (this "**Amendment**") is made as of the ____ day of [__________], 2009, by [___________], a [_______], whose address for notice is [________________] ("Mortgagor") to [__________], as Trustee, whose address for notice is [_______________] ("Trustee"), for the benefit of Daniel Ryweck, an individual with his principal place of residence at 13911 Ridgedale Drive, Suite 375, Minnetonka, MN 55305, on his own behalf and in his capacity as collateral agent for the benefit of the holders of the Notes (as defined in the Mortgage described below) (together with its successors and assigns, the "Mortgagee"). Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Mortgage describe below.

RECITALS

A. Mortgagor has previously executed and delivered in favor of Trustee for the benefit of Mortgagee a certain Mortgage, Deed of Trust, Security Agreement and Financing Statement made as of June 10, 2009, and recorded on [__________] in the office of the County Clerk in [__________], Texas as Instrument #[_________] (the "**Mortgage**"), which Mortgage encumbers Mortgagor's interest in the land legally described on Exhibit A attached thereto (the "**Land**"), in addition to various other real and personal property pledged to the Mortgagee as more fully described in the Mortgage.

B. Mortgagor and Mortgagee have agreed to modify the Mortgage upon the terms and conditions contained herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and legal sufficiency whereof are hereby acknowledged, the parties hereby agree as follows:

1. **Recitals**. The Recitals set forth above are incorporated herein by this reference thereto as if fully set forth herein.

2. **Amendments of Mortgage**. Effective as of the date hereof, the recitals of the Mortgage are hereby amended and restated in their entirety to read as follows:

> "A. Pursuant to that certain Securities Purchase Agreement dated as of June 10, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "First Purchase Agreement"), by and among South Texas Oil Company, a Nevada corporation ("Borrower"), and the "Buyers" party thereto (the "First Buyers"), Borrower has, among other things, agreed to issue to First Buyers, and First Buyers have agreed to purchase from Borrower, the Notes (as defined in the First Purchase Agreement) (such notes, the "First Notes"), subject in each case to the terms and conditions set forth in the First Purchase Agreement.

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B. Mortgagor and the other "Guarantors" party thereto have executed and delivered to Mortgagee that certain Guaranty dated as of June 10, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "First Guaranty"), pursuant to which Mortgagor has guaranteed the payment and performance of all of the "Obligations" under (and as defined in) the First Guaranty, which includes, without limitation, all obligations, liabilities and indebtedness of Borrower under the First Purchase Agreement and the First Notes.

C. Pursuant to that certain Securities Purchase Agreement dated as of June **[15]**, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Second Purchase Agreement"; and collectively with the First Purchase Agreement, the "Purchase Agreement"), by and among Borrower, and the "Buyers" party thereto (the "Second Buyers"; and together with the First Buyers, "Buyers"), Borrower has, among other things, agreed to issue to Second Buyers, and Second Buyers have agreed to purchase from Borrower, the Second Notes (as defined in the Purchase Agreement) (such notes, the "Second Notes"; and together with the First Notes, the "Notes"), subject in each case to the terms and conditions set forth in the Second Purchase Agreement.

D. Mortgagor and the other "Guarantors" party thereto have executed and delivered to Mortgagee that certain Guaranty dated as of June **[15]**, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Second Guaranty"; and collectively with the First Guaranty, the "Guaranty"), pursuant to which Mortgagor has guaranteed the payment and performance of all of the "Obligations" under (and as defined in) the Second Guaranty, which includes, without limitation, all obligations, liabilities and indebtedness of Borrower under the Second Purchase Agreement and the Second Notes.

E. Mortgagor has agreed that all of the Indebtedness (as defined in Section 1.03 hereof) is intended to be secured in part by this Mortgage and recorded in those jurisdictions as set forth on Exhibit A of this Mortgage.

F. The entering into of the Purchase Agreement by the Buyers and the satisfaction of their obligations thereunder were conditioned upon the execution and delivery by Mortgagor of this Mortgage, and Mortgagor has agreed to enter into this Mortgage."

3. **No Further Amendment**. This Amendment is given solely to amend and modify the Mortgage as set forth herein. No further amendment or modification of the Mortgage is made or intended, and the respective terms and provisions thereof shall, as expressly amended and modified hereby, continue in full force and effect after the date hereof. The warranties, representations, covenants and agreements contained in the Mortgage as herein expressly amended, are hereby ratified, approved and confirmed in every respect. Mortgagor also hereby **(i)** expressly ratifies and confirms, as of the date of the Mortgage and as of the date hereof, the grant by Mortgagor of the lien on the Land and all of the other property and interests in property created or intended to be created by the Mortgage, in each case as amended and modified hereby and **(ii)** represents and warrants that Mortgagor has not created or suffered or permitted to exist any other lien upon or in any such property or interests in property subsequent to the execution and delivery of the Mortgage, other than as expressly permitted pursuant to the terms and provisions thereof. Mortgagor has no claims, claims of offset or causes of action against Mortgagee, and no defenses to its performance of all Indebtedness.

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4. **No Release.** The indebtedness, liabilities and other obligations secured by the Mortgage are continuing obligations and nothing contained herein shall be deemed to release, terminate or subordinate any lien created or evidenced thereby and all such liens and the priority thereof shall relate back to the recordation date for the Mortgage as referenced herein. This Amendment is not intended and shall not be deemed or construed to in any way affect the enforceability or priority of the Mortgage or constitute a novation, termination or replacement of all or any part of the indebtedness, liabilities or other obligations secured thereby.

5. **Governing Law; Severability**. This Amendment shall be governed by and construed in accordance with the laws of the State of New York. The invalidity, illegality or unenforceability of any provision of this Amendment shall not affect or impair the validity, legality or enforceability of the remainder of this Amendment or the Mortgage, and to this end, the provisions of this Amendment are declared to be severable.

[Signature Page Follows]

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IN WITNESS WHEREOF, Mortgagor and Mortgagee have each executed this Amendment on the date set forth in their respective acknowledgments hereto, to be effective as of the date first above written.

MORTGAGOR:

[____________], a [__________]

By:________________________________
Name:
Title:

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MORTGAGEE:

____
Daniel Ryweck

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STATE OF TEXAS)
)
COUNTY OF _____)
)
CITY OF)
____

The foregoing instrument was acknowledged before me this ____ day of ________, 2009, by ____________ as ____________ of [____________], a [_________], on behalf of said __________.

Witness my hand and official seal.

My Commission Expires: ______________________________

____
Notary Public

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STATE OF _______)
)
COUNTY OF _____)
)
CITY OF)
____

The foregoing instrument was acknowledged before me this ____ day of ________, 2009, by Daniel Ryweck.

Witness my hand and official seal.

My Commission Expires: _______________________________

____
Notary Public

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EXHIBIT A

Property Descriptions

[To be attached]

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EXHIBIT 99.7

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "**Agreement**"), dated as of June 10, 2009 is among SOUTH TEXAS OIL COMPANY, a Nevada corporation (the "**Company**"), SOUTHERN TEXAS OIL COMPANY., a Texas corporation ("**Southern Texas**"), STO OPERATING COMPANY, a Texas corporation ("**STO Operating**"), STO PROPERTIES LLC, a Texas limited liability company ("**STO Properties**"), STO DRILLING COMPANY, a Texas corporation ("**STO Drilling**"; each of Company, Southern Texas, STO Operating, STO Properties, STO Drilling and each other Person (as defined below) who guarantees, or grants a Lien (as defined below) on its assets to secure "Note Debt" (as defined below) and/or Convertible Debt (as defined below) is referred to individually as an "**Obligor**" and collectively as the "**Obligors**"), the Convertible Debt Creditors (as defined below), the Buyers (as defined below), and VIKING ASSET MANAGEMENT, LLC, a California limited liability company, in its capacity as collateral agent for itself and for the Buyers (including any successor agent, hereinafter, the "**Collateral Agent**").

R E C I T A L S

A. The Company, The Longview Fund, L.P., a California limited partnership ("**Longview**"), and Longview Marquis Master Fund, L.P., a British Virgin Islands limited partnership ("**Marquis**") entered into that certain Securities Purchase Agreement, dated as of April 1, 2008 (as amended, supplemented, restated or modified and in effect from time to time, the "**April Purchase Agreement**"), pursuant to which, among other things, (i) the Company issued to (a) Longview, among other things, senior secured notes in an aggregate original principal amount of $23,908,013.11 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Longview April Notes**"), and (b) Marquis, among other things, senior secured notes in an aggregate original principal amount of $8,469,337.71 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis April Notes**"), and (ii) the Warrants (as defined therein) were amended and restated.

B. Pursuant to that certain Securities Exchange Agreement dated as of February 20, 2009 between the Company and Longview and that certain Asset Purchase and Sale Agreement dated as of February 20, 2009 between the Company and Longview and certain of its affiliates, the Company issued to Longview approximately 1.6 million shares of Series A Convertible Preferred Stock of the Company and sold certain assets of the Company to Longview in exchange for the surrender and cancellation of the Longview April Notes.

C. The Company and each of the investors listed on the Schedule of Buyers, including Marquis (the "**Initial Bridge Buyers**") entered into a Securities Purchase Agreement, dated as of September 18, 2008 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Bridge Purchase Agreement**" and, together with the April Purchase Agreement, the "**Purchase Agreements**"), pursuant to which, among other things, subject to the terms and conditions set forth therein, the Company sold, and the Initial Bridge Buyers purchased, senior secured notes in the aggregate original principal amount of $7,000,000 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Initial Bridge Notes**").

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D. Pursuant to that certain Assignment and Assumption Agreement, dated as of May 29, 2009, Marquis transferred to Summerview Marquis Fund, L.P. ("**Summerview**"; and together with the Initial Bridge Buyers, the "**Buyers**"), among other things, a portion of the Marquis April Notes in the principal amount of $2,252,994.73 (the "**Summerview Transferred April Notes**") and a portion of the Initial Bridge Notes in the principal amount of $1,759,556.47 (the "**Summerview Transferred Bridge Notes**"), with the remainder of the Marquis April Notes in the principal amount of $6,710,038.53 (the "**Marquis Remaining April Notes**"; and together with the Summerview Transferred April Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**April Notes**"), and the remainder of the Marquis Bridge Notes in the principal amount of $5,240,433.53 (the "**Marquis Remaining Bridge Notes**"; and together with the Summerview Transferred Bridge Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Bridge Notes**"; the Bridge Notes and the April Notes, hereinafter, collectively the "**Notes**") continuing to be held by Marquis.

E. The Company desires to enter into a Securities Purchase Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time as permitted hereunder, the "**Convertible Debt Purchase Agreement**"), by and among the Company and the investors, each of whom is a signatory to this Agreement pursuant to which, among other things, subject to the terms and conditions set forth therein and in this Agreement, the Company will sell, and the Convertible Debt Creditors will purchase, secured convertible notes in the aggregate original principal amount of up to $5,000,000 (such notes, together with any promissory notes or other securities issued in addition to such notes pursuant to the Convertible Debt Purchase Agreement or in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time as permitted hereunder, the "**Convertible Notes**") and warrants to purchase shares of common stock of the Company.

NOW, THEREFORE, in reliance upon this Agreement, to induce the Buyers to consent to the execution by the Company of the Convertible Debt Purchase Agreement and the issuance of the Convertible Notes and to continue to extend the credit accommodations under the Purchase Agreements, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

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1. **Definitions**. All capitalized terms used but not elsewhere defined in this Agreement shall have the respective meanings ascribed to such terms in the Purchase Agreements and the Notes. The following terms shall have the following meanings in this Agreement:

Bankruptcy Code shall mean the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.), as amended and in effect from time to time, together with any successor statute thereto, and the regulations issued from time to time thereunder.

Business Day shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

Collateral shall mean, subject to the limitations set forth in Section 11.3, those certain oil and gas properties listed on Exhibit A hereto.

Collateral Proceeds shall mean all proceeds (a) acquired upon the exercise of any Enforcement Action against the Collateral by any Party, (b) acquired upon the voluntary or involuntary sale, exchange or other disposition of any Collateral (including a disposition in a Proceeding), or (c) of insurance policy claims and condemnation awards with respect to any Collateral.

Convertible Debt Creditor shall mean each Convertible Debt Creditor which is signatory to this Agreement and any other holder of a Convertible Note or any other Convertible Debt from time to time, together with each such Person's successors and assigns.

Convertible Debt shall mean all of the obligations and liabilities of Obligors to Convertible Debt Creditors evidenced by the Convertible Notes and all other amounts and other obligations and liabilities now or hereafter owed by Obligors to Convertible Debt Creditors pursuant to the Convertible Debt Documents.

Convertible Debt Documents shall mean the Convertible Notes, Convertible Debt Purchase Agreement and all other documents and instruments evidencing, securing or pertaining to any portion of the Convertible Debt, as amended, supplemented, restated or otherwise modified from time to time to the extent permitted hereunder.

Enforcement Action shall mean (a) the exercise of any rights and remedies with respect to the Collateral in respect of the Note Debt or the Convertible Debt by the applicable holder thereof, (b) any action by any Note Party or any Convertible Debt Creditor to foreclose on the Collateral, (c) any action by any Note Party or any Convertible Debt Creditor to take possession of, sell or otherwise realize (judicially or otherwise) upon the Collateral and/or (d) the commencement by any Note Party or any Convertible Debt Creditor of any legal proceedings against any Obligor or with respect to any Collateral to facilitate the actions described in clauses (a) through (c) above.

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Hydrocarbon shall mean all oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined therefrom and all other minerals in and under and which may be produced and saved from or attributable to the Collateral, the lands pooled or unitized therewith and Note Parties' and Convertible Debt Creditors' interests therein.

Lien shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or otherwise) or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under a lease which is not a capital lease.

Note Debt shall mean the obligations, liabilities and other amounts owed under any Purchase Agreement, any Note or any other Transaction Document including all interest, fees, expenses, indemnities and enforcements costs, whether before or after the commencement of a Proceeding and without regard to whether or not an allowed claim, together with any amendments, restatements, modifications, renewals or extensions of any thereof.

Note Default shall mean any "Event of Default" under any Purchase Agreement, any Note, or any other Note Document.

Note Documents shall mean the collective reference to the Purchase Agreements, the Notes, and each of the other agreements to which any Obligor is a party or is bound in connection with the transactions contemplated under the Purchase Agreements and the Notes, as the same may be amended, restated, supplemented or otherwise modified from time to time to the extent permitted hereunder.

Note Parties shall mean any holder of Note Debt, including, without limitation, Collateral Agent and the Buyers.

Obligor shall have the meaning ascribed to such term in the preamble of this Agreement, together with any such Person's successors and assigns, including a receiver, trustee or debtor-in-possession on behalf of such Person.

Paid in Full or **Payment in Full** shall mean the indefeasible payment in full in cash of all Note Debt and termination of all commitments to lend under the Note Documents.

Parties shall mean the Note Parties and the Convertible Debt Creditors.

Permitted Convertible Debt Payments means the following payments in respect of the Convertible Debt, in each instance due and payable on a non-accelerated basis in accordance with the terms of the Convertible Debt Documents as in effect on the date hereof or as modified in accordance with the terms of this Agreement:

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(a) regularly scheduled payments of interest on the Convertible Debt payable in cash at the non-default cash pay rate of interest of fourteen percent (14%) per annum;

(b) regularly scheduled payments of principal on the Convertible Debt; and

(c) accrual (and not payment in cash) of default interest.

Person shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation or other entity whether governmental (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof) or otherwise.

Proceeding shall mean any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of any Obligor or any of its Subsidiaries or any of their respective properties, in each case undertaken under any federal, state, local, foreign or other law, rule, or regulation, including, without limitation, the Bankruptcy Code.

Pro Rata Share means, with respect to any Party, the percentage obtained by dividing (a) the sum of the aggregate outstanding amount of the Note Debt or the Convertible Debt, as applicable, held by such Party, by (b) the sum of the aggregate outstanding amount of the Note Debt and the Convertible Debt held by all Parties.

Requisite Convertible Debt Creditors shall mean at any time Convertible Debt Creditors holding more than fifty percent (50%) of the aggregate outstanding principal balance of the Convertible Debt.

2. **Intercreditor Arrangements**.

2.1 **Subordination**. Except as expressly set forth in Section 2.5 below, the payment and performance of any and all of the Convertible Debt is hereby expressly subordinated, to the extent and in the manner set forth herein, to the Payment in Full of the Note Debt. Each holder of the Note Debt, whether now outstanding or hereafter arising, shall be deemed to have acquired Note Debt in reliance upon the provisions contained herein. The parties hereto intend that this Agreement be enforceable in any Proceeding.

2.2 **Restriction on Payments**. Except as expressly set forth in Section 2.5 below, notwithstanding any provision of the Convertible Debt Documents to the contrary and in addition to any other limitations set forth herein or therein, no payment (whether made in cash, securities or other property or by set-off) of principal, interest or any other amount due with respect to the Convertible Debt shall be made or received, and no Convertible Debt Creditor shall exercise any right of set-off or recoupment with respect to any Convertible Debt, until all of the Note Debt is Paid in Full; provided, however, (a) Convertible Debt Creditors may at any time (including, but not limited to, during the existence of a Note Default) convert all or any portion of the Convertible Debt into common stock of the Company pursuant to the terms and conditions of the Convertible Notes and (b) except as provided in the immediately succeeding sentence, Obligors may make and Convertible Debt Creditors may accept Permitted Convertible Debt Payments. Notwithstanding the foregoing, no Obligor may make, and no Convertible Debt Creditor may receive, any payment of principal, interest or any other amount with respect to the Convertible Debt if, at the time of such payment or immediately after giving effect thereto a Note Default exists or would arise from the making of such payment. Obligors may resume Permitted Convertible Debt Payments (and may make any Permitted Convertible Debt Payments missed due to the application of this Section 2.2) in respect of the Convertible Debt upon the earlier to occur of (i) the waiver (as evidenced by a written waiver from the applicable Note Parties to the applicable Obligors) or cure of such Note Default in accordance with the terms of the applicable Note Documents or (ii) Payment in Full of the Note Debt.

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2.3 **Acknowledgment of Liens**. The Note Parties and the Convertible Debt Creditors hereby acknowledge that the other Person has been granted Liens upon the Collateral to secure the Note Debt and the Convertible Debt, as the case may be. Each of the Collateral Agent and the Convertible Debt Creditors shall be solely responsible for perfecting and maintaining the perfection of their respective Liens on the Collateral. The terms of this Agreement shall continue to govern the relative rights of the Note Parties, on the one hand, and the Convertible Debt Creditors, on the other hand, (a) even if all or any part of the Liens in favor of any Party are subordinated, avoided, disallowed, unperfected, set aside or otherwise invalidated, whether pursuant to a Proceeding, any other judicial proceeding or otherwise, and (b) regardless of the relative rank or priority of the Liens securing the Note Debt and the Convertible Debt. This Agreement shall constitute a subordination agreement within the meaning of Section 510(a) of the Bankruptcy Code and this Agreement constitutes an authenticated notification of a claim by each of the Note Parties and the Convertible Debt Creditors to the other secured creditor of an interest in the Collateral in accordance with the provisions of Sections 9-611 and 9-621 of the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York (the "**Code**").

2.4 **Proceedings**. Except as expressly set forth in Section 2.5 below, in the event of a Proceeding: (a) all Note Debt first shall be Paid in Full before any payment (whether made in cash, securities or other property or by set-off, but excluding any conversion of the Convertible Debt into common stock of the Company pursuant to the terms and conditions of the Convertible Notes) of or with respect to the Convertible Debt shall be made; (b) any payment which, but for the terms hereof, otherwise would be payable or deliverable in respect of the Convertible Debt, shall be paid or delivered directly to Collateral Agent (to be held and/or applied by Collateral Agent to the repayment of any and all then outstanding Note Debt in accordance with the terms of the applicable Purchase Agreement) until all Note Debt is Paid in Full, and each Convertible Debt Creditor irrevocably authorizes, empowers and directs all receivers, trustees, liquidators, custodians, conservators and others having authority in the premises to effect all such payments and deliveries, and each Convertible Debt Creditor also irrevocably authorizes, empowers and directs Collateral Agent to demand, sue for, collect and receive every such payment or distribution; (c) each Convertible Debt Creditor agrees to execute and deliver to Collateral Agent or its representative all such further instruments confirming the authorization referred to in the foregoing clause (b); and (d) each Convertible Debt Creditor agrees to execute, verify, deliver and file any proofs of claim in respect of the Convertible Debt requested by Collateral Agent in connection with any such Proceeding and hereby irrevocably authorizes, empowers and appoints Collateral Agent its agent and attorney-in-fact to execute, verify, deliver and file such proofs of claim upon the failure of such Convertible Debt Creditor promptly to do so (and in any event prior to fifteen (15) days before the expiration of the time to file any such proof); provided Collateral Agent shall have no obligation to execute, verify, deliver, and/or file any such proof of claim.

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2.5 **Pro Rata Payments; Incorrect Payments**.

(a) Notwithstanding any provision of the Convertible Debt Documents or the Note Documents to the contrary and in addition to any other limitations set forth herein or therein, all Collateral Proceeds received by the Note Parties or the Convertible Debt Creditors shall be applied to the Note Debt and the Convertible Debt in accordance with the Pro Rata Share of the Note Parties and the Convertible Debt Creditors. In the event that any Collateral Proceeds are received by any Party in an amount in excess of its Pro Rata Share thereof (whether pursuant to an Enforcement Action, during a Proceeding, in connection with any insurance policy claim or condemnation award (or deed in lieu of condemnation), from the collection or other sale or disposition of, or realization on, the Collateral, in violation of this Agreement, or otherwise), then such excess Collateral Proceeds shall not be commingled with any of the assets of such Party, shall be received and held in trust for the benefit of the other Party and shall be promptly paid over to the other Party.

(b) If any payment or distribution (whether made in cash, securities or other property) not permitted under this Agreement is received by any Convertible Debt Creditor on account of the Convertible Debt before all Note Debt is Paid in Full, such payment shall not be commingled with any asset of such Convertible Debt Creditor, shall be held in trust by such Convertible Debt Creditor for the benefit of Note Parties and shall immediately be paid over to Collateral Agent, or its designated representative, for application to the payment of the Note Debt then remaining unpaid, until all of the Note Debt is Paid in Full.

(c) Each Obligor hereby acknowledges that provisions of this Agreement require the Convertible Debt Creditors to pay over to the Collateral Agent on behalf of the Note Parties any payments received by the Convertible Debt Creditors in contravention of this Agreement, and hereby irrevocably authorizes such payment to the Collateral Agent on behalf of such Note Parties, notwithstanding any instructions to the contrary that such Obligor may deliver to the Convertible Debt Creditors after the date hereof. Each Obligor hereby acknowledges that no such payment shall reduce the amount or otherwise alter the obligations under the Convertible Debt or the Convertible Debt Documents.

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2.6 **Sale, Transfer**.

(a) Each Party agrees that it shall be bound by the terms, provisions and conditions of this Agreement, in its capacity as a Note Party or a Convertible Debt Creditor, whether or not such Person has executed a counterpart of this Agreement.

(b) No Party shall sell, assign, dispose of or otherwise transfer all or any portion of the Note Debt or the Convertible Debt, or the Liens on the Collateral securing same, unless prior to the consummation of any such action, the transferor and transferee thereof shall execute and deliver a joinder to this Agreement in form and substance reasonably acceptable to the Note Parties or the Requisite Convertible Debt Creditors, as applicable, or an agreement substantially identical to this Agreement, in either case providing for the continued effectiveness of all of the rights of the Parties arising under this Agreement.

(c) Notwithstanding the failure to execute or deliver any such agreement, the terms of this Agreement effected hereby shall survive any sale, assignment, disposition or other transfer of all or any portion of the Note Debt or the Convertible Debt, and the terms of this Agreement shall be binding upon the successors and assigns of each Party as provided in Section 9 below.

2.7 **Restriction on Actions.**

(a) Notwithstanding anything contained in the Convertible Debt Documents to the contrary, no Convertible Debt Creditor shall, without the prior written consent of the Note Parties, agree to any amendment, modification or supplement to the Convertible Debt Documents.

(b) Neither the Note Parties nor the Requisite Convertible Debt Creditors shall take any Enforcement Action without giving the other Party twenty (20) Business Days prior written notice thereof. Notwithstanding anything contained in the Convertible Debt Documents to the contrary, no Convertible Debt Creditor shall take any Enforcement Action unless the Requisite Convertible Debt Creditors elect in writing to take such Enforcement Action. In the case of any such prior written notice given by the Requisite Convertible Debt Creditors to the Note Parties, the Requisite Convertible Debt Creditors shall, concurrently with the delivery of such notice, provide evidence in form and substance reasonably satisfactory to the Note Parties of the election of the Requisite Convertible Debt Creditors to take such Enforcement Action.

2.8 **Release of Liens**. In the event that the Note Parties or Requisite Convertible Debt Creditors are foreclosing upon or otherwise realizing upon any Collateral pursuant to an Enforcement Action in accordance with the terms of this Agreement and the other Party has a Lien on the same asset, such Party agrees to deliver to the foreclosing (or other realizing) Party such Lien releases as reasonably requested by the foreclosing (or other realizing) Party to allow the asset to be transferred free and clean of such Lien and shall be deemed to have consented under the Note Documents or the Convertible Debt Documents, as applicable, to such sale, transfer or other disposition free and clear of all Liens and to have waived the provisions of the Note Documents or the Convertible Debt Documents, as applicable, to the extent necessary to permit such transaction, *provided*, that the Collateral Proceeds resulting from such foreclosure or other realization are applied in accordance with the terms of this Agreement, and the releasing Party retains a Lien on the Collateral Proceeds of such asset subject to the terms of this Agreement.

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2.9 **Waiver of Certain Rights**.

(a) **Acceptance.** Each Party hereby waives all notice of the acceptance by the other Party of the provisions of this Agreement and all the notices not specifically required pursuant to the terms of this Agreement or under applicable law in connection with foreclosure on or sale of all or any portion of the Collateral, and each Party expressly consents to the reliance by the other Party upon the agreements as herein provided.

(b) **Marshalling**.

(i) Each Party hereby waives any rights it may have under applicable law to assert the doctrine of marshaling or to otherwise require the other Party to marshal any property of any Obligor for the benefit of such Party. Each Party further waives any right to demand, request, plead or otherwise assert or otherwise claim the benefit of any appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Collateral or any other similar rights such Person may have under applicable law.

(ii) Each Convertible Debt Creditor agrees that no Note Party shall have any liability to any Convertible Debt Creditor, and each such Convertible Debt Creditor hereby waives any claims against the Note Parties, arising out of any and all actions that any Note Party may take or permit or omit to take with respect to (i) the Note Documents, (ii) the collection of the Note Debt, or (iii) the foreclosure upon, or sale, liquidation or other disposition or realization of, any Collateral (other than for breach of this Agreement and other than for claims under Article 9 of the Code that any such foreclosure, sale, liquidation, or other disposition or realization of any Collateral was not conducted in a commercially reasonable manner). Each Convertible Debt Creditor agrees that no Note Party shall not have any duty, express or implied, fiduciary or otherwise, to it in respect of the maintenance or preservation of any Collateral or otherwise. No Note Party nor any of its respective directors, officers, employees or agents will be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so, or will be under any obligation to sell or otherwise dispose of any Collateral upon the request of an Obligor, any Convertible Debt Creditor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

(iii) Each Note Party agrees that no Convertible Debt Creditor shall have any liability to any Note Party, and each such Note Party hereby waives any claims against the Convertible Debt Creditors, arising out of any and all actions that any Convertible Debt Creditor may take or permit or omit to take with respect to (i) the Convertible Debt Documents, (ii) the collection of the Convertible Debt, or (iii) the foreclosure upon, or sale, liquidation or other disposition or realization of, any Collateral (other than for breach of this Agreement and other than for claims under Article 9 of the Code that any such foreclosure, sale, liquidation, or other disposition or realization of any Collateral was not conducted in a commercially reasonable manner). Each Note Party agrees that no Convertible Debt Creditor shall not have any duty, express or implied, fiduciary or otherwise, to it in respect of the maintenance or preservation of any Collateral or otherwise. No Convertible Debt Creditor nor any of its respective directors, officers, employees or agents will be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so, or will be under any obligation to sell or otherwise dispose of any Collateral upon the request of an Obligor, any Note Party or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

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3. **Continued Effectiveness of this Agreement**. The terms of this Agreement and the rights and the obligations of Note Parties and Convertible Debt Creditors arising hereunder, shall not be affected, modified or impaired in any manner or to any extent by: (i) any amendment or modification of or supplement to the Note Documents or the Convertible Debt Documents; (ii) the validity or enforceability of any of such documents; or (iii) any exercise or non-exercise of any right, power or remedy under or in respect of the Note Debt or the Convertible Debt or any of the instruments or documents referred to in clause (i) above.

4. **Cumulative Rights, No Waivers**. Each and every right, remedy and power granted to the Note Parties and the Convertible Debt Creditors hereunder shall be cumulative and in addition to any other right, remedy or power specifically granted herein, in the Note Documents or the Convertible Debt Documents or now or hereafter existing in equity, at law, by virtue of statute or otherwise, and may be exercised by Note Parties or the Convertible Debt Creditors, from time to time, concurrently or independently and as often and in such order as Note Parties or the Convertible Debt Creditors may deem expedient. Any failure or delay on the part of the Note Parties and the Convertible Debt Creditors in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect Note Parties' and the Convertible Debt Creditors' right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power, and no such failure, delay, abandonment or single or partial exercise of Note Parties' and the Convertible Debt Creditors' rights hereunder shall be deemed to establish a custom or course of dealing or performance among the parties hereto.

5. **Modification**. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any Party therefrom, shall not be effective in any event unless the same is in writing and signed by the parties hereto, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific instance and for the specific purpose given. Any notice to or demand on any Party in any event not specifically required hereunder shall not entitle such Party to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

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6. **Additional Documents and Actions**. Each Party, at any time, and from time to time, after the execution and delivery of this Agreement, upon the request of the other Party and at the expense of Company, promptly will execute and deliver such further documents and do such further acts and things as the other Party may reasonably request in order to effect fully the purposes of this Agreement.

7. **Notices**. All notices and communications under this Agreement shall be in writing and shall be (i) delivered in person, (ii) mailed, postage prepaid, either by registered or certified mail, return receipt requested, (iii) delivered by overnight express courier, or (iv) sent by facsimile transmission (with such facsimile transmission to be confirmed promptly in writing sent in accordance with (i), (ii) or (iii) above), addressed in each case as follows:

If to any Convertible Debt Creditor:	Daniel Ryweck Convertible Debt Collateral Agent 13911 Ridgedale Drive, Suite 375 Minnetonka, MN 55305 Facsimile: 952-512-9959
with a copy to:	Convertible Debt Creditors as listed in the attached Schedule of Buyers
If to any Obligor:	South Texas Oil Company 300 E. Sonterra Blvd. #1220 San Antonio, Texas 78258 Attention: Michael Pawelek Facsimile: 210-545-3317
with a copy to:	Corporate Legal Solutions 6 Wheeler's Point Road Gloucester, MA 01930 Attention: Roy D. Toulan, Jr Facsimile: 978-283-4692
If to Note Parties:	Viking Asset Management, LLC 600 Montgomery Street, 44th Floor San Francisco, California 94111 Attention: Michael Rudolph Facsimile: (415) 981-5301

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with a copy to:	Summerline Asset Management, LLC 70 West Red Oak Lane, 4th Floor White Plains, New York 10604 Attention: Robert J. Brantman Facsimile: (914) 697-4767
with a copy to:	Katten Muchin Rosenman LLP 525 West Monroe Street, Suite 1900 Chicago, Illinois 60661-3693 Attn: Mark Wood, Esq. Facsimile: (312) 902-1061

or to any other address, as to any of the parties hereto, as such party shall designate in a written notice to the other parties hereto. All notices sent pursuant to the terms of this Section 7 shall be deemed received (i) if personally delivered, then on the Business Day of delivery, (ii) if sent by overnight, express carrier, on the next Business Day immediately following the day sent, (iii) if sent by registered or certified mail, on the earlier of the third Business Day following the day sent or when actually received or (iv) if delivered by facsimile transmission, on the date of transmission if transmitted on a Business Day before 4:00 p.m. (New York, New York time), otherwise on the next Business Day.

8. **Severability**. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement.

9. **Successors and Assigns**. This Agreement shall inure to the benefit of the successors and assigns of the Note Parties and the Convertible Debt Creditors and shall be binding upon the successors and assigns of Obligors.

10. **Counterparts**. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement (or any notice or agreement delivered pursuant to the terms hereof) by facsimile transmission or electronic transmission shall be as effective as delivery of a manually executed counterpart hereof.

11. **No New Lien; Defines Rights of Creditors; Collateral Limitations; Subrogation.**

11.1 **New Liens**. The Parties hereto hereby agree that (i) no Convertible Debt Creditor shall be permitted to restrict, in any manner, an Obligor from granting a Lien on any of its real or personal property for the benefit of the Note Parties and (ii) until the Payment in Full of the Note Debt, no additional Liens shall be granted or permitted on any real or personal property of an Obligor to secure any Convertible Debt. To the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available to the Note Parties, Convertible Debt Creditors agree that any amounts received by or distributed to any of them as a result of Liens granted or perfection achieved in contravention of this Section 11.1 shall be held in trust for the benefit of the Note Parties and shall be promptly paid to Collateral Agent.

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11.2 **Relative Rights**. This Agreement shall define the relative rights of the Note Parties and the Convertible Debt Creditors, respectively. Nothing in this Agreement shall (a) impair, as among the Obligors and the Note Parties, on the one hand, and as between the Obligors and the Convertible Debt Creditors, on the other hand, the obligations of the Obligors with respect to the payment of the Note Debt and the Convertible Debt, as the case may be, in accordance with their respective terms or (b) affect the relative rights of the Note Parties or the Convertible Debt Creditors with respect to any other creditors of the Obligors.

11.3 **Collateral Limitations**. Each Convertible Debt Creditor acknowledges and agrees that the Collateral consists solely of the Obligor's fee ownership interest in and to the wells described on Exhibit A and the right, title and interest of such Obligors in the Hydrocarbons in such wells prior to their extraction therefrom. In no event shall Collateral or Collateral Proceeds include (i) as-extracted collateral, including any Hydrocarbons that are actually extracted from the subject wells or proceeds therefrom or (ii) any royalties, receipts, receivables, rents or other rights to payment on account of the subject wells (unless same arises from an Enforcement Action or a sale, exchange or other disposition of a subject well) or the Hydrocarbons extracted therefrom.

11.4 **Subrogation**. Subject to the Payment in Full of the Note Debt, in the event and to the extent cash, property or securities otherwise payable or deliverable to the Convertible Debt Creditors shall have been applied pursuant to this Agreement to the payment of Note Debt, then and in each such event, the Convertible Debt Creditors shall be subrogated to the rights of each Note Party to receive any further payment or distribution in respect of or applicable to the Note Debt; and, for the purposes of such subrogation, no payment or distribution to the Note Parties of any cash, property or securities to which any Convertible Debt Creditor would be entitled except for the provisions of this Agreement shall, and no payment over pursuant to the provisions of this Agreement to the Note Parties by the Convertible Debt Creditors shall, as between any Obligor, its creditors other than the Note Parties and the Convertible Debt Creditors, be deemed to be a payment by such Obligor to or on account of Note Debt.

12. **Conflict**. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Convertible Debt Documents or the Note Documents, the provisions of this Agreement shall control and govern.

13. **Statements of Indebtedness**. Company will furnish to (a) Collateral Agent upon demand, a statement of the indebtedness owing from Obligors to Convertible Debt Creditors, and will give Collateral Agent access to the books of Obligors in accordance with the Purchase Agreements so that Collateral Agent can make a full examination of the status of such indebtedness, and (b) each Convertible Debt Creditor upon demand, a statement of the indebtedness owing from Obligors to Note Parties, and will give each Convertible Debt Creditor access to the books of Obligors in accordance with the Convertible Debt Purchase Agreement so that each Convertible Debt Creditor can make a full examination of the status of such indebtedness.

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14. **Headings; Section References**. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated herein, Section references shall be deemed to be references to Sections of this Agreement.

15. **Termination**. This Agreement shall terminate upon the indefeasible Payment in Full of the Note Debt; provided, however, this Agreement shall be reinstated if at any time any payment of any of the Note Debt is rescinded or must otherwise be returned by any holder of the Note Debt or any representative of such holder and the Note Debt, or portion thereof, intended to have been satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

16. **Agreement Not to Contest**. Each Note Party and each Convertible Debt Creditor hereby agree not to, directly or indirectly, whether in connection with a Proceeding or otherwise, take any action or vote in any way that would be in violation of, or inconsistent with, or result in a breach of, this Agreement or challenge or contest (a) the validity, perfection, priority or enforceability of any Note Debt or Convertible Debt or the Lien held by the Collateral Agent, for the benefit of the Note Parties, or the Lien held by the Convertible Debt Creditors, to secure the payment, performance or observance of all or any part of the Note Debt or the Convertible Debt, (b) the rights of the Note Parties or the Convertible Debt Creditors set forth in any of the Note Documents or Convertible Debt Documents, respectively, with respect to any such Lien, or (c) the validity or enforceability of any of the Note Documents or any of the Convertible Debt Documents; provided, that nothing in this Section 16 is intended or shall be deemed or construed to limit in any way the ability of the parties hereto to enforce all of the terms and provisions of this Agreement.

17. **Governing Law; Jurisdiction; Jury Trial**. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

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18. **Waiver of Consolidation**. Each Convertible Debt Creditor acknowledges and agrees that (i) Obligors are each separate and distinct entities; and (ii) it will not at any time insist upon, plead or seek advantage of any substantive consolidation, piercing the corporate veil or any other order or judgment that causes an effective combination of the assets and liabilities of Obligors in any case or proceeding under Title 11 of the United States Code or other similar proceeding.

19. **Convertible Debt Collateral Agent**. (a) Each of the Convertible Debt Creditors hereby irrevocably appoints and authorizes Daniel Ryweck, an individual with his principal place of residence at 13911 Ridgedale Drive, Suite 375, Minnetonka, MN 55305, to act as collateral agent under the Convertible Debt Documents (the "**Convertible Debt Collateral Agent**"), to enter into each of the instruments, documents and agreements, including any guaranty, financing statements, mortgage, account control agreement or any other security documents (collectively, the "**Financing Documents**"), to which it is a party as agent (including as a collateral agent) on Convertible Debt Creditors' behalf and to take such actions as Convertible Debt Collateral Agent on Convertible Debt Creditors' behalf under the Financing Documents and to exercise such powers under the Financing Documents as are delegated to Convertible Debt Collateral Agent (as agent, secured party or otherwise) by the terms thereof, together with all such powers as are reasonably incidental thereto. The Convertible Debt Collateral Agent shall take such action under any Convertible Debt Document as the Convertible Debt Collateral Agent shall reasonably be directed by Convertible Debt Creditors in accordance with the terms of the Convertible Debt Documents (and, in any event, as reasonably directed by written direction of Requisite Convertible Debt Creditor). Convertible Debt Collateral Agent is authorized and empowered to amend, modify, or waive any provisions of any Financing Document to which it is a party or which run in its favor on behalf of the Convertible Debt Creditors; provided, however, that the parties hereto hereby agree that no such amendment, modification or waiver shall be effective without the unanimous written consent of the Convertible Debt Creditors.

(b) Whether or not the transactions contemplated hereby shall be consummated, upon demand therefor, the Convertible Debt Creditors shall indemnify the Convertible Debt Collateral Agent (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), ratably (based on the ratio of the amount of Convertible Debt a Convertible Debt Creditor holds to the aggregate Convertible Debt held by all Convertible Debt Creditors) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever, including, for purposes of clarification, all taxes, which may at any time (including at any time following the payment in full of the Convertible Notes and the termination or resignation of the Convertible Debt Collateral Agent) be imposed on, incurred by or asserted against the Convertible Debt Collateral Agent in any way relating to or arising out of any Convertible Debt Document or any document contemplated hereby or referred to herein or the transactions contemplated hereby or thereby or any action taken or omitted by the Convertible Debt Collateral Agent under or in connection with any of the foregoing; provided, however, that Convertible Debt Creditors shall not be liable for the payment to the Convertible Debt Collateral Agent of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Convertible Debt Collateral Agent's gross negligence or willful misconduct. In addition, Convertible Debt Creditors shall reimburse the Convertible Debt Collateral Agent upon demand for its ratable share (based on the ratio of the amount of Convertible Debt a Convertible Debt Creditor holds to the aggregate Convertible Debt held by all Convertible Debt Creditors) of any costs or out-of-pocket expenses (including attorney costs) incurred by the Convertible Debt Collateral Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any Convertible Debt Document, or any document contemplated hereby or referred to herein to the extent that the Convertible Debt Collateral Agent is not reimbursed for such expenses by or on behalf of the Company. Without limiting the generality of the foregoing, if any governmental authority of any jurisdiction asserts a claim that the Convertible Debt Collateral Agent did not properly withhold tax from amounts paid to or for the account of a Convertible Debt Creditor (because the appropriate form was not delivered, was not properly executed, or because such Convertible Debt Creditor failed to notify the Convertible Debt Collateral Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), Convertible Debt Creditors shall indemnify the Convertible Debt Collateral Agent fully for all amounts paid, directly or indirectly, by the Convertible Debt Collateral Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Convertible Debt Collateral Agent under this Section 19(b), together with all related costs and expenses (including attorney costs). The obligation of Convertible Debt Creditors in this Section 19(b) shall survive the payment of all Convertible Debt.

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(c) The Convertible Debt Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default (as defined in any Convertible Debt Document) (a "**Convertible Debt Default**") or any event that with the giving of notice or passage of time would constitute a Convertible Debt Default unless the Convertible Debt Collateral Agent shall have received written notice from Convertible Debt Creditors describing a Convertible Debt Default or event that with the giving of notice or passage of time would constitute such a Convertible Debt Default and stating that such notice is a "notice of default". Upon the occurrence and continuance of a Convertible Debt Default, or an event that with the giving of notice or passage of time would constitute a Convertible Debt Default, the Convertible Debt Collateral Agent shall take such action under any Convertible Debt Document with respect to such Convertible Debt Default or event that with the giving of notice or passage of time would constitute a Convertible Debt Default as Convertible Debt Collateral Agent shall reasonably be directed by Convertible Debt Creditors in accordance with the terms of the Convertible Debt Documents (and, in any event, as reasonably directed by written direction of Requisite Convertible Debt Creditors); provided that, unless and until the Convertible Debt Collateral Agent shall have received such directions, the Convertible Debt Collateral Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Convertible Debt Default or event that with the giving of notice or passage of time would constitute a Convertible Debt Default as the Convertible Debt Collateral Agent shall deem advisable in the best interests of Convertible Debt Creditors. In taking such action or refraining from taking such action without specific direction from Convertible Debt Creditors, the Convertible Debt Collateral Agent shall use the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(d) Nothing in this Section 19 shall be deemed to limit or otherwise affect the rights of Convertible Debt Collateral Agent or Convertible Debt Creditors to exercise any remedy provided in any Convertible Debt Document.

(e) The Convertible Debt Collateral Agent may resign from the performance of all of its functions and duties under this Section 19 and/or under any Convertible Debt Document at any time by giving thirty (30) Business Days' prior written notice to Convertible Debt Creditors. Such resignation shall take effect upon the appointment of a successor Convertible Debt Collateral Agent pursuant to clause (f) below or as otherwise provided below.

(f) Upon (i) Convertible Debt Creditors' receipt of a notice of resignation by the Convertible Debt Collateral Agent in accordance with clause (e) above, or (ii) written notice by Convertible Debt Creditors to Convertible Debt Collateral Agent of Convertible Debt Creditors' election to remove the existing Convertible Debt Collateral Agent and appoint a successor Convertible Debt Collateral Agent, Convertible Debt Creditors shall have the right to appoint a successor Convertible Debt Collateral Agent. Upon the acceptance of a successor's appointment as Convertible Debt Collateral Agent and notice of such acceptance to the retiring Convertible Debt Collateral Agent, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Convertible Debt Collateral Agent, the retiring Convertible Debt Collateral Agent's resignation shall become immediately effective and the retiring Convertible Debt Collateral Agent shall be discharged from all of its duties and obligations under this Section 19 and under the Convertible Debt Documents (if such resignation was not already effective and such duties and obligations not already discharged, as provided below in this paragraph). If no such successor shall have been so appointed by Convertible Debt Creditors and shall have accepted such appointment within thirty (30) days after the retiring Convertible Debt Collateral Agent gives notice of its resignation or Convertible Debt Creditors give notice of their election to replace the retiring Convertible Debt Collateral Agent, then the retiring Convertible Debt Collateral Agent may, on behalf of Convertible Debt Creditors (but without any obligation) appoint a successor Convertible Debt Collateral Agent without the consent of Convertible Debt Creditors. From and following the expiration of such thirty (30) day period, Convertible Debt Collateral Agent shall have the exclusive right without any Person's consent, upon one (1) Business Days' notice to Convertible Debt Creditors, to make its resignation or removal effective immediately. From and following the effectiveness of such notice, (i) the retiring Convertible Debt Collateral Agent shall be discharged from its duties and obligations under this Section 19 and under the Convertible Debt Documents and (ii) all actions, payments, communications and determinations provided to be made by, to or through Convertible Debt Collateral Agent shall instead be made by or to Convertible Debt Creditors directly, until such time as Convertible Debt Creditors appoint a Convertible Debt Collateral Agent as provided for above in this paragraph. The provisions of this Section 19 shall continue in effect for the benefit of any retiring Convertible Debt Collateral Agent and its sub-agents after the effectiveness of its resignation or removal and under the Convertible Debt Documents in respect of any actions taken or omitted to be taken by any of them while the retiring Convertible Debt Collateral Agent was acting or was continuing to act as Convertible Debt Collateral Agent.

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(g) If pursuant to any Financing Document the Convertible Debt Collateral Agent is given the discretion to allocate proceeds received by Convertible Debt Collateral Agent pursuant to the exercise of remedies under the Financing Documents or at law or in equity (including without limitation with respect to any secured creditor remedies exercised against the Collateral and any other collateral security provided for under any Financing Document), Convertible Debt Collateral Agent shall apply such proceeds to the then outstanding Convertible Debt in the following order of priority (with amounts received being applied in the numerical order set forth below until exhausted prior to the application to the next succeeding category and each of the Convertible Debt Creditors or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses second, third and fourth below):

first, to payment of fees, costs and expenses (including reasonable attorney's fees) owing to the Convertible Debt Collateral Agent;

second, to payment of all accrued unpaid interest and fees (other than fees owing to Convertible Debt Collateral Agent) on the Convertible Debt;

third, to payment of principal of the Convertible Debt;

fourth, to payment of any other amounts owing constituting Convertible Debt; and

fifth, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

[remainder of page intentionally left blank]

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IN WITNESS WHEREOF, Convertible Debt Creditors have caused this Agreement to be executed as of the date first above written.

CONVERTIBLE DEBT CREDITORS:

[____________], as a Convertible Debt Creditor

By: _______________________________
Name: _____________________________
Title:______________________________

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[____________], as a Convertible Debt Creditor

By: ______________________________
Name: ___________________________
Title: ____________________________

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IN WITNESS WHEREOF, Convertible Debt Collateral Agent has caused this Agreement to be executed as of the date first above written.

CONVERTIBLE DEBT COLLATERAL AGENT:

____

Daniel Ryweck

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IN WITNESS WHEREOF, Obligors have caused this Agreement to be executed as of the date first above written.

OBLIGORS:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By: ______________________________________
Name: Michael J. Pawelek
Title: Chief Executive Officer

SOUTHERN TEXAS OIL COMPANY., a Texas corporation

By: ______________________________________
Name: ____________________________________
Title:______________________________________

STO OPERATING COMPANY, a Texas corporation

By:______________________________________
Name:____________________________________
Title:_____________________________________

STO PROPERTIES LLC, a Texas limited liability company

By: ______________________________________
Name: ____________________________________
Title: ______________________________________

STO DRILLING COMPANY, a Texas corporation

By: ______________________________________
Name:______________________________________
Title:______________________________________

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IN WITNESS WHEREOF, Collateral Agent and Buyers have caused this Agreement to be executed as of the date first above written.

COLLATERAL AGENT:

VIKING ASSET MANAGEMENT, LLC, a California limited liability company, in its capacity as Collateral Agent for the Buyers

By: ______________________________________
Name: S. Michael Rudolph
Title: Chief Financial Officer

BUYERS:

LONGVIEW MARQUIS MASTER FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By: ______________________________________
Name: Robert J. Brantman
Title: Co-Managing Member

SUMMERVIEW MARQUIS FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By: ______________________________________
Name: Robert J. Brantman
Title: Co-Managing Member

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Schedule of Buyers

First Closing - June 10, 2009

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EXHIBIT A

Oil and Gas Properties

[To be inserted]

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EXHIBIT 99.8

AMENDMENT TO INTERCREDITOR AGREEMENT

THIS AMENDMENT TO INTERCREDITOR AGREEMENT (this "**Amendment**") is made as of June 16, 2009, by and among SOUTH TEXAS OIL COMPANY, a Nevada corporation (the "**Company**"), SOUTHERN TEXAS OIL COMPANY., a Texas corporation ("**Southern Texas**"), STO OPERATING COMPANY, a Texas corporation ("**STO Operating**"), STO PROPERTIES LLC, a Texas limited liability company ("**STO Properties**"), STO DRILLING COMPANY, a Texas corporation ("**STO Drilling**"; each of Company, Southern Texas, STO Operating, STO Properties, STO Drilling and each other Person (such term and each other capitalized term used but not defined herein shall have the meaning given to it in the Intercreditor Agreement described below) who guarantees, or grants a Lien on its assets to secure "Note Debt" and/or Convertible Debt is referred to individually as an "**Obligor**" and collectively as the "**Obligors**"), the Convertible Debt Creditors (as such term is amended hereby), the Buyers, and VIKING ASSET MANAGEMENT, LLC, a California limited liability company, in its capacity as collateral agent for itself and for the Buyers (including any successor agent, hereinafter, the "**Collateral Agent**").

R E C I T A L S:

A. The Company, The Longview Fund, L.P., a California limited partnership ("**Longview**"), and Longview Marquis Master Fund, L.P., a British Virgin Islands limited partnership ("**Marquis**"), entered into that certain Securities Purchase Agreement, dated as of April 1, 2008 (as amended, supplemented, restated or modified and in effect from time to time, the "**April Purchase Agreement**"), pursuant to which, among other things, (i) the Company issued to (a) Longview, among other things, senior secured notes in an aggregate original principal amount of $23,908,013.11 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Longview April Notes**"), and (b) Marquis, among other things, senior secured notes in an aggregate original principal amount of $8,469,337.71 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis April Notes**"), and (ii) the Warrants (as defined therein) were amended and restated.

B. Pursuant to that certain Securities Exchange Agreement dated as of February 20, 2009 between the Company and Longview and that certain Asset Purchase and Sale Agreement dated as of February 20, 2009 between the Company and Longview and certain of its affiliates, the Company issued to Longview approximately 1,600,000 shares of Series A Convertible Preferred Stock of the Company and sold certain assets of the Company to Longview in exchange for the surrender and cancellation of the Longview April Notes.

C. The Company and each of the investors listed on the Schedule of Buyers attached thereto, including Marquis (the "**Initial Bridge Buyers**") entered into a Securities Purchase Agreement, dated as of September 18, 2008 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Bridge Purchase Agreement**" and, together with the April Purchase Agreement, the "**Purchase Agreements**"), pursuant to which, among other things, subject to the terms and conditions set forth therein, the Company sold, and the Initial Bridge Buyers purchased, senior secured notes in the aggregate original principal amount of $7,000,000 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Initial Bridge Notes**").

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D. Pursuant to that certain Assignment and Assumption Agreement, dated as of May 29, 2009, Marquis transferred to Summerview Marquis Fund, L.P. ("**Summerview**"; and together with Marquis as the holder of the Marquis April Notes and the Initial Bridge Buyers, the "**Buyers**"), among other things, a portion of the Marquis April Notes in the principal amount of $2,252,994.73 (the "**Summerview Transferred April Notes**") and a portion of the Initial Bridge Notes in the principal amount of $1,759,556.47 (the "**Summerview Transferred Bridge Notes**"), with the remainder of the Marquis April Notes in the principal amount of $6,710,038.53 (the "**Marquis Remaining April Notes**"; and together with the Summerview Transferred April Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**April Notes**"), and the remainder of the Initial Bridge Notes held by Marquis in the principal amount of $5,240,433.53 (the "**Marquis Remaining Bridge Notes**"; and together with the Summerview Transferred Bridge Notes, all other Initial Bridge Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Bridge Notes**"; the Bridge Notes and the April Notes, hereinafter, collectively the "**Notes**") continuing to be held by Marquis.

E. The Company entered into a Securities Purchase Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time as permitted hereunder, the "**First Convertible Debt Purchase Agreement**"), by and among the Company and certain investors party hereto as "First Convertible Debt Creditors" pursuant to which, among other things, subject to the terms and conditions set forth therein and in the Intercreditor Agreement (as defined below), the Company sold, and the First Convertible Debt Creditors purchased, secured convertible notes in the aggregate original principal amount of up to $480,000 (such notes, together with any promissory notes or other securities issued in addition to such notes pursuant to the First Convertible Debt Purchase Agreement or in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time as permitted hereunder, the "**First Convertible Notes**") and warrants to purchase shares of common stock of the Company.

F. The Company desires to enter into a Securities Purchase Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time as permitted hereunder, the "**Second Convertible Debt Purchase Agreement**"; and collectively with the First Convertible Debt Purchase Agreement, the "**Convertible Debt Purchase Agreement**"), by and among the Company and certain investors party hereto as "Second Convertible Debt Creditors" pursuant to which, among other things, subject to the terms and conditions set forth therein and in the Intercreditor Agreement, the Company will sell, and the Second Convertible Debt Creditors will purchase, secured convertible notes in the aggregate original principal amount of up to $75,000 (such notes, together with any promissory notes or other securities issued in addition to such notes pursuant to the Second Convertible Debt Purchase Agreement or in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time as permitted hereunder, the "**Second Convertible Notes**"; and together with the First Convertible Notes, the "**Convertible Notes**") and warrants to purchase shares of common stock of the Company.

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G. The Convertible Debt Creditors, Obligors, Buyers and the Collateral Agent are parties to that certain Intercreditor Agreement dated as of June 10, 2009 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Intercreditor Agreement**"), pursuant to which the Convertible Debt Creditors agreed, among other things, that the Convertible Debt (as defined therein) is and shall be subordinated to the prior payment and performance in full of the Note Debt (as defined therein) upon the terms and subject to the conditions therein set forth.

H. Concurrently herewith, Obligors and Buyers are entering into that certain June 2009 Waiver and Amendment Agreement dated as of the date hereof (the "**June 2009 Waiver**"), pursuant to which Marquis will agree to amend certain provision of the Notes and waive any and all violations or breaches of the Note Documents to the extent that any such violation or breach is the direct result of the Obligors' issuance of the Second Convertible Notes.

I. As a condition precedent to the effectiveness of the June 2009 Waiver, the Collateral Agent and Buyers have required the execution, delivery and performance of this Amendment by Obligors and Convertible Debt Creditors pursuant to which certain provisions of the Intercreditor Agreement shall be amended.

NOW, THEREFORE, in order to induce the Collateral Agent and Buyers to enter into and deliver the June 2009 Waiver, and to perform their respective obligations thereunder, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. **Definitions.** All capitalized terms used but not elsewhere defined herein shall have the respective meanings ascribed to such terms in the Intercreditor Agreement.

2. **Amendments.**

(a) The recitals of the Intercreditor Agreement are hereby amended and restated in their entirety to read as follows:

A. The Company, The Longview Fund, L.P., a California limited partnership ("**Longview**"), and Longview Marquis Master Fund, L.P., a British Virgin Islands limited partnership ("**Marquis**"), entered into that certain Securities Purchase Agreement, dated as of April 1, 2008 (as amended, supplemented, restated or modified and in effect from time to time, the "**April Purchase Agreement**"), pursuant to which, among other things, (i) the Company issued to (a) Longview, among other things, senior secured notes in an aggregate original principal amount of $23,908,013.11 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Longview April Notes**"), and (b) Marquis, among other things, senior secured notes in an aggregate original principal amount of $8,469,337.71 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis April Notes**"), and (ii) the Warrants (as defined therein) were amended and restated.

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B. Pursuant to that certain Securities Exchange Agreement dated as of February 20, 2009 between the Company and Longview and that certain Asset Purchase and Sale Agreement dated as of February 20, 2009 between the Company and Longview and certain of its affiliates, the Company issued to Longview approximately 1,600,000 shares of Series A Convertible Preferred Stock of the Company and sold certain assets of the Company to Longview in exchange for the surrender and cancellation of the Longview April Notes.

C. The Company and each of the investors listed on the Schedule of Buyers attached thereto, including Marquis (the "**Initial Bridge Buyers**") entered into a Securities Purchase Agreement, dated as of September 18, 2008 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Bridge Purchase Agreement**" and, together with the April Purchase Agreement, the "**Purchase Agreements**"), pursuant to which, among other things, subject to the terms and conditions set forth therein, the Company sold, and the Initial Bridge Buyers purchased, senior secured notes in the aggregate original principal amount of $7,000,000 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Initial Bridge Notes**").

D. Pursuant to that certain Assignment and Assumption Agreement, dated as of May 29, 2009, Marquis transferred to Summerview Marquis Fund, L.P. ("**Summerview**"; and together with Marquis as the holder of the Marquis April Notes and the Initial Bridge Buyers, the "**Buyers**"), among other things, a portion of the Marquis April Notes in the principal amount of $2,252,994.73 (the "**Summerview Transferred April Notes**") and a portion of the Initial Bridge Notes in the principal amount of $1,759,556.47 (the "**Summerview Transferred Bridge Notes**"), with the remainder of the Marquis April Notes in the principal amount of $6,710,038.53 (the "**Marquis Remaining April Notes**"; and together with the Summerview Transferred April Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**April Notes**"), and the remainder of the Initial Bridge Notes held by Marquis in the principal amount of $5,240,433.53 (the "**Marquis Remaining Bridge Notes**"; and together with the Summerview Transferred Bridge Notes, all other Initial Bridge Notes and any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Bridge Notes**"; the Bridge Notes and the April Notes, hereinafter, collectively the "**Notes**") continuing to be held by Marquis.

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E. The Company entered into a Securities Purchase Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time as permitted hereunder, the "**First Convertible Debt Purchase Agreement**"), by and among the Company and certain investors party to the Intercreditor Agreement Amendment as "First Convertible Debt Creditors" pursuant to which, among other things, subject to the terms and conditions set forth therein and in this Agreement, the Company sold, and the First Convertible Debt Creditors purchased, secured convertible notes in the aggregate original principal amount of up to $480,000 (such notes, together with any promissory notes or other securities issued in addition to such notes pursuant to the First Convertible Debt Purchase Agreement or in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time as permitted hereunder, the "**First Convertible Notes**") and warrants to purchase shares of common stock of the Company.

F. The Company entered into a Securities Purchase Agreement (as amended, restated, supplemented or otherwise modified and in effect from time to time as permitted hereunder, the "**Second Convertible Debt Purchase Agreement**"; and collectively with the First Convertible Debt Purchase Agreement, the "**Convertible Debt Purchase Agreement**"), by and among the Company and certain investors party to the Intercreditor Agreement Amendment as "Second Convertible Debt Creditors" pursuant to which, among other things, subject to the terms and conditions set forth therein and in this Agreement, the Company sold, and the Second Convertible Debt Creditors purchased, secured convertible notes in the aggregate original principal amount of up to $75,000 (such notes, together with any promissory notes or other securities issued in addition to such notes pursuant to the Second Convertible Debt Purchase Agreement or in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time as permitted hereunder, the "**Second Convertible Notes**"; and together with the First Convertible Notes, the "**Convertible Notes**") and warrants to purchase shares of common stock of the Company.

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NOW, THEREFORE, in reliance upon this Agreement, to induce the Buyers to consent to the execution by the Company of the Convertible Debt Purchase Agreement and the issuance of the Convertible Notes and to continue to extend the credit accommodations under the Purchase Agreements, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

(b) Section 1 of the Intercreditor Agreement is hereby amended by inserting the following definitions in the proper alphabetical order:

First Convertible Debt shall mean all of the obligations and liabilities of Obligors to First Convertible Debt Creditors evidenced by the First Convertible Notes and all other amounts and other obligations and liabilities now or hereafter owed by Obligors to First Convertible Debt Creditors pursuant to the First Convertible Debt Documents.

First Convertible Debt Creditor shall mean each First Convertible Debt Creditor which is signatory to the Intercreditor Agreement Amendment as such and any other holder of a First Convertible Note or any other First Convertible Debt from time to time, together with each such Person's successors and assigns.

First Convertible Debt Documents shall mean the First Convertible Notes, First Convertible Debt Purchase Agreement and all other documents and instruments evidencing, securing or pertaining to any portion of the First Convertible Debt, as amended, supplemented, restated or otherwise modified from time to time to the extent permitted hereunder.

Intercreditor Agreement Amendment shall mean that certain Amendment to Intercreditor Agreement dated as of June 16, 2009 among Obligors, Convertible Debt Creditors, Buyers and the Collateral Agent.

Second Convertible Debt shall mean all of the obligations and liabilities of Obligors to Second Convertible Debt Creditors evidenced by the Second Convertible Notes and all other amounts and other obligations and liabilities now or hereafter owed by Obligors to Second Convertible Debt Creditors pursuant to the Second Convertible Debt Documents.

Second Convertible Debt Creditor shall mean each Second Convertible Debt Creditor which is signatory to the Intercreditor Agreement Amendment as such and any other holder of a Second Convertible Note or any other Second Convertible Debt from time to time, together with each such Person's successors and assigns.

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Second Convertible Debt Documents shall mean the Second Convertible Notes, Second Convertible Debt Purchase Agreement and all other documents and instruments evidencing, securing or pertaining to any portion of the Second Convertible Debt, as amended, supplemented, restated or otherwise modified from time to time to the extent permitted hereunder.

(c) Section 1 of the Intercreditor Agreement is hereby further amended by amending and restating the following definitions in their entirety to read as follows:

Convertible Debt shall mean all of the First Convertible Debt and the Second Convertible Debt.

Convertible Debt Creditor shall mean each First Convertible Debt Creditor and each Second Convertible Debt Creditor.

Convertible Debt Documents shall mean the First Convertible Debt Documents and the Second Convertible Debt Documents.

(d) Section 2.5 of the Intercreditor Agreement is hereby amended by inserting a paragraph (d) at the end thereof to read as follows:

(d) All payments to the Convertible Debt Creditors on account of the Convertible Debt shall be made pro rata among Convertible Debt Creditors based upon the aggregate unpaid principal amount of the Convertible Notes held by each Convertible Debt Creditor. If any Convertible Debt Creditor obtains any payment with respect to any Convertible Note in excess of such Convertible Debt Creditor's pro rata share of such payment obtained by all Convertible Debt Creditors, each such Convertible Debt Creditor agrees to distribute promptly to the other Convertible Debt Creditors cash in an amount as is necessary to cause such Convertible Debt Creditors to share the excess payment ratably among each of them in accordance with the terms of the immediately preceding sentence.

(e) Section 15 of the Intercreditor Agreement is hereby amended and restated in its entirety to read as follows:

15. Termination. This Agreement (other than Sections 2.5(d), 14, 17 and 19 hereof, which shall terminate upon the indefeasible Payment in Full of the Convertible Debt) shall terminate upon the indefeasible Payment in Full of the Note Debt; provided, however, such provisions of this Agreement shall be reinstated if at any time any payment of any of the Note Debt is rescinded or must otherwise be returned by any holder of the Note Debt or any representative of such holder and the Note Debt, or portion thereof, intended to have been satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

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(f) The Schedule of Buyers attached to the Intercreditor Agreement is hereby deleted in its entirety and replaced with the Schedule of Buyers attached hereto as Exhibit A.

5. Representations.

(a) The Convertible Debt Creditors hereby represent and warrant to Collateral Agent and Buyers that no defaults or events of default exist under the Convertible Debt Documents.

(b) The Convertible Debt Creditors hereby represent and warrant to Collateral Agent and Buyers, to their knowledge, all payments received by the Convertible Debt Creditors under the Convertible Debt Documents were permitted under the terms of the Intercreditor Agreement.

6. Miscellaneous.

(a) This Amendment shall inure to the benefit of the successors and assigns of the Note Parties and the Convertible Debt Creditors and shall be binding upon the successors and assigns of Obligors.

(b) This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall be one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic transmission shall be as effective as delivery of a manually executed counterpart hereof.

(c) This Amendment is subject to Section 17 of the Intercreditor Agreement.

[remainder of page intentionally left blank; signature page follows]

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IN WITNESS WHEREOF, the each of the Convertible Debt Creditors have caused this Amendment to be executed as of the date first above written.

FIRST CONVERTIBLE DEBT CREDITORS:

____

____

____

____

____

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SECOND CONVERTIBLE DEBT CREDITORS:

____
[_____________]

____
[_____________]

____
[_____________]

____
[_____________]

____
[_____________]

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IN WITNESS WHEREOF, each Obligor has caused this Amendment to be executed as of the date first above written.

OBLIGORS:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

SOUTHERN TEXAS OIL COMPANY., a Texas corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

STO OPERATING COMPANY, a Texas corporation

By:
Name: Wayne Psencik
Title: President

STO PROPERTIES LLC, a Texas limited liability company

By:
Name: Wayne Psencik
Title: President

STO DRILLING COMPANY, a Texas corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

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IN WITNESS WHEREOF, Collateral Agent and Buyers has caused this Amendment to be executed as of the date first above written.

COLLATERAL AGENT:

VIKING ASSET MANAGEMENT, LLC, a California limited liability company, in its capacity as Collateral Agent for the Buyers

By:
Name: S. Michael Rudolph
Title: Chief Financial Officer

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BUYERS:

LONGVIEW MARQUIS MASTER FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

SUMMERVIEW MARQUIS FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

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Exhibit A

Schedule of Buyers

See Attached

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EXHIBIT 99.9

JUNE 2009 WAIVER AND AMENDMENT AGREEMENT

THIS JUNE 2009 WAIVER AND AMENDMENT AGREEMENT (this "**Agreement**") is made as of June 10, 2009, among South Texas Oil Company, a Nevada corporation (the "**Company**"), the Subsidiaries (as defined in the Purchase Agreements (as defined below)), and Longview Marquis Master Fund, L.P., a British Virgin Islands limited partnership ("**Marquis**").

W I T N E S S E T H:

WHEREAS, the Company, Marquis and The Longview Fund, L.P., a California limited partnership ("**Longview**" and, together with Marquis, the "**April Buyers**"), entered into that certain Securities Purchase Agreement, dated as of April 1, 2008 (as amended by each of that certain June 2008 Amendment Agreement, dated as of June 18, 2008, among the Company and the April Buyers, that certain June 2008 Amendment to Senior Notes and Purchase Agreement, dated as of June 30, 2008 (the "**Second June 2008 Amendment Agreement**"), among the Company and the April Buyers, and that certain September 2008 Waiver and Amendment, dated as of September 19, 2008 (the "**September 2008 Waiver and Amendment**"), among the Company and the April Buyers, and as may otherwise be amended, supplemented, restated or modified and in effect from time to time, the "**April Purchase Agreement**"), pursuant to which (i) the Company issued to Longview senior secured notes in an aggregate original principal amount of $23,908,013.11, as of the date hereof, none of which remains outstanding as of the date hereof, (ii) the Company issued to Marquis senior secured notes in an aggregate original principal amount of $8,469,337.71 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, as amended by the Second June 2008 Amendment Agreement and as any of the same may otherwise be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis April Notes**"), and (iii) the Warrants (as defined in the April Purchase Agreement) were amended and restated;

WHEREAS, the Company and Marquis entered into a Securities Purchase Agreement, dated as of September 18, 2008 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Bridge Purchase Agreement**" and, together with the April Purchase Agreement, the "**Purchase Agreements**"), pursuant to which the Company sold, and Marquis purchased, a senior secured note in the aggregate original principal amount of $7,000,000 (such note, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis Bridge Notes**");

WHEREAS, pursuant to that certain Assignment and Assumption Agreement, dated as of May 29, 2009, Marquis transferred to Summerview Marquis Fund, L.P. ("**Summerview**" and together with Marquis, the "**Buyers**"), among other things, a portion of the Marquis April Notes in the principal amount of $2,252,994.73 (the "**Summerview Transferred April Notes**"), a portion of the Warrants representing the right to acquire 62,841 shares of common stock ("**Common Stock**") of the Company (the "**Transferred Warrants**"), and a portion of the Marquis Bridge Notes in the principal amount of $1,759,556.47 (the "**Summerview**

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Transferred Bridge Notes"), with the remainder of the Marquis April Notes in the principal amount of $6,710,038.53 (the "**Marquis Remaining April Notes**" and, together with the Summerview Transferred April Notes, the "**April Notes**"), the remainder of the Warrants representing the right to acquire 187,159 shares of Common Stock (the "**Remaining Warrants**" and, together with the Transferred Warrants, the "**April Warrants**"), and the remainder of the Marquis Bridge Notes in the principal amount of $5,240,433.53 (the "**Marquis Remaining Bridge Notes**" and, together with the Summerview Transferred Bridge Notes, the "**Bridge Notes**;" the Bridge Notes and the April Notes being collectively referred to as the "**Notes**") continuing to be held by Marquis.

WHEREAS, the Company desires to enter into a Securities Purchase Agreement (such Securities Purchase Agreement, in the form attached hereto as Exhibit A, without amendment or other modification, the "**Subordinated Purchase Agreement**"), by and among the Company and the investors listed on the Schedule of Buyers thereto (the "**Subordinated Buyers**"), pursuant to which, subject to the terms and conditions set forth therein and in that certain Intercreditor Agreement, dated as of the date hereof (such Intercreditor Agreement, in the form attached hereto as Exhibit B, as may be amended, supplemented, restated or modified and in effect from time to time, the "**Intercreditor Agreement**"), by and among the Company, the Buyers and the Subordinated Buyers, the Company will sell, and the Subordinated Buyers will purchase, convertible notes in an aggregate original principal amount of up to $480,000 (such secured convertible notes, each in the form attached hereto as Exhibit C, without amendment or other modification, collectively, the "**Subordinated Notes**") and warrants (such warrants, each in the form attached hereto as Exhibit D, without amendment or other modification, collectively, the "**Subordinated Warrants**" and, together with the Subordinated Notes, the "**Subordinated Securities**") to purchase 480,000 shares of common stock of the Company (the "**Common Stock**"), subject to adjustment as set forth in the Subordinated Warrants; and

WHEREAS, the Company and the Buyers desire to amend the terms of each of the Notes and permit the issuance by the Company of the Subordinated Securities to the Subordinated Buyers, in the manner provided herein.

NOW, THEREFORE, in consideration of the agreements, provisions and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned agrees as follows:

1. Amendment of the April Notes.

a. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the following definitions set forth in the Appendix to the April Notes shall be amended and restated to read in their entirety as follows:

> "**Interest Payment Date**" means, for all periods prior to July 1, 2009, the first Business Day of each calendar quarter, beginning with the calendar quarter that commences on July 1, 2008, through and including the calendar quarter that commences on April 1, 2009, and for all periods on and after July 1, 2009, means the first Business Day of each calendar month, beginning with July 2009 through and including the last calendar month that commences prior to the Maturity Date.

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"**Interest Rate**" means thirteen percent (13.00%) per annum.

"**Maturity Date**" means March 31, 2010.

b. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the second sentence of Section 2 of each of the April Notes is hereby amended and restated in its entirety to read as follows:

"Interest shall be paid quarterly in arrears on each Interest Payment Date prior to July 1, 2009, and on and after July 1, 2009, Interest shall be paid monthly in arrears on each Interest Payment Date and on the Maturity Date."

c. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the definition of "**Event of Default**" set forth in Section 7(a) of each of the April Notes is hereby amended by adding new paragraph (xviii) immediately after paragraph (xvii) thereof, such paragraph to read in its entirety as follows:

"(xviii) Any "**Event of Default**," as defined in those certain convertible notes, dated June 10, 2009, issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of June 10, 2009, among the Company and the investors listed on the Schedule of Buyers thereto."

d. As amended hereby, each of the April Notes shall remain in full force and effect.

2. Amendment of the Bridge Notes.

a. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the following definitions set forth in the Appendix to the Bridge Notes shall be amended and restated to read in their entirety as follows:

"**Interest Payment Date**" means, for all periods prior to July 1, 2009, the first Business Day of each calendar quarter, beginning with the calendar quarter that commences on October 1, 2008, through and including the calendar quarter that commences on April 1, 2009, and for all periods on and after July 1, 2009, means the first Business Day of each calendar month, beginning with July 2009 through and including the last calendar month that commences prior to the Maturity Date.

"**Interest Rate**" means thirteen percent (13.00%) per annum.

"**Maturity Date**" means March 31, 2010.

b. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the second sentence of Section 2 of each of the Bridge Notes is hereby amended and restated in its entirety to read as follows:

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"Interest shall be paid quarterly in arrears on each Interest Payment Date prior to July 1, 2009, and on and after July 1, 2009, Interest shall be paid monthly in arrears on each Interest Payment Date and on the Maturity Date."

c. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the definition of "**Event of Default**" set forth in Section 10(a) of each of the Bridge Notes is hereby amended by adding new paragraph (xx) immediately after paragraph (xix) thereof, such paragraph to read in its entirety as follows:

> "(xx) Any "**Event of Default**," as defined in those certain convertible notes, dated June 10, 2009, issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of June 10, 2009, among the Company and the investors listed on the Schedule of Buyers thereto."

d. As amended hereby, each of the Bridge Notes shall remain in full force and effect.

3. Limited Waiver.

a. Subject to and effective upon the due execution and delivery by the Company and each of the Subordinated Buyers of the Intercreditor Agreement, and subject to the conditions set forth in Section 3(b) hereof, each of the Buyers, severally and not jointly, hereby waives any and all violations or breaches of the April Notes (as amended hereby) and the Bridge Notes (as amended hereby), respectively, and any of the other Transaction Documents (as defined in each of the Purchase Agreements, collectively, the "**Buyer Transaction Documents**"), as applicable, and any Event of Default (as defined in each of the Notes), solely to the extent that any such violation, breach or Event of Default is the direct result of the Company's and the Subsidiaries' issuance of the Subordinated Securities, and entering into, and carrying out their respective obligations under, the Subordinated Purchase Agreement, the Subordinated Securities, the Mortgages (as defined in the Subordinated Purchase Agreement) and the Subsidiary Guaranty (as defined in the Subordinated Purchase Agreement) (the Mortgages and the Subsidiary Guaranty, each in the form attached hereto as Exhibit E, without amendment or other modification, together with the Subordinated Purchase Agreement and the Subordinated Securities, the "**Subordinated Transaction Documents**"); provided, however, that upon any amendment, restatement or other modification of, supplement to, or waiver by any party of any of the conditions or obligations of any of the Subordinated Buyers set forth in, the Subordinated Purchase Agreement, or the Subordinated Securities or any of the other Subordinated Transaction Documents, without the prior written consent of the Buyers, the limited waiver set forth in this Section 3(a) shall be null and void and of no further force and effect as if the Buyers had never granted the limited waiver set forth in this Section 3(a).

b. The limited waivers set forth in Section 3(a) hereof, (i) are not, nor shall they be deemed to be, waivers of any adjustment to the Purchase Price (as defined in the April Warrants) pursuant to Section 3.4 of the April Warrants held by the Buyers, resulting from, or otherwise relating to, the consummation of the transactions contemplated by the Subordinated Purchase Agreement and the other Subordinated Transaction Documents, including the issuance by the Company of the Subordinated Securities, (ii) are not, nor shall they be deemed to be, waivers under any other circumstance or waivers of any other condition, requirement, provision

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or breach of, or rights under, any of the Notes (as amended hereby), any of the Buyer Transaction Documents or any other agreement or instrument, and (iii) do not, nor shall they be deemed to, establish a custom or course of dealing.

4. Representations and Warranties of the Company. The Company represents and warrants to each of the Buyers that:

a. Authorization; Enforcement; Validity. Each of the Company and the Subsidiaries is a duly organized and validly existing corporation or limited liability company and has the requisite corporate or limited liability company power and authority to enter into and perform its obligations under this Agreement, the Intercreditor Agreement, each of the Notes (as amended hereby) and the other Buyer Transaction Documents. The execution and delivery of this Agreement and the Intercreditor Agreement by the Company and the Subsidiaries and the consummation of the transactions contemplated hereby, by the Notes (as amended hereby) and by the other Buyer Transaction Documents have been duly authorized by the respective boards of directors of the Company and the Subsidiaries, and no further consent or authorization is required by the Company, the Subsidiaries or their respective boards of directors or shareholders. This Agreement has been duly executed and delivered by the Company and each of the Subsidiaries, and each of this Agreement, the Intercreditor Agreement, the Notes (as amended hereby) and the other Buyer Transaction Documents constitutes a valid and binding obligation of each of the Company and the Subsidiaries (as applicable), enforceable against each of the Company and the Subsidiaries (as applicable) in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

b. No Conflicts. The execution and delivery of this Agreement and the Intercreditor Agreement by each of the Company and the Subsidiaries, as applicable, the performance by each of the Company and the Subsidiaries (as applicable) of their respective obligations hereunder, under the Intercreditor Agreement, under the Notes (as amended hereby) and under the other Buyer Transaction Documents, and the consummation by each of the Company and the Subsidiaries (as applicable) of the transactions contemplated hereby, by the Intercreditor Agreement, by the Notes (as amended hereby) and by the other Buyer Transaction Documents will not (i) result in a violation of the articles of incorporation or the bylaws of the Company or the organizational documents of any Subsidiary; (ii) conflict with, or constitute a breach or default (or an event which, with the giving of notice or lapse of time or both, constitutes or would constitute a breach or default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or other remedy with respect to, any agreement, indenture or instrument to which the Company or any of the Subsidiaries is a party; or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of the Subsidiaries or by which any property or asset of the Company or any of the Subsidiaries is bound or affected. Neither the Company nor any of the Subsidiaries is required to obtain any consent, authorization or order of or make any filing or registration with, any court or governmental agency or any regulatory or self-regulatory agency in order for it to execute, deliver or perform any of its obligations under, or contemplated by, this Agreement, the Intercreditor Agreement, the Notes (as amended hereby) and the other Buyer Transaction Documents.

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5. Representation and Warranties of each of the Buyers. Each of the Buyers, severally, and not jointly, represents and warrants to the Company that (a) such Buyer is a validly existing limited partnership and has the requisite limited partnership power and authority to enter into and perform its obligations under this Agreement and the Intercreditor Agreement, and (b) each of this Agreement and the Intercreditor Agreement has been duly and validly authorized, executed and delivered on behalf of such Buyer and is a valid and binding agreement of such Buyer, enforceable against such Buyer in accordance with its terms.

6. Acknowledgment of the Company and the Subsidiaries. The Company and each of the Subsidiaries hereby irrevocably and unconditionally acknowledge, affirm and covenant to such Buyer that:

a. such Buyer is not in default under any of the Buyer Transaction Documents, as applicable, and has not otherwise breached any obligations to the Company or any of the Subsidiaries; and

b. there are no offsets, counterclaims or defenses to the Obligations (as defined in each of the Amended and Restated Security Agreement (as defined in the April Purchase Agreement), the Subsidiary Guaranty (as defined in April Purchase Agreement), the Bridge Security Agreement (as defined in the Bridge Purchase Agreement) and the Bridge Guaranty (as defined in the Bridge Purchase Agreement)), including the liabilities and obligations of the Company under the Notes (as amended hereby), or to the rights, remedies or powers of such Buyer in respect of any of the Obligations or any of the Buyer Transaction Documents, as applicable, and the Company and each of the Subsidiaries agree not to interpose (and each does hereby waive and release) any such defense, set-off or counterclaim in any action brought by such Buyer with respect thereto.

7. Avoidance of Doubt. The parties hereto hereby agree, for the avoidance of doubt, that (a) the term "**Notes**" as used in the Transaction Documents (as defined in the April Purchase Agreement, the "**April Transaction Documents**") shall include the April Notes, as, and to the extent, amended by this Agreement, (b) the term "**Bridge Notes**" as used in the Transaction Documents (as defined in the Bridge Purchase Agreement, the "**Bridge Transaction Documents**") shall mean the Bridge Notes, as, and to the extent, amended by this Agreement, (c) the term "**Obligations**" as used in the April Transaction Documents shall include all liabilities and obligations of the Company under this Agreement, under the Intercreditor Agreement, under the April Notes (as amended hereby) and under the other April Transaction Documents, and (d) the term "**Obligations**" as used in the Bridge Transaction Documents shall include all liabilities and obligations of the Company under this Agreement, under the Intercreditor Agreement, under the Bridge Notes (as amended hereby) and under the other Bridge Transaction Documents, and each of the parties hereto agrees not to take any contrary positions.

8. Expenses. In accordance with Section 5(h) of the April Purchase Agreement and Section 5(h)(ii) of the Bridge Purchase Agreement, contemporaneously with the execution and delivery of this Agreement, the Company shall reimburse each Buyer for all of the out-of-pocket fees, costs and expenses incurred thereby in connection with the drafting, negotiation and execution of this Agreement and the Intercreditor Agreement and otherwise in connection with the Subordinated Purchase Agreement and the transactions contemplated thereby.

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9. Reservation of Rights. Except as expressly set forth in Section 3(a) hereof, and subject to the execution and delivery of the Intercreditor Agreement by the Company and the Subordinated Buyers to the Buyers and the terms and conditions of Section 3(b) hereof, none of the Buyers has hereby waived (a) any breach, default or Event of Default that may be continuing under any of the Buyer Transaction Documents, as applicable, or (b) any of such Buyer's rights or remedies arising from any such breach, default or Event of Default or otherwise available under the Buyer Transaction Documents, as applicable, or at law. Each of the Buyers expressly reserves all such rights and remedies.

10. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The successors and assigns of such entities shall include their respective receivers, trustees or debtors-in-possession.

11. Further Assurances. The Company hereby agrees from time to time, as and when requested by any Buyer, to execute and deliver or cause to be executed and delivered, all such documents, instruments and agreements, including secretary's certificates, and to take or cause to be taken such further or other action, as any Buyer may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Agreement, the Intercreditor Agreement, the Notes (as amended hereby) and the other Buyer Transaction Documents, as applicable.

12. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

13. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid

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and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. No party hereto shall raise the use of a facsimile machine or e-mail delivery of a ".pdf" format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a ".pdf" format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

14. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

15. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

16. Merger. This Agreement, the Intercreditor Agreement, the Notes (as amended hereby), as applicable, and the other Buyer Transaction Documents represent the final agreement of each of the parties hereto with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or prior or subsequent oral agreements, among any of the parties hereto. Except as expressly set forth in this Agreement, in the Intercreditor Agreement, in the Notes (as amended hereby) and in the other Buyer Transaction Documents, neither of the Company nor any of the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters.

17. Interpretative Matters. Unless otherwise indicated or the context otherwise requires, (i) all references to Sections, Schedules, Appendices or Exhibits are to Sections, Schedules, Appendices or Exhibits contained in or attached to this Agreement, (ii) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, (iii) the words "hereof," "herein" and words of similar effect shall reference this Agreement in its entirety, and (iv) the use of the word "including" in this Agreement shall be by way of example rather than limitation.

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18. Reaffirmation. Each of the Company and the Subsidiaries as issuer, debtor, grantor, pledgor, mortgagor, guarantor or assignor, or in other any other similar capacity in which such Person grants Liens (as defined in each of the April Purchase Agreement and the Bridge Purchase Agreement) or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) acknowledges and agrees that it has reviewed this Agreement, (ii) ratifies and reaffirms all of its obligations, contingent or otherwise, under each of the Buyer Transaction Documents, including the Notes (as amended hereby), to which it is a party (after giving effect hereto), and (iii) to the extent such Person granted Liens on or security interests in any of its property pursuant to any of the Buyer Transaction Document as security for or otherwise guaranteed the Obligations under or with respect to the Buyer Transaction Documents, ratifies and reaffirms such guarantee and grant of security interests and Liens and confirms and agrees that such security interests and Liens hereafter secure all of the Obligations as amended hereby. Each of the Company and the Subsidiaries hereby consents to this Agreement and acknowledges that each of the Buyer Transaction Documents, including the Notes (as amended hereby), remains in full force and effect and is hereby ratified and reaffirmed.

[Remainder of page intentionally left blank; Signature page follows]

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the undersigned as of the date first above written.

COMPANY:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

SUBSIDIARIES:

SOUTHERN TEXAS OIL COMPANY., a Texas corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

STO OPERATING COMPANY, a Texas corporation

By:
Name: Wayne Psencik
Title: President

STO PROPERTIES LLC,
a Texas limited liability company

By:
Name: Wayne Psencik
Title: Manager

STO DRILLING COMPANY,
a Texas corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

[Signature page to June 2009 Waiver and Amendment Agreement]

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MARQUIS:

LONGVIEW MARQUIS MASTER FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

SUMMERVIEW:

SUMMERVIEW MARQUIS FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

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EXHIBIT 99.10

JUNE 2009 WAIVER AND AMENDMENT AGREEMENT

THIS JUNE 2009 WAIVER AND AMENDMENT AGREEMENT (this "**Agreement**") is made as of June 16, 2009, among South Texas Oil Company, a Nevada corporation (the "**Company**"), the Subsidiaries (as defined in the Purchase Agreements (as defined below)), Longview Marquis Master Fund, L.P., a British Virgin Islands limited partnership ("**Marquis**"), and Summerview Marquis Fund, L.P., a Delaware limited partnership ("**Summerview**" and, together with Marquis, the "**Buyers**").

W I T N E S S E T H:

WHEREAS, the Company, Marquis and The Longview Fund, L.P., a California limited partnership ("**Longview**" and, together with Marquis, the "**April Buyers**"), entered into that certain Securities Purchase Agreement, dated as of April 1, 2008 (as amended by each of that certain June 2008 Amendment Agreement, dated as of June 18, 2008, among the Company and the April Buyers, that certain June 2008 Amendment to Senior Notes and Purchase Agreement, dated as of June 30, 2008 (the "**Second June 2008 Amendment Agreement**"), among the Company and the April Buyers, and that certain September 2008 Waiver and Amendment, dated as of September 19, 2008 (the "**September 2008 Waiver and Amendment**"), among the Company and the April Buyers, and as may otherwise be amended, supplemented, restated or modified and in effect from time to time, the "**April Purchase Agreement**"), pursuant to which (i) the Company issued to Longview senior secured notes in an aggregate original principal amount of $23,908,013.11, as of the date hereof, none of which remains outstanding as of the date hereof, (ii) the Company issued to Marquis senior secured notes in an aggregate original principal amount of $8,469,337.71 (such notes, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, as amended by the Second June 2008 Amendment Agreement and as any of the same may otherwise be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis April Notes**"), and (iii) the Warrants (as defined in the April Purchase Agreement) were amended and restated;

WHEREAS, the Company and Marquis entered into a Securities Purchase Agreement, dated as of September 18, 2008 (as amended, restated, supplemented or otherwise modified and in effect from time to time, the "**Bridge Purchase Agreement**" and, together with the April Purchase Agreement, the "**Purchase Agreements**"), pursuant to which the Company sold, and Marquis purchased, a senior secured note in the aggregate original principal amount of $7,000,000 (such note, together with any promissory notes or other securities issued in exchange or substitution therefor or replacement thereof, and as any of the same may be amended, supplemented, restated or otherwise modified and in effect from time to time, the "**Marquis Bridge Notes**");

WHEREAS, pursuant to that certain Assignment and Assumption Agreement, dated as of May 29, 2009, Marquis transferred to Summerview, among other things, a portion of the Marquis April Notes in the principal amount of $2,252,994.73 (the "**Summerview Transferred April Notes**"), a portion of the Warrants representing the right to acquire 62,841 shares of common stock ("**Common Stock**") of the Company (the "**Transferred Warrants**"), and a portion of the Marquis Bridge Notes in the principal amount of $1,759,556.47 (the

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“**Summerview Transferred Bridge Notes**”), with the remainder of the Marquis April Notes in the principal amount of $6,710,038.53 (the “**Marquis Remaining April Notes**” and, together with the Summerview Transferred April Notes, the “**April Notes**”), the remainder of the Warrants representing the right to acquire 187,159 shares of Common Stock (the “**Remaining Warrants**” and, together with the Transferred Warrants, the “**April Warrants**”), and the remainder of the Marquis Bridge Notes in the principal amount of $5,240,433.53 (the “**Marquis Remaining Bridge Notes**” and, together with the Summerview Transferred Bridge Notes, the “**Bridge Notes**;” the Bridge Notes and the April Notes being collectively referred to as the “**Notes**”) continuing to be held by Marquis.

WHEREAS, the Company desires to enter into a Securities Purchase Agreement (such Securities Purchase Agreement, in the form attached hereto as Exhibit A, without amendment or other modification, the “**Subordinated Purchase Agreement**”), by and among the Company and the investors listed on the Schedule of Buyers thereto (the “**Subordinated Buyers**”), pursuant to which, subject to the terms and conditions set forth therein and in that certain Intercreditor Agreement, among the Company, the Subsidiaries, the Buyers and Other Offering Investors (as defined in the Subordinated Purchase Agreement), dated as of June 10, 2009, as amended by that certain amendment to Intercreditor Agreement, dated as of the date hereof (such amendment to Intercreditor Agreement, in the form attached hereto as Exhibit B, the “**Intercreditor Agreement Amendment**”), by and among the Company, the Buyers and the Subordinated Buyers, the Company will sell, and the Subordinated Buyers will purchase, convertible notes in an aggregate original principal amount of up to $75,000 (such secured convertible notes, each in the form attached hereto as Exhibit C, without amendment or other modification, collectively, the “**Subordinated Notes**”) and warrants (such warrants, each in the form attached hereto as Exhibit D, without amendment or other modification, collectively, the “**Subordinated Warrants**” and, together with the Subordinated Notes, the “**Subordinated Securities**”) to purchase 150,000 shares of common stock of the Company (the “**Common Stock**”), subject to adjustment as set forth in the Subordinated Warrants; and

WHEREAS, the Company and the Buyers desire to amend the terms of each of the Notes and permit the issuance by the Company of the Subordinated Securities to the Subordinated Buyers, in the manner provided herein.

NOW, THEREFORE, in consideration of the agreements, provisions and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned agrees as follows:

1. Amendment of the April Notes.

a. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the definition of “**Event of Default**” set forth in Section 7(a) of each of the April Notes is hereby amended by adding new paragraph (xix) immediately after paragraph (xviii) thereof, such paragraph to read in its entirety as follows:

> “(xix) Any “**Event of Default**,” as defined in those certain convertible notes, dated June 16, 2009, issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of June 16, 2009, among the Company and the investors listed on the Schedule of Buyers thereto.”

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b. As amended hereby, each of the April Notes shall remain in full force and effect.

2. Amendment of the Bridge Notes.

a. The Company hereby agrees with each of the Buyers, severally and not jointly, that, as of the date first above written, the definition of "**Event of Default**" set forth in Section 10(a) of each of the Bridge Notes is hereby amended by adding new paragraph (xxi) immediately after paragraph (xx) thereof, such paragraph to read in its entirety as follows:

> "(xxi) Any "**Event of Default**," as defined in those certain convertible notes, dated June 16, 2009, issued by the Company pursuant to that certain Securities Purchase Agreement, dated as of June16, 2009, among the Company and the investors listed on the Schedule of Buyers thereto."

b. As amended hereby, each of the Bridge Notes shall remain in full force and effect.

3. Limited Waiver.

a. Subject to and effective upon the due execution and delivery by the Company and each of the Subordinated Buyers of the Intercreditor Agreement Amendment, and subject to the conditions set forth in Section 3(b) hereof, each of the Buyers, severally and not jointly, hereby waives any and all violations or breaches of the April Notes (as amended hereby) and the Bridge Notes (as amended hereby), respectively, and any of the other Transaction Documents (as defined in each of the Purchase Agreements, collectively, the "**Buyer Transaction Documents**"), as applicable, and any Event of Default (as defined in each of the Notes), solely to the extent that any such violation, breach or Event of Default is the direct result of the Company's and the Subsidiaries' issuance of the Subordinated Securities, and entering into, and carrying out their respective obligations under, the Subordinated Purchase Agreement, the Subordinated Securities, the Mortgage Amendments (as defined in the Subordinated Purchase Agreement) and the Subsidiary Guaranty (as defined in the Subordinated Purchase Agreement) (the Mortgage Amendments and the Subsidiary Guaranty, each in the form attached hereto as Exhibit E, without amendment or other modification, together with the Subordinated Purchase Agreement and the Subordinated Securities, the "**Subordinated Transaction Documents**"); provided, however, that upon any amendment, restatement or other modification of, supplement to, or waiver by any party of any of the conditions or obligations of any of the Subordinated Buyers set forth in, the Subordinated Purchase Agreement, or the Subordinated Securities or any of the other Subordinated Transaction Documents, without the prior written consent of the Buyers, the limited waiver set forth in this Section 3(a) shall be null and void and of no further force and effect as if the Buyers had never granted the limited waiver set forth in this Section 3(a).

b. The limited waivers set forth in Section 3(a) hereof, (i) are not, nor shall they be deemed to be, waivers of any adjustment to the Purchase Price (as defined in the April Warrants) pursuant to Section 3.4 of the April Warrants held by the Buyers, resulting from, or otherwise relating to, the consummation of the transactions contemplated by the Subordinated Purchase Agreement and the other Subordinated Transaction Documents, including the issuance by the Company of the Subordinated Securities, (ii) are not, nor shall they be deemed to be,

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waivers under any other circumstance or waivers of any other condition, requirement, provision or breach of, or rights under, any of the Notes (as amended hereby), any of the Buyer Transaction Documents or any other agreement or instrument, and (iii) do not, nor shall they be deemed to, establish a custom or course of dealing.

4. Representations and Warranties of the Company. The Company represents and warrants to each of the Buyers that:

a. Authorization; Enforcement; Validity. Each of the Company and the Subsidiaries is a duly organized and validly existing corporation or limited liability company and has the requisite corporate or limited liability company power and authority to enter into and perform its obligations under this Agreement, the Intercreditor Agreement Amendment, each of the Notes (as amended hereby) and the other Buyer Transaction Documents. The execution and delivery of this Agreement and the Intercreditor Agreement Amendment by the Company and the Subsidiaries and the consummation of the transactions contemplated hereby, by the Notes (as amended hereby) and by the other Buyer Transaction Documents have been duly authorized by the respective boards of directors of the Company and the Subsidiaries, and no further consent or authorization is required by the Company, the Subsidiaries or their respective boards of directors or shareholders. This Agreement has been duly executed and delivered by the Company and each of the Subsidiaries, and each of this Agreement, the Intercreditor Agreement Amendment, the Notes (as amended hereby) and the other Buyer Transaction Documents constitutes a valid and binding obligation of each of the Company and the Subsidiaries (as applicable), enforceable against each of the Company and the Subsidiaries (as applicable) in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

b. No Conflicts. The execution and delivery of this Agreement and the Intercreditor Agreement Amendment by each of the Company and the Subsidiaries, as applicable, the performance by each of the Company and the Subsidiaries (as applicable) of their respective obligations hereunder, under the Intercreditor Agreement Amendment, under the Notes (as amended hereby) and under the other Buyer Transaction Documents, and the consummation by each of the Company and the Subsidiaries (as applicable) of the transactions contemplated hereby, by the Intercreditor Agreement Amendment, by the Notes (as amended hereby) and by the other Buyer Transaction Documents will not (i) result in a violation of the articles of incorporation or the bylaws of the Company or the organizational documents of any Subsidiary; (ii) conflict with, or constitute a breach or default (or an event which, with the giving of notice or lapse of time or both, constitutes or would constitute a breach or default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or other remedy with respect to, any agreement, indenture or instrument to which the Company or any of the Subsidiaries is a party; or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of the Subsidiaries or by which any property or asset of the Company or any of the Subsidiaries is bound or affected. Neither the Company nor any of the Subsidiaries is required to obtain any consent, authorization or order of or make any filing or registration with, any court or governmental agency or any regulatory or self-regulatory agency in order for it to execute, deliver or perform any of its obligations under, or contemplated by, this Agreement, the

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Intercreditor Agreement Amendment, the Notes (as amended hereby) and the other Buyer Transaction Documents.

5. Representation and Warranties of each of the Buyers. Each of the Buyers, severally, and not jointly, represents and warrants to the Company that (a) such Buyer is a validly existing limited partnership and has the requisite limited partnership power and authority to enter into and perform its obligations under this Agreement and the Intercreditor Agreement Amendment, and (b) each of this Agreement and the Intercreditor Agreement Amendment has been duly and validly authorized, executed and delivered on behalf of such Buyer and is a valid and binding agreement of such Buyer, enforceable against such Buyer in accordance with its terms.

6. Acknowledgment of the Company and the Subsidiaries. The Company and each of the Subsidiaries hereby irrevocably and unconditionally acknowledge, affirm and covenant to such Buyer that:

a. such Buyer is not in default under any of the Buyer Transaction Documents, as applicable, and has not otherwise breached any obligations to the Company or any of the Subsidiaries; and

b. there are no offsets, counterclaims or defenses to the Obligations (as defined in each of the Amended and Restated Security Agreement (as defined in the April Purchase Agreement), the Subsidiary Guaranty (as defined in April Purchase Agreement), the Bridge Security Agreement (as defined in the Bridge Purchase Agreement) and the Bridge Guaranty (as defined in the Bridge Purchase Agreement)), including the liabilities and obligations of the Company under the Notes (as amended hereby), or to the rights, remedies or powers of such Buyer in respect of any of the Obligations or any of the Buyer Transaction Documents, as applicable, and the Company and each of the Subsidiaries agree not to interpose (and each does hereby waive and release) any such defense, set-off or counterclaim in any action brought by such Buyer with respect thereto.

7. Avoidance of Doubt. The parties hereto hereby agree, for the avoidance of doubt, that (a) the term "**Notes**" as used in the Transaction Documents (as defined in the April Purchase Agreement, the "**April Transaction Documents**") shall include the April Notes, as, and to the extent, amended by this Agreement, (b) the term "**Bridge Notes**" as used in the Transaction Documents (as defined in the Bridge Purchase Agreement, the "**Bridge Transaction Documents**") shall mean the Bridge Notes, as, and to the extent, amended by this Agreement, (c) the term "**Obligations**" as used in the April Transaction Documents shall include all liabilities and obligations of the Company under this Agreement, under the Intercreditor Agreement Amendment, under the April Notes (as amended hereby) and under the other April Transaction Documents, and (d) the term "**Obligations**" as used in the Bridge Transaction Documents shall include all liabilities and obligations of the Company under this Agreement, under the Intercreditor Agreement Amendment, under the Bridge Notes (as amended hereby) and under the other Bridge Transaction Documents, and each of the parties hereto agrees not to take any contrary positions.

8. Expenses. In accordance with Section 5(h) of the April Purchase Agreement and Section 5(h)(ii) of the Bridge Purchase Agreement, contemporaneously with the execution and delivery of this Agreement, the Company shall reimburse each Buyer for all of the out-of-pocket

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fees, costs and expenses incurred thereby in connection with the drafting, negotiation and execution of this Agreement and the Intercreditor Agreement Amendment and otherwise in connection with the Subordinated Purchase Agreement and the transactions contemplated thereby.

9. Reservation of Rights. Except as expressly set forth in Section 3(a) hereof, and subject to the execution and delivery of the Intercreditor Agreement Amendment by the Company and the Subordinated Buyers to the Buyers and the terms and conditions of Section 3(b) hereof, none of the Buyers has hereby waived (a) any breach, default or Event of Default that may be continuing under any of the Buyer Transaction Documents, as applicable, or (b) any of such Buyer's rights or remedies arising from any such breach, default or Event of Default or otherwise available under the Buyer Transaction Documents, as applicable, or at law. Each of the Buyers expressly reserves all such rights and remedies.

10. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The successors and assigns of such entities shall include their respective receivers, trustees or debtors-in-possession.

11. Further Assurances. The Company hereby agrees from time to time, as and when requested by any Buyer, to execute and deliver or cause to be executed and delivered, all such documents, instruments and agreements, including secretary's certificates, and to take or cause to be taken such further or other action, as any Buyer may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Agreement, the Intercreditor Agreement Amendment, the Notes (as amended hereby) and the other Buyer Transaction Documents, as applicable.

12. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

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13. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. No party hereto shall raise the use of a facsimile machine or e-mail delivery of a ".pdf" format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a ".pdf" format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

14. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

15. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

16. Merger. This Agreement, the Intercreditor Agreement Amendment, the Notes (as amended hereby), as applicable, and the other Buyer Transaction Documents represent the final agreement of each of the parties hereto with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or prior or subsequent oral agreements, among any of the parties hereto. Except as expressly set forth in this Agreement, in the Intercreditor Agreement Amendment, in the Notes (as amended hereby) and in the other Buyer Transaction Documents, neither of the Company nor any of the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters.

17. Interpretative Matters. Unless otherwise indicated or the context otherwise requires, (i) all references to Sections, Schedules, Appendices or Exhibits are to Sections, Schedules, Appendices or Exhibits contained in or attached to this Agreement, (ii) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, (iii) the words "hereof," "herein" and words of similar effect shall reference this Agreement in its entirety, and (iv) the use of the word "including" in this Agreement shall be by way of example rather than limitation.

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18. Reaffirmation. Each of the Company and the Subsidiaries as issuer, debtor, grantor, pledgor, mortgagor, guarantor or assignor, or in other any other similar capacity in which such Person grants Liens (as defined in each of the April Purchase Agreement and the Bridge Purchase Agreement) or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) acknowledges and agrees that it has reviewed this Agreement, (ii) ratifies and reaffirms all of its obligations, contingent or otherwise, under each of the Buyer Transaction Documents, including the Notes (as amended hereby), to which it is a party (after giving effect hereto), and (iii) to the extent such Person granted Liens on or security interests in any of its property pursuant to any of the Buyer Transaction Document as security for or otherwise guaranteed the Obligations under or with respect to the Buyer Transaction Documents, ratifies and reaffirms such guarantee and grant of security interests and Liens and confirms and agrees that such security interests and Liens hereafter secure all of the Obligations as amended hereby. Each of the Company and the Subsidiaries hereby consents to this Agreement and acknowledges that each of the Buyer Transaction Documents, including the Notes (as amended hereby), remains in full force and effect and is hereby ratified and reaffirmed.

[Remainder of page intentionally left blank; Signature page follows]

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the undersigned as of the date first above written.

COMPANY:

SOUTH TEXAS OIL COMPANY,
a Nevada corporation

By:
Name: Michael J. Pawelek
Title: Chief Executive Officer

SUBSIDIARIES:

SOUTHERN TEXAS OIL COMPANY., a Texas corporation

By:
Name:
Title:

STO OPERATING COMPANY, a Texas corporation

By:
Name:
Title:

STO PROPERTIES LLC,
a Texas limited liability company

By:
Name:
Title:

STO DRILLING COMPANY,
a Texas corporation

By:
Name:
Title:

[Signature page to June 2009 Waiver and Amendment Agreement]

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MARQUIS:

LONGVIEW MARQUIS MASTER FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

SUMMERVIEW:

SUMMERVIEW MARQUIS FUND, L.P.

By: Summerline Asset Management, LLC
Its: Investment Advisor

By:
Name: Robert J. Brantman
Title: Co-Managing Member

[Signature page to June 2009 Waiver and Amendment Agreement]

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News for Immediate Release on Tuesday, June 16, 2009

Contact: Michael Pawelek, Chairman and CEO: 210-545-5994
IR Contact: David Charles, Sierra Partners LLC: 303-757-2510

SOUTH TEXAS OIL COMPANY CLOSES $X.X MILLION CONVERTIBLE NOTES PRIVATE PLACEMENT

SAN ANTONIO – June 16, 2009 (PR Newswire) – South Texas Oil Company (Nasdaq: STXX) today announced the sale through a non-brokered private placement of $X.X million 14% Secured Convertible Notes due in 2011 ("the Notes"). Proceeds will be used to fund a portion of the Company's 2009 capital expenditure budget, for potential acquisitions, and to provide working capital for general corporate purposes.

The Notes are convertible into South Texas Oil Company common stock at a fixed conversion price equal to $0.50. The number of shares of common stock issuable upon conversion of each One ($1.00) Dollar of Note principal shall equal (i) One ($1.00) Dollar (ii) divided by the conversion price. The Notes are secured by certain of the Company's assets (the "Collateral") and the Note holders are pari passu with the Company's existing Senior Secured debt holders with respect to the Collateral. The Company will have a call option, subject to Nasdaq rules, to convert its Notes into Common Stock at the Fixed Conversion Price at any time after the Company's common stock (i) closes at a price exceeding $1.00 for any 20 consecutive trading days, the (the "Lookback Period") and (ii) the reported daily trading volume of the Common Stock during each trading day during the Lookback Period is not less than 100,000 shares of Common Stock per day.

Included in the private placement are five-year Warrants, which contain a conditional cashless exercise feature, to purchase a number of shares of the Company common stock equal to one share for each $1.00 of principal amount of Notes purchased. The exercise price for the Warrants is fixed at $0.50 per share.

The Notes were sold only in the United States to qualified accredited buyers in transactions exempt from the registration requirements of the Securities Act of 1933, as amended. Neither the notes nor the shares of the Company's common stock into which they are convertible have been registered under the Securities Act of 1933, as amended, or any state securities laws, and they may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The notes are eligible for trading in accordance with Rule 144 under the Securities Act of 1933.

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful.

About South Texas Oil Company
San Antonio-based South Texas Oil Company (Nasdaq: STXX) is an independent energy company engaged in the acquisition, production, exploration and development of crude oil and natural gas. Our core operating areas include Texas, Louisiana and the Gulf Coast. The Company controls a large inventory of lower-risk developmental / exploitation locations and higher-risk, high-reward exploration prospects. The Company leverages its geological and geophysical strengths by acquiring high-quality, operated properties and further enhances an asset's value through field-level cost reduction. The Company continually evaluates producing property acquisition opportunities complementary to its core operating areas. Please visit www.southtexasoil.com for additional information.

Forward-Looking Statements
This press release contains forward-looking information regarding South Texas Oil Company that is intended to be covered by the safe harbor "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995, based on the Company's current expectations and includes statements regarding acquisitions and divestitures, estimates of future production, future results of operations, quality and nature of the asset base, the assumptions upon which estimates are based and other expectations, beliefs, plans, objectives, assumptions, strategies or statements about future events or performance (often, but not always, using words such as "expects", "anticipates", "plans", "estimates", "potential", "possible", "probable", or "intends", or stating that certain actions, events or results "may", "will", "should", or "could" be taken, occur or be achieved). Statements concerning oil and gas reserves also may be deemed to be forward-looking statements in that they reflect

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estimates based on certain assumptions that the resources involved can be economically exploited. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those reflected in the statements. These risks include, but are not limited to: the risks of the oil and gas industry (for example, operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; health, safety and environmental risks and risks related to weather such as hurricanes and other natural disasters); uncertainties as to the availability and cost of financing; fluctuations in oil and gas prices; risks associated with derivative positions; inability to realize expected value from acquisitions, inability of the Company's management team to execute its plans to meet its goals, shortages of drilling equipment, oil field personnel and services, unavailability of gathering systems, pipelines and processing facilities and the possibility that government policies may change or governmental approvals may be delayed or withheld. Additional information on these and other factors which could affect the Company's operations or financial results are included in the Company's reports on file with the SEC. Investors are cautioned that any forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the projections in the forward-looking statements. Forward-looking statements are based on the estimates and opinions of management at the time the statements are made. The Company does not assume any obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

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