



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Amendment No. 4**  
**to**  
**Form S-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**Enduro Royalty Trust**  
*(Exact Name of co-registrant as specified in its charter)*  
**Delaware**  
*(State or other jurisdiction of incorporation or organization)*  
**1311**  
*(Primary Standard Industrial Classification Code Number)*  
**45-6259461**  
*(I.R.S. Employer Identification No.)*  
**919 Congress Avenue, Suite 500**  
**Austin, Texas 78701**  
**(512) 236-6599**  
  
*(Address, including zip code, and telephone number, including area code, of co-registrant's Principal Executive Offices)*

**The Bank of New York Mellon Trust Company, N.A., Trustee**  
**919 Congress Avenue, Suite 500**  
**Austin, Texas 78701**  
**(512) 236-6599**  
**Attention: Michael J. Ulrich**  
*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Sean T. Wheeler**  
**Latham & Watkins LLP**  
**717 Texas Avenue, Suite 1600**  
**Houston, Texas 77002**  
**(713) 546-5400**

**Enduro Resource Partners LLC**  
*(Exact Name of co-registrant as specified in its charter)*  
**Delaware**  
*(State or other jurisdiction of incorporation or organization)*  
**1311**  
*(Primary Standard Industrial Classification Code Number)*  
**27-2036288**  
*(I.R.S. Employer Identification No.)*  
**777 Main Street, Suite 800**  
**Fort Worth, Texas 76102**  
**(817) 744-8200**  
**Attention: John W. Arms**  
*(Address, including zip code, and telephone number, including area code, of co-registrant's Principal Executive Offices)*

**Jon S. Brumley**  
**777 Main Street, Suite 800**  
**Fort Worth, Texas 76102**  
**(817) 744-8200**  
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**Joshua Davidson**  
**Gerald M. Spedale**  
**Baker Botts L.L.P.**  
**910 Louisiana, Suite 3200**  
**Houston, Texas 77002**  
**(713) 229-1234**

**Copies to:**

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

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

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

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

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

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

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

**The co-registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the co-registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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

Subject to Completion dated August 1, 2011

PROSPECTUS

13,200,000 Trust Units



This is the initial public offering of units of beneficial interest in Enduro Royalty Trust, or the "trust." Enduro Sponsor (as defined in the "Prospectus Summary") has formed the trust and, immediately prior to the closing of this offering, will convey, or cause to be conveyed, a net profits interest in oil and natural gas properties (the "Net Profits Interest") to the trust in exchange for 33,000,000 trust units. Enduro Sponsor is offering 13,200,000 trust units to be sold in this offering and will receive all of the proceeds derived therefrom. After the offering, Enduro Sponsor will own 19,800,000 trust units, or 17,820,000 trust units if the underwriters exercise their option to purchase additional trust units from Enduro Sponsor. No public market currently exists for the trust units. Enduro Sponsor is a privately-held limited liability company engaged in the production and development of oil and natural gas from properties located in Texas, Louisiana and New Mexico.

The trust units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "NDRO."

Enduro Sponsor expects that the public offering price will be between \$ and \$ per trust unit.

**The trust units.** Trust units are equity securities of the trust and represent undivided beneficial interests in the trust assets. They do not represent any interest in Enduro Sponsor.

**The trust.** The trust will own the Net Profits Interest, which represents the right to receive 80% of the net profits from the sale of production from oil and natural gas properties in Texas, Louisiana and New Mexico, which are referred to as the "Underlying Properties," held by Enduro Sponsor as of the date of the conveyance of the Net Profits Interest to the trust. Enduro Sponsor will retain the remaining 20% of the net profits from the sale of production from the Underlying Properties as of the date of the conveyance.

**The trust unitholders.** As a trust unitholder, you will receive monthly distributions of cash from the proceeds that the trust receives from Enduro Sponsor pursuant to the Net Profits Interest. The trust's ability to pay monthly cash distributions will depend on its receipt of net profits attributable to the Net Profits Interest, which will depend upon, among other things, volumes produced, wellhead prices, price differentials, production and development costs, potential reductions or suspensions of production and the amount and timing of trust administrative expenses.

**Investing in the trust units involves a high degree of risk. Please read "Risk Factors" beginning on page 17 of this prospectus.**

	Per Trust Unit	Total
Price to the public	\$	\$
Underwriting discounts and commissions <sup>(1)</sup>	\$	\$
Proceeds, before expenses, to Enduro Sponsor	\$	\$

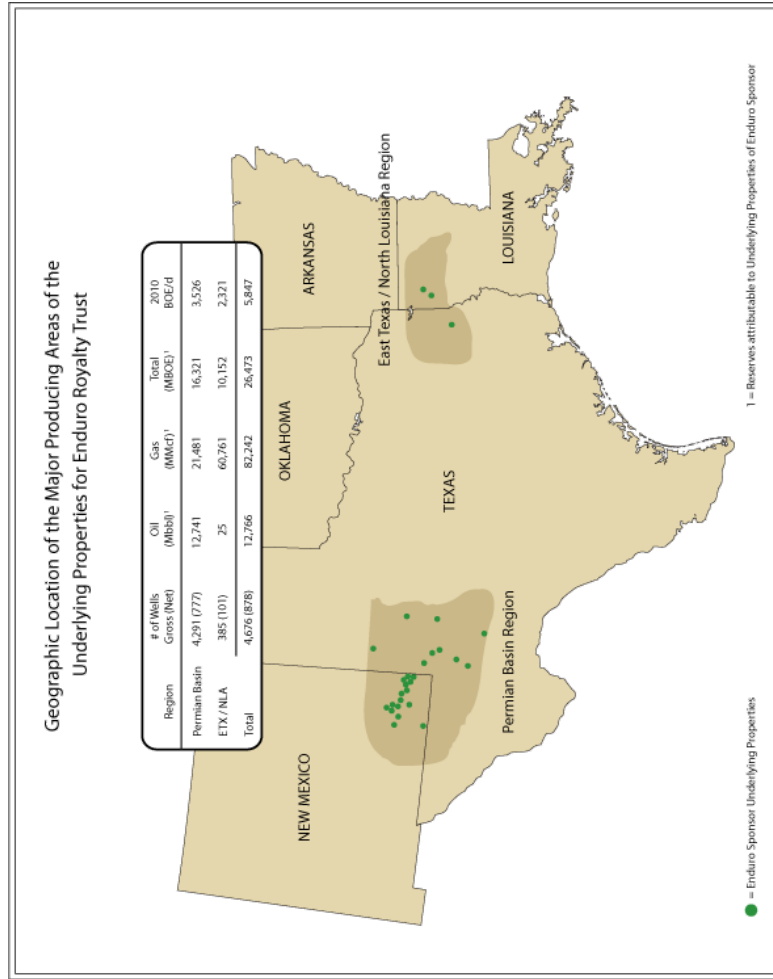
<sup>(1)</sup> Excludes a structuring fee of 0.5% of the gross proceeds of the offering payable to Barclays Capital Inc. by Enduro Sponsor for the evaluation, analysis and structuring of the trust.

Enduro Sponsor has granted the underwriters a 30-day option to purchase up to an additional 1,980,000 trust units from it on the same terms and conditions set forth above if the underwriters sell more than 13,200,000 trust units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Barclays Capital, on behalf of the underwriters, expects to deliver the trust units on or about , 2011.

<b>Barclays Capital</b>	<b>Citigroup</b>	<b>Goldman, Sachs &amp; Co.</b>	<b>RBC Capital Markets</b>	<b>Wells Fargo Securities</b>
<b>J.P. Morgan</b>	<b>Baird</b>	<b>Morgan Keegan</b>	<b>Stifel Nicolaus Weisel</b>	<b>Wunderlich Securities</b>
		Prospectus dated , 2011		



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### Important Notice About Information in This Prospectus

Enduro Sponsor and the trust have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell or a solicitation of an offer to buy the trust units in any jurisdiction where such offer and sale would be unlawful. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this document. The trust's business, financial condition, results of operations and prospects may have changed since such date.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. To understand this offering fully, you should read the entire prospectus carefully, including the risk factors and the financial statements and notes to those statements. Unless otherwise indicated, all information in this prospectus assumes (a) an initial public offering price of \$ per trust unit and (b) no exercise of the underwriters' option to purchase additional trust units.*

*Unless the context otherwise requires, as used in this prospectus, (i) "Predecessor Properties" refers to the East Texas and North Louisiana oil and natural gas properties acquired by Enduro Resource Partners LLC from Denbury Resources Inc. in December 2010, (ii) "Predecessor" refers to Enduro Resource Partners LLC after giving effect to the acquisition of the Predecessor Properties but without giving effect to the acquisition of the Acquired Properties, (iii) the "Acquired Properties" refers to the Permian Basin oil and natural gas properties acquired by the Predecessor from Samson Investment Company in January 2011 and from ConocoPhillips Company in February 2011, (iv) when discussing the assets, operations or financial condition and results of operations of Enduro Sponsor, unless otherwise indicated, "Enduro Sponsor" refers to the Predecessor after giving effect to the acquisition of the Acquired Properties, and when discussing oil and natural gas reserve information of Enduro Sponsor, refers to the estimated proved oil and natural gas reserves for the Predecessor after giving effect to the acquisition of the Acquired Properties as reflected in the reserve reports (as defined below) and (v) "Underlying Properties" refers to the portion of the Predecessor Properties in which the trust has a Net Profits Interest (as defined below) and the Acquired Properties after deducting all royalties and other burdens on production thereon as of the date of the conveyance of the Net Profits Interest to the trust. For more information on the Underlying Properties and the acquisition of the Acquired Properties by the Predecessor, please see "The Underlying Properties" and "Information about Enduro Resource Partners LLC (Enduro Sponsor)," respectively.*

*Cawley, Gillespie & Associates, Inc., referred to in this prospectus as "Cawley Gillespie," an independent engineering firm, provided the estimates of proved oil and natural gas reserves as of December 31, 2010 included in this prospectus. These estimates are contained in summaries prepared by Cawley Gillespie of its reserve reports as of December 31, 2010 for the Predecessor Properties, Samson Permian Basin properties, ConocoPhillips Permian Basin properties, the Underlying Properties and the Net Profits Interest. These summaries are located at the back of this prospectus in Annexes A-1, A-2, A-3, B and C and are collectively referred to in this prospectus as the "reserve reports." You will find definitions for terms relating to the oil and natural gas business in "Glossary of Certain Oil and Natural Gas Terms."*

### **Enduro Royalty Trust**

Enduro Royalty Trust is a Delaware statutory trust formed in May 2011 by Enduro Sponsor to own a net profits interest representing the right to receive 80% of the net profits from the sale of oil and natural gas production from certain properties in the states of Texas, Louisiana and New Mexico held by Enduro Sponsor as of the date of the conveyance of the net profits interest to the trust. The conveyed interest is referred to as the "Net Profits Interest." The trust will make monthly cash distributions of all of its monthly cash receipts, after deduction of fees and expenses for the administration of the trust, to holders of its trust units as of the applicable record date (generally the 15th day of each calendar month) on or before the 10th business day after the record date. The Net Profits Interest will be entitled to a share of the profits from production occurring on or after May 1, 2011. The trust is not subject to any pre-set termination provisions based on a maximum volume of oil or natural gas to be produced or the passage of time.

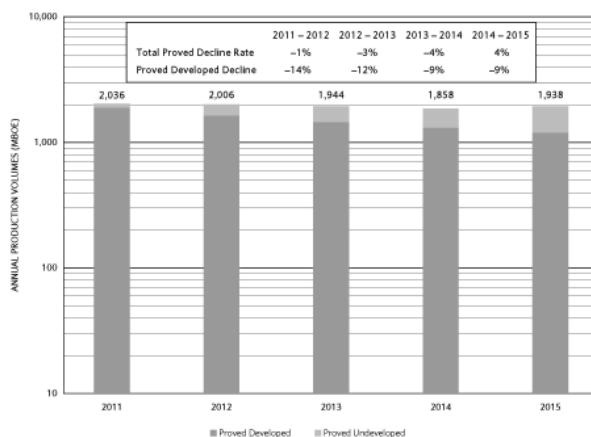
The Underlying Properties were acquired in three separate transactions and are located in two different geographic regions: the Permian Basin and East Texas/North Louisiana. As of December 31, 2010, approximately 99.3% of the wells on the Underlying Properties were operated by third party oil and natural gas companies with significant experience in the development and operation of oil and

natural gas properties (the "Third Party Operators"). The following table summarizes certain information regarding the proved reserves and production associated with the Underlying Properties as of and for the period indicated. The reserve reports were prepared by Cawley Gillespie in accordance with criteria established by the Securities and Exchange Commission (the "SEC"). For information regarding proved reserves and production related to the Net Profits Interest, please see "The Underlying Properties."

Operating Area	Underlying Properties					Average Daily Net Production For Year Ended December 31, 2010 (Boe per day)	As of December 31, 2010 R/P Ratio <sup>(4)</sup>
	As of December 31, 2010						
	Proved Reserves <sup>(1)</sup>						
	PV-10 Value <sup>(2)</sup> <i>(in thousands)</i>	Total (MBoe) <sup>(3)</sup>	% Oil	% Proved Developed Reserves			
Permian Basin	\$ 279,975	16,321	78%	96%		3,526	13
East Texas/North Louisiana	69,194	10,152	0%	50%		2,321	12
<b>Total</b>	<b>\$ 349,169</b>	<b>26,473</b>	<b>48%</b>	<b>79%</b>		<b>5,847</b>	<b>12</b>

- (1) In accordance with the rules and regulations promulgated by the SEC, the proved reserves presented above were determined using the twelve month unweighted arithmetic average of the first-day-of-the-month price for the period from January 1, 2010 through December 31, 2010, without giving effect to any hedge transactions, and were held constant for the life of the properties. This yielded a price for oil of \$79.43 per Bbl and a price for natural gas of \$4.37 per MMBtu.
- (2) PV-10 is the present value of estimated future net revenue to be generated from the production of proved reserves, discounted using an annual discount rate of 10%, calculated without deducting future income taxes. Standardized measure of discounted future net cash flows is calculated the same as PV-10 except that it deducts future income taxes and future abandonment costs. Because Enduro Sponsor bears no federal income tax expense and taxable income is passed through to the unitholders of the trust, no provision for federal or state income taxes is included in the reserve reports. PV-10 may not be considered a generally accepted accounting principle ("GAAP") financial measure as defined by the SEC and is derived from the standardized measure of discounted future net cash flows, which is the most directly comparable GAAP financial measure. The pre-tax PV-10 value and the standardized measure of discounted future net cash flows do not purport to present the fair value of the oil and natural gas reserves attributable to the Underlying Properties.
- (3) Oil equivalents in the table are the sum of the Bbls of oil and the Boe of the stated Mcfs of natural gas, calculated on the basis that six Mcfs of natural gas are the energy equivalent of one Bbl of oil.
- (4) The R/P ratio, or the reserves-to-production ratio, is a measure of the number of years that a specified reserve base could support a fixed amount of production. This ratio is calculated by dividing total estimated proved reserves of the subject properties at the end of a period by annual total production for the prior 12 months. Because production rates naturally decline over time, the R/P ratio is not a useful estimate of how long properties should economically produce. Based on the reserve reports, economic production from the Underlying Properties is expected for at least 50 more years, except that economic production from the horizontal Haynesville Shale and Lower Cotton Valley wells is expected for 25 years.

The following graph shows estimated annual production of total proved reserves attributable to the Underlying Properties based upon the pricing and other assumptions set forth in the reserve reports. This graph presents the total proved volumes as reflected in the reserve reports broken down by two reserve categories (proved developed and proved undeveloped reserves) as of December 31, 2010.



The following table sets forth the five largest fields in the Underlying Properties, the operator(s) of each field and the PV-10 value represented by each field:

Field Name	Operator	PV-10 at December 31, 2010 <i>(In thousands)</i>	% of Total PV-10 at December 31, 2010
Elm Grove Field	Petrohawk Energy Corporation(1), J-W Operating, Questar Corporation	\$ 54,275	16%
North Monument Grayburg Unit	Apache Corporation	42,989	12%
North Central Levelland Unit	Apache Corporation	39,208	11%
North Cowden Unit	Occidental Permian Ltd.	32,563	9%
Yates Field Unit	Kinder Morgan Inc.	18,052	5%
<b>Total</b>		<b>\$ 187,087</b>	<b>53%</b>

(1) On July 14, 2011, BHP Billiton Ltd. announced it had entered into an agreement to acquire Petrohawk. Enduro Sponsor does not believe that the consummation of the acquisition will significantly affect Petrohawk’s operations on the Underlying Properties.

**Key Investment Considerations**

The following are some key investment considerations related to the Underlying Properties, the Net Profits Interest and the trust units:

- *Mature oil base combined with significant production and inventories of low risk natural gas locations.* The Underlying Properties in the Permian Basin region include multiple



mature oil fields currently using secondary and tertiary recovery methods. These fields typically are characterized by mature long-lived production profiles. Many of the Underlying Properties in the Permian Basin currently under waterflood have CO<sub>2</sub> recovery potential, which could increase the ultimate oil recovered from these fields. The Underlying Properties located in the East Texas/North Louisiana region have significant natural gas production and near-term growth potential stemming primarily from the development of the Haynesville Shale and the horizontal Cotton Valley plays. Future increases in natural gas prices could accelerate development activity in this region, thereby increasing cash flows.

- *Substantial proved developed reserves.* Proved developed reserves are the most valuable and lowest risk category of reserves because their production requires no significant future development expenses. As of December 31, 2010, approximately 79% of the volumes and 91% of the PV-10 value of the proved reserves associated with the Underlying Properties were attributed to proved developed reserves.
- *Additional development opportunities.* Enduro Sponsor believes that the Underlying Properties are likely to offer economic development opportunities in the future that are not reflected in existing proved reserves and that could significantly increase future reserves and production. In the Permian Basin region, future increases in estimated oil recovery factors may increase reserves and production. Such increases in recovery factors may occur through, among other means, the implementation of additional enhanced recovery techniques, infill drilling and production outperformance. Examples of potential development opportunities not included in proved reserves in the East Texas/North Louisiana region include increased density drilling, refracs and development of prospective formations such as the Bossier Shale and Smackover, among others.
- *Location in areas with significant histories of oil and natural gas production.* Long producing histories in the Permian Basin and East Texas/North Louisiana regions provide well established production profiles which increase certainty of production estimates. These regions also have significant access to oilfield services and pipeline takeaway infrastructure. In addition, Enduro Sponsor believes that operating risk is generally lower in regions accustomed to oil and natural gas production.
- *Leading third party operators.* In the Permian Basin region, approximately 70% of the PV-10 value of the proved reserves is operated by Occidental Petroleum, Apache Corporation or Kinder Morgan, all of whom are among the top 10 producers in the basin by volume. These operators also have many years of experience in maximizing production response from mature oil and natural gas fields through enhanced recovery techniques. In the East Texas/North Louisiana region, approximately 85% of the PV-10 value of proved reserves is operated by Petrohawk Energy Corporation and EXCO Resources, Inc. These companies are two of the most active operators in the Haynesville Shale play and have significant operating experience in the region.
- *Downside commodity price protection.* To mitigate the negative effects of a possible decline in oil and natural gas prices on distributable income to the trust, Enduro Sponsor has entered into hedge contracts with respect to approximately 69%, 70% and 57% of expected oil and natural gas production for 2011, 2012 and 2013, respectively, from the total proved reserves attributable to the Underlying Properties in the reserve reports. These hedge contracts include a combination of fixed price swaps, collars and floors to protect the trust's downside, while still allowing the trust to participate in increasing oil and natural gas markets. After December 31, 2013, none of the production attributable to the Underlying Properties will be hedged.
- *High Operating Margins.* The Underlying Properties have historically generated substantial operating margins. Lease operating expenses and property and other taxes on the Underlying Properties averaged \$15.93 per Boe during the past three years. During the

same period, the sales price for oil and natural gas averaged \$52.65 per Boe, providing an operating margin of \$36.72 per Boe, or 70%.

- *Aligned interests of sponsor.* Immediately following the closing of this offering, Enduro Sponsor will have an effective ownership of approximately 68% of the net profits attributable to the sale of oil and natural gas produced from the Underlying Properties, including its retained 20% interest in the net profits from the sale of production from the Underlying Properties and its ownership of approximately 60% of the trust units.

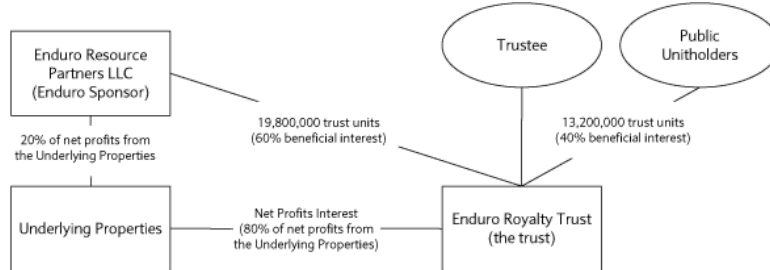
**Formation Transactions**

At or prior to the closing of this offering, the following transactions, which are referred to herein as the “formation transactions,” will occur:

- Enduro Sponsor will convey, or cause to be conveyed, to the trust the Net Profits Interest effective as of May 1, 2011 in exchange for 33,000,000 trust units in the aggregate, representing all of the outstanding trust units of the trust.
- Enduro Sponsor will sell 13,200,000 trust units offered hereby, representing an approximate 40% interest in the trust. Enduro Sponsor will also make available during the 30-day option period up to 1,980,000 trust units for the underwriters to purchase at the initial offering price to cover over-allotments. Enduro Sponsor intends to use the proceeds of the offering as disclosed under “Use of Proceeds.”

**Structure of the Trust**

The following chart shows the relationship of Enduro Sponsor, the trust and the public trust unitholders after the closing of this offering.



**Risk Factors**

An investment in the trust units involves risks associated with fluctuations in energy commodity prices, the operation of the Underlying Properties, certain regulatory and legal matters, the structure of the trust and the tax characteristics of the trust units. Please read carefully the risks described under “Risk Factors” on page 17 of this prospectus.

- Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders.

- Estimates of future cash distributions to trust unitholders are based on assumptions that are inherently subjective.
- Actual reserves and future production may be less than current estimates, which could reduce cash distributions by the trust and the value of the trust units.
- The Third Party Operators are the operators of approximately 99.3% of the wells on the Underlying Properties and, therefore, Enduro Sponsor is not in a position to control the timing of development efforts, the associated costs or the rate of production of the reserves on such properties.
- Developing oil and natural gas wells and producing oil and natural gas are costly and high-risk activities with many uncertainties that could adversely affect future production from the Underlying Properties. Any delays, reductions or cancellations in development and producing activities could decrease revenues that are available for distribution to trust unitholders.
- The trust is passive in nature and neither the trust nor the trust unitholders will have any ability to influence Enduro Sponsor or control the operations or development of the Underlying Properties.
- Shortages of equipment, services and qualified personnel could increase costs of developing and operating the Underlying Properties and result in a reduction in the amount of cash available for distribution to the trust unitholders.
- The trust units may lose value as a result of title deficiencies with respect to the Underlying Properties.
- Enduro Sponsor may transfer all or a portion of the Underlying Properties at any time without trust unitholder consent, subject to specified limitations.
- The reserves attributable to the Underlying Properties are depleting assets and production from those reserves will diminish over time. Furthermore, the trust is precluded from acquiring other oil and natural gas properties or net profits interests to replace the depleting assets and production. Therefore, proceeds to the trust and cash distributions to trust unitholders will decrease over time.
- An increase in the differential between the price realized by Enduro Sponsor for oil or natural gas produced from the Underlying Properties and the NYMEX or other benchmark price of oil or natural gas could reduce the profits to the trust and, therefore, the cash distributions by the trust and the value of trust units.
- The amount of cash available for distribution by the trust will be reduced by the amount of any costs and expenses related to the Underlying Properties and other costs and expenses incurred by the trust.
- The generation of profits for distribution by the trust depends in part on access to and operation of gathering, transportation and processing facilities. Any limitation in the availability of those facilities could interfere with sales of oil and natural gas production from the Underlying Properties.
- The trustee must, under certain circumstances, sell the Net Profits Interest and dissolve the trust prior to the expected termination of the trust. As a result, trust unitholders may not recover their investment.
- Enduro Sponsor may sell trust units in the public or private markets, and such sales could have an adverse impact on the trading price of the trust units.
- There has been no public market for the trust units.

- The trading price for the trust units may not reflect the value of the Net Profits Interest held by the trust.
- Conflicts of interest could arise between Enduro Sponsor and its affiliates, on the one hand, and the trust and the trust unitholders, on the other hand.
- The trust is managed by a trustee who cannot be replaced except by a majority vote of the trust unitholders at a special meeting, which may make it difficult for trust unitholders to remove or replace the trustee.
- Trust unitholders have limited ability to enforce provisions of the Net Profits Interest, and Enduro Sponsor's liability to the trust is limited.
- Courts outside of Delaware may not recognize the limited liability of the trust unitholders provided under Delaware law.
- The operations of the Underlying Properties are subject to environmental laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations on them or result in significant costs and liabilities, which could reduce the amount of cash available for distribution to trust unitholders.
- The operations of the Underlying Properties are subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations on them or expose the operator to significant liabilities, which could reduce the amount of cash available for distribution to trust unitholders.
- Climate change laws and regulations restricting emissions of "greenhouse gases" could result in increased operating costs and reduced demand for the oil and natural gas that the operators produce while the physical effects of climate change could disrupt their production and cause them to incur significant costs in preparing for or responding to those effects.
- Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as adversely affect the services of the operators of the Underlying Properties.
- The bankruptcy of Enduro Sponsor or any of the Third Party Operators could impede the operation of the wells and the development of the proved undeveloped reserves.
- In the event of the bankruptcy of Enduro Sponsor, if a court held that the Net Profits Interest was part of the bankruptcy estate, the trust may be treated as an unsecured creditor with respect to the Net Profits Interest attributable to properties in Louisiana and New Mexico.
- Adverse developments in Texas, Louisiana or New Mexico could adversely impact the results of operations and cash flows of the Underlying Properties and reduce the amount of cash available for distributions to trust unitholders.
- The receipt of payments by Enduro Sponsor based on the hedge contracts depends upon the financial position of the hedge contract counterparties. A default by any of the hedge contract counterparties could reduce the amount of cash available for distribution to the trust unitholders.
- The tax treatment of an investment in trust units could be affected by recent and potential legislative changes, possibly on a retroactive basis.
- The trust has not requested a ruling from the Internal Revenue Service (the "IRS") regarding the tax treatment of the trust. If the IRS were to determine (and be sustained in that determination) that the trust is not a "grantor trust" for federal income tax purposes,

the trust could be subject to more complex and costly tax reporting requirements that could reduce the amount of cash available for distribution to trust unitholders.

- Certain U.S. federal income tax preferences currently available with respect to oil and natural gas production may be eliminated as a result of future legislation.
- You will be required to pay taxes on your share of the trust's income even if you do not receive any cash distributions from the trust.
- A portion of any tax gain on the disposition of the trust units could be taxed as ordinary income.
- The trust will allocate its items of income, gain, loss and deduction between transferors and transferees of the trust units each month based upon the ownership of the trust units on the monthly record date, instead of on the basis of the date a particular trust unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among the trust unitholders.

**Summary Unaudited Pro Forma Combined Financial and Operating Data of the Underlying Properties and Unaudited Pro Forma Distributable Income of the Trust**

***Unaudited Pro Forma Combined Financial Data of the Underlying Properties***

The summary unaudited pro forma combined financial data presented below should be read in conjunction with "The Underlying Properties — Unaudited Pro Forma Combined Financial and Operating Data of the Underlying Properties," "The Underlying Properties — Discussion and Analysis of Pro Forma Combined Historical Results of the Underlying Properties" and the accompanying financial statements and related notes included elsewhere in this prospectus. The following table sets forth the combined revenues, direct operating expenses and the excess of revenues over direct operating expenses of all the Underlying Properties as if they had been owned by Enduro Sponsor as of January 1, 2010. The summary unaudited pro forma combined financial data have been derived from the unaudited pro forma statements of historical revenues and direct operating expenses of the Underlying Properties included elsewhere in this prospectus.

	<u>Three Months Ended March 31, 2011</u>	<u>Year Ended December 31, 2010</u>
	<i>(In thousands) (Unaudited)</i>	
<b>Revenues:</b>		
Oil	\$ 20,150	\$ 70,033
Natural gas	7,262	33,787
Total revenues	<u>\$ 27,412</u>	<u>\$ 103,820</u>
<b>Direct operating expenses:</b>		
Lease operating	\$ 6,185	\$ 24,579
Gathering and processing	489	1,977
Production and other taxes	2,005	8,069
Total direct operating expenses	<u>\$ 8,679</u>	<u>\$ 34,625</u>
Excess of revenues over direct operating expenses	<u>\$ 18,733</u>	<u>\$ 69,195</u>

***Unaudited Pro Forma Distributable Income of the Trust***

The table below outlines the calculation of pro forma distributable income from the Net Profits Interest for the three months ended March 31, 2011 and for 2010 based on the excess of revenues over direct operating expenses of the Underlying Properties for the three months ended March 31, 2011 and for the year ended December 31, 2010, respectively, set forth above. The table below should be read in

conjunction with the unaudited pro forma financial information of the trust included elsewhere in this prospectus. The pro forma amounts below do not purport to present cash available for distribution by the trust to trust unitholders had the formation transactions contemplated actually occurred on January 1, 2010. In addition, cash available for distribution by the trust will be calculated based upon actual cash receipts of the trust during the applicable month, while the unaudited pro forma available cash calculation has been prepared using a modified cash basis of accounting. Please refer to the unaudited pro forma financial information for the trust included elsewhere in this prospectus for more information. As a result, you should view the amount of unaudited pro forma available cash only as a general indication of the amount of cash available for distribution by the trust for the three months ended March 31, 2011 and for the year ended December 31, 2010.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
	<i>(In thousands, except per unit data)</i> <i>(Unaudited)</i>	
Excess of revenues over direct operating expenses	\$ 18,733	\$ 69,195
Less development expenses	12,105	37,036
Excess of revenues over direct operating expenses and development expenses	\$ 6,628	\$ 32,159
Times Net Profits Interest	80%	80%
Income from Net Profits Interest	\$ 5,302	\$ 25,727
Pro forma adjustments:		
Less estimated trust general and administrative expenses	\$ 213	\$ 850
Distributable income	\$ 5,089	\$ 24,877
Distributable income per trust unit	\$ 0.15	\$ 0.75

***Pro Forma Combined Operating Data of the Underlying Properties***

The following table provides the pro forma combined oil and natural gas sales volumes, average sales prices, average costs per Boe and capital expenditures for the Underlying Properties for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010, 2009

and 2008. This pro forma combined operating data includes the effect of the Acquired Properties for all periods presented.

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010 <i>(Unaudited)</i>	2009	2008
<b>Operating Data:</b>					
<b>Sales volumes:</b>					
Oil (MBbls)	230	239	939	1,016	1,084
Natural gas (MMcf)	1,619	1,768	7,171	8,455	8,868
Total sales (MBoe)	500	534	2,134	2,425	2,562
<b>Average sales prices:</b>					
Oil (per Bbl)	\$ 87.61	\$ 72.61	\$ 74.58	\$ 54.44	\$ 98.52
Natural gas (per Mcf)	4.49	5.56	4.71	3.91	8.57
<b>Average costs per Boe:</b>					
Lease operating	\$ 12.37	\$ 11.62	\$ 11.52	\$ 10.65	\$ 11.45
Gathering and processing	0.98	0.79	0.93	0.78	1.18
Production and other taxes	4.01	3.58	3.78	3.10	4.38
<b>Capital expenditures (in thousands):</b>					
Property development costs	\$ 12,105	\$ 1,781	\$ 37,036	\$ 18,532	\$ 65,571

**Summary Historical and Unaudited Pro Forma Financial Data of Enduro Sponsor**

The summary historical audited financial data of the Predecessor as of and for the year ended December 31, 2010 have been derived from the audited financial statements of the Predecessor included elsewhere in this prospectus. Operations of the Predecessor Properties are deemed to be the "predecessor" of Enduro Sponsor and recorded transactions are shown separately based on the ownership of the Predecessor Properties. Encore Acquisition Company ("EAC") owned the Predecessor Properties prior to March 9, 2010, at which time Denbury Resources Inc. acquired the properties in connection with its acquisition of EAC. Enduro Sponsor then acquired the Predecessor Properties on December 1, 2010. Accordingly, the audited financial statements of the Predecessor as of and for the year ended December 31, 2010 are presented for (i) "Predecessor-EAC" for the period from January 1, 2010 through March 8, 2010; (ii) "Predecessor-DNR" for the period from March 9, 2010 through November 30, 2010 and (iii) "Enduro Sponsor" for the period from Enduro Sponsor's inception (March 3, 2010) through December 31, 2010.

The summary historical unaudited financial data of Enduro Sponsor as of March 31, 2011 and 2010 and for the three-month period ended March 31, 2011 and 2010 have been derived from Enduro Sponsor's unaudited interim financial statements. The unaudited financial statements were prepared on a basis consistent with the audited statements and, in the opinion of Enduro Sponsor's management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of Enduro Sponsor for the periods presented.

The summary unaudited pro forma financial data as of and for the three months ended March 31, 2011 and for the year ended December 31, 2010 set forth in the following table has been derived from the unaudited pro forma financial statements of Enduro Sponsor included elsewhere in this prospectus. The pro forma adjustments have been prepared as if the acquisition of the Acquired Properties and, with respect to the pro forma as adjusted information, the conveyance of the Net Profits Interest and the offer and sale of the trust units and application of the net proceeds therefrom, had taken place (i) on March 31, 2011, in the case of the pro forma balance sheet information as of

March 31, 2011, and (ii) as of January 1, 2010, in the case of the pro forma statements of earnings for the three months ended March 31, 2011 and for the year ended December 31, 2010.

	Enduro Sponsor Pro Forma for the Acquisition of the Acquired Properties	Enduro Sponsor Pro Forma as Adjusted for the Offering (Including the Conveyance of Net Profits Interest)	Enduro Sponsor Pro Forma for the Acquisition of the Acquired Properties	Enduro Sponsor Pro Forma as Adjusted for the Offering (Including the Conveyance of the Net Profits Interest)	Enduro Sponsor		Enduro Sponsor	Predecessor-DNR	Predecessor-EAC
	Three Months Ended March 31, 2011	Three Months Ended March 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2010	Three Months Ended March 31, 2011	Inception Through March 31, 2011	Inception Through December 31, 2010	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010
(In thousands)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
Revenues	\$33,793	\$ 31,672	\$137,712	\$127,421	\$ 22,952	\$ —	\$ 3,975	\$ 40,210	\$ 12,164
Net income (loss)	\$ (9,559)	\$ (6,603)	\$ (6,645)	\$ (2,917)	\$ (11,495)	\$ (77)	\$ (8,229)	\$ (19,515)	\$ (17,821)
Total assets (at period end)		\$ 662,829			\$ 735,806	\$ 100	\$ 361,832	\$ 397,314	\$ 313,106
Long-term liabilities, excluding current maturities (at period end)		\$ 77,392			\$ 260,392	\$ —	\$ 66,211	\$ 587	\$ 1,412
Members' equity/owners' equity		\$ 555,166			\$ 445,143	\$ 23	\$ 273,939	\$ 374,731	\$ 290,073

**Summary Projected Cash Distributions**

The following table presents a calculation of forecasted cash distributions to holders of trust units for the twelve months ending September 30, 2012, which was prepared by Enduro Sponsor based on the assumptions that are described below and in "Projected Cash Distributions— Significant Assumptions Used to Prepare the Projected Cash Distributions."

Typically, cash payment is received by Enduro Sponsor for oil production 30 to 60 days after it is produced and for natural gas production 60 to 90 days after it is produced. Given that the trust is entitled to production effective May 1, 2011 and the initial distribution will not occur until October 2011, the initial distribution in October 2011 may relate to net profits received from production from May and June of 2011. The forecasted cash distributions assume that each of the other monthly distributions during the forecasted period will relate to production from a single month. **To adjust for the lag between the timing of production and the timing of cash received by Enduro Sponsor and the trust, the forecasted cash distributions for the twelve months ending September 30, 2012 are based on estimated production of oil and natural gas for the twelve months ending April 30, 2012.**

Unlike payments for production, payments related to hedges are settled during or very soon after the end of each month. As a result, and in an effort to better align payments associated with production and hedges, the trust will not bear any hedge settlement costs paid by Enduro Sponsor, or be entitled to any hedge payments received by Enduro Sponsor, for periods on or prior to June 30, 2011 (which is 60 days after May 1, 2011). In order to reflect this, the forecasted cash distributions for the twelve months ending September 30, 2012 reflect forecasted hedge settlements related to the twelve months ending June 30, 2012.

Enduro Sponsor does not as a matter of course make public projections as to future sales, earnings or other results. However, the management of Enduro Sponsor has prepared the projected financial information set forth below to present the projected cash distributions to the holders of the trust units based on the estimates and hypothetical assumptions described below. The accompanying projected financial information was not prepared with a view toward complying with the published guidelines of the SEC or guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information.



In the view of Enduro Sponsor's management, the accompanying unaudited projected financial information was prepared on a reasonable basis and reflects the best currently available estimates and judgments of Enduro Sponsor related to oil and natural gas production, operating expenses and development expenses, and other general and administrative expenses based on:

- the oil and natural gas production estimates for the twelve months ending April 30, 2012 contained in the reserve reports;
- estimated direct operating expenses and development expenses for the twelve months ending April 30, 2012 contained in the reserve reports;
- projected payments made or received pursuant to the hedge contracts for the twelve months ending June 30, 2012;
- estimated general and administrative expenses of \$850,000 for the twelve months ending April 30, 2012; and
- an adjustment for the estimated production, revenue, operating expenses and development expenses (as adjusted to reflect that Enduro Sponsor has agreed to pay for \$7.3 million of development expenses otherwise attributable to the trust) expected in the twelve months ending April 30, 2012 for drilling projects in the Haynesville Shale that are not included in the reserve reports.

The projected financial information was also based on the hypothetical assumption that prices for oil and natural gas remain constant at \$100.00 per Bbl of oil and \$4.50 per MMBtu of natural gas during the twelve months ending April 30, 2012. These hypothetical prices are then adjusted to take into account Enduro Sponsor's estimate of the basis differential (based on location and quality of the production) between published prices and the prices actually received by Enduro Sponsor. Actual prices paid for oil and natural gas expected to be produced from the Underlying Properties during the twelve months ending April 30, 2012 will likely differ from these hypothetical prices due to fluctuations in the prices generally experienced with respect to the production of oil and natural gas and variations in basis differentials. For example, for the twelve months ending June 30, 2011, the published daily average closing WTI crude oil spot price per Bbl was approximately \$89.40 and the daily average Henry Hub natural gas spot price per MMBtu was approximately \$4.16.

**Please read "Projected Cash Distributions — Significant Assumptions Used to Prepare the Projected Cash Distributions" and "Risk Factors — Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders."**

Neither Enduro Sponsor's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

The projections and estimates and the hypothetical assumptions on which they are based are subject to significant uncertainties, many of which are beyond the control of Enduro Sponsor or the trust. Actual cash distributions to trust unitholders, therefore, could vary significantly based upon events or conditions occurring that are different from the events or conditions assumed to occur for purposes of these projections. Cash distributions to trust unitholders will be particularly sensitive to fluctuations in oil and natural gas prices. Please read "Risk Factors — Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders." As a result of typical production declines for oil and natural gas properties, production estimates generally decrease from year to year, and the projected cash distributions shown in the table below are not necessarily indicative of distributions for future years. Please read "Projected Cash Distributions — Sensitivity of Projected Cash Distributions to Oil and Natural Gas Production and Prices," which shows projected effects on cash distributions from hypothetical changes in oil and natural gas production and prices. Because payments to

the trust will be generated by depleting assets and the trust has a finite life with the production from the Underlying Properties diminishing over time, a portion of each distribution will represent, in effect, a return of your original investment. Please read "Risk Factors — The reserves attributable to the Underlying Properties are depleting assets and production from those reserves will diminish over time. Furthermore, the trust is precluded from acquiring other oil and natural gas properties or net profits interests to replace the depleting assets and production. Therefore, proceeds to the trust and cash distributions to trust unitholders will decrease over time."

<u>Projected Cash Distributions to Trust Unitholders</u>	<u>Projections for the Twelve Month Period Ending September 30, 2012</u>
	<i>(In thousands, except per unit data)</i>
<b>Underlying Properties sales volumes:</b>	
Oil (MBbl)(1)	911
Natural gas (MMcf)	7,119
Total sales (MBoe)	2,097
<b>Assumed NYMEX price(2):</b>	
Oil (per Bbl)	\$ 100.00
Natural gas (per MMBtu)	4.50
<b>Assumed realized sales price(3):</b>	
Oil (per Bbl)	\$ 96.54
Natural gas (per Mcf)	4.63
<b>Calculation of net profits:</b>	
Gross profits(4):	
Oil sales	\$ 87,940
Natural gas sales	32,979
Total	120,919
Costs:	
Direct operating expenses:	
Lease operating expenses	\$ 23,489
Production and other taxes	9,225
Development expenses(5)	14,300
Total	47,014
Settlement of hedge contracts(6)	1,857
Net adjustment for additional projects(7)	(989)
Net profits	74,773
Percentage allocable to Net Profits Interest	80%
Net profits to trust from Net Profits Interest	\$ 59,818
Trust general and administrative expenses(8)	850
Cash available for distribution by the trust	\$ 58,968
Cash distribution per trust unit (assumes 33,000,000 units)	\$ 1.79

(1) Sales volumes for oil include 9 MBbls of NGLs.

(2) For a description of the effect of lower NYMEX prices on projected cash distributions, please read "Projected Cash Distributions — Sensitivity of Projected Cash Distributions to Oil and Natural Gas Production and Prices."

- (3) Sales price net of forecasted gravity, quality, transportation, gathering and processing and marketing costs. For more information about the estimates and hypothetical assumptions made in preparing the table above, see "Projected Cash Distributions — Significant Assumptions Used to Prepare the Projected Cash Distributions."
- (4) Represents "gross profits" as described in "Computation of Net Profits."
- (5) Does not include development expenses related to 21 gross (2.4 net) wells associated with development drilling projects in the Haynesville Shale. Please read footnote 7.
- (6) Reflects net cash impact of settlements of hedge contracts relating to production. See "The Underlying Properties — Hedge Contracts."
- (7) Net adjustment for additional projects reflects the expected drilling of 21 gross (2.4 net) wells in the Haynesville Shale during the forecast period associated with development drilling projects not reflected in the reserve reports but for which notifications have been received by Enduro Sponsor as of June 2011. These additional development drilling projects are expected to increase total sales volumes by 221 MBoe, total gross profits by \$3.3 million and total lease operating and development expenses and production and other taxes by \$4.3 million, which is expected to result in a decrease in net profits for the Underlying Properties by \$989,000 and cash available for distribution to the trust by \$791,000. The amount of estimated development expenses has been adjusted to reflect the agreement by Enduro Sponsor to pay for up to \$9.1 million (or \$7.3 million attributable to the trust's Net Profits Interest) of the total estimated development expenses of \$12.4 million related to the 21 gross (2.4 net) wells, thereby reducing the trust's share of development expenses associated with these wells to \$2.6 million. In the absence of this payment obligation by Enduro Sponsor, the cash available for distribution to the trust would be reduced by an additional \$7.3 million during the forecast period. Please read "Projected Cash Distributions — Significant Assumptions Used to Prepare the Projected Cash Distributions — Net adjustment for additional projects."
- (8) Total general and administrative expenses of the trust on an annualized basis for the twelve months ending April 30, 2012 are expected to be \$850,000 and will include the annual fees to the trustees, accounting fees, engineering fees, legal fees, printing costs and other expenses properly chargeable to the trust.

#### **Recent Operational Performance**

Production volume estimates from the Underlying Properties for the three months ended June 30, 2011 are 225 MBbls of oil and 1,865 MMcf of natural gas.

#### **Enduro Sponsor**

Enduro Sponsor is a privately-held Delaware limited liability company engaged in the production and development of oil and natural gas from properties located in Texas, Louisiana and New Mexico. Enduro Sponsor was formed on March 3, 2010.

As of December 31, 2010, Enduro Sponsor held interests in approximately 4,866 gross (919 net) producing wells, and had proved reserves of approximately 31.8 MMBoe.

After giving pro forma effect to the conveyance of the Net Profits Interest to the trust, the offering of the trust units contemplated by this prospectus and the application of the net proceeds as described in "Use of Proceeds," as of March 31, 2011, Enduro Sponsor would have had total assets of \$662.8 million and total liabilities of \$107.7 million. For an explanation of the pro forma adjustments, please read "Financial Statements of Enduro Sponsor — Unaudited Pro Forma Financial Statements — Introduction."

The address of Enduro Sponsor is 777 Main Street, Suite 800, Fort Worth, Texas 76102, and its telephone number is (817) 744-8200.

**The Offering**

Trust units offered by Enduro Sponsor	13,200,000 trust units, or 15,180,000 trust units if the underwriters exercise their option to purchase additional trust units in full
Trust units owned by Enduro Sponsor after the offering	19,800,000 trust units, or 17,820,000 trust units if the underwriters exercise their option to purchase additional trust units in full
Trust units outstanding after the offering	33,000,000 trust units
Use of proceeds	Enduro Sponsor is offering all of the trust units to be sold in this offering, including the trust units to be sold upon any exercise of the underwriters' option to purchase additional trust units. The estimated net proceeds of this offering to be received by Enduro Sponsor will be approximately \$ million, after deducting underwriting discounts and commissions, structuring fees and expenses, and \$ million if the underwriters exercise their option to purchase additional trust units in full. Enduro Sponsor intends to use the net proceeds from this offering, including any proceeds from the exercise of the underwriters' option to purchase additional trust units, to repay approximately \$ million of the borrowings outstanding under its senior secured credit agreement and to make a distribution of approximately \$ million to its sole member, Enduro Resource Holdings LLC ("Enduro Holdings"). The remaining \$ million will be used to acquire additional oil and natural gas properties in the future for Enduro Sponsor (none of which have been identified). Enduro Sponsor is deemed to be an underwriter with respect to the trust units offered hereby. Please read "Use of Proceeds." Affiliates of certain of the underwriters participating in this offering are lenders under Enduro Sponsor's senior secured credit agreement and will receive a substantial portion of the proceeds from this offering pursuant to the repayment of a portion of the borrowings thereunder. Please read "Underwriting — FINRA Rules."
Proposed NYSE symbol	"NDRO"
Monthly cash distributions	<p>The trust will pay monthly distributions to the holders of trust units as of the applicable record date (generally the 15th day of each calendar month) on or before the 10th business day after the record date. The first distribution from the trust to the trust unitholders will be made on or about October 28, 2011 to trust unitholders owning trust units on or about October 14, 2011.</p> <p>Actual cash distributions to the trust unitholders will fluctuate monthly based upon the quantity of oil and natural gas produced from the Underlying Properties, the prices received for oil and natural gas production and other factors. Because</p>

Dissolution of the trust	<p>payments to the trust will be generated by depleting assets with the production from the Underlying Properties diminishing over time, a portion of each distribution will represent, in effect, a return of your original investment. Oil and natural gas production from proved reserves attributable to the Underlying Properties is expected to decline over time. Please read "Risk Factors."</p>
Estimated ratio of taxable income to distributions	<p>The trust will dissolve upon the earliest to occur of the following: (1) the trust, upon approval of the holders of at least 75% of the outstanding trust units, sells the Net Profits Interest, (2) the annual cash available for distribution to the trust is less than \$2 million for each of any two consecutive years, (3) the holders of at least 75% of the outstanding trust units vote in favor of dissolution or (4) the trust is judicially dissolved.</p>
Summary of income tax consequences	<p>Enduro Sponsor estimates that a trust unitholder who owns the trust units purchased in this offering through the record date for distribution for the period ending December 31, 2013, will recognize, on a cumulative basis, an amount of federal taxable income for that period of approximately 30% of the cash distributed to such trust unitholder with respect to that period. Please read "Federal Income Tax Consequences — U.S. Federal Income Tax Consequences — Direct Taxation of Trust Unitholders" for the basis of this estimate.</p>
	<p>Trust unitholders will be taxed directly on the income from assets of the trust. Enduro Sponsor and the trust intend to treat the Net Profits Interest, which will be granted to the trust on a perpetual basis, as a mineral royalty interest that generates ordinary income subject to depletion for U.S. federal income tax purposes. Please read "Federal Income Tax Consequences."</p>

## RISK FACTORS

### ***Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders.***

The trust's reserves and monthly cash distributions are highly dependent upon the prices realized from the sale of oil and natural gas. Prices of oil and natural gas can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond the control of the trust and Enduro Sponsor. These factors include, among others:

- regional, domestic and foreign supply and perceptions of supply of oil and natural gas;
- the level of demand and perceptions of demand for oil and natural gas;
- political conditions or hostilities in oil and natural gas producing countries;
- anticipated future prices of oil and natural gas and other commodities;
- weather conditions and seasonal trends;
- technological advances affecting energy consumption and energy supply;
- U.S. and worldwide economic conditions;
- the price and availability of alternative fuels;
- the proximity, capacity, cost and availability of gathering and transportation facilities;
- the volatility and uncertainty of regional pricing differentials;
- governmental regulations and taxation;
- energy conservation and environmental measures; and
- acts of force majeure.

Crude oil prices declined from record high levels in early July 2008 of over \$140 per Bbl to below \$45 per Bbl in February 2009 before rebounding to over \$101 per Bbl in June 2011. Natural gas prices declined from over \$13.57 per MMBtu in July 2008 to below \$3.30 per MMBtu in October 2010 before rebounding to over \$4.90 per MMBtu in June 2011.

Lower prices of oil and natural gas will reduce profits to which the trust is entitled and may ultimately reduce the amount of oil and natural gas that is economic to produce from the Underlying Properties. As a result, the operators of the Underlying Properties could determine during periods of low commodity prices to shut in or curtail production from wells on the Underlying Properties. In addition, the operators could determine during periods of low commodity prices to plug and abandon marginal wells that otherwise may have been allowed to continue to produce for a longer period under conditions of higher prices. Specifically, an operator may abandon any well or property if it reasonably believes that the well or property can no longer produce oil or natural gas in commercially paying quantities. This could result in termination of the Net Profits Interest relating to the abandoned well or property.

The Underlying Properties are sensitive to decreasing commodity prices. The commodity price sensitivity is due to a variety of factors that vary from well to well, including the costs associated with water handling and disposal, chemicals, surface equipment maintenance, downhole casing repairs and reservoir pressure maintenance activities that are necessary to maintain production. As a result, the volatility of commodity prices may cause the expenses of certain wells to exceed the well's revenue. If this scenario were to occur, the operator may decide to shut-in the well or plug and abandon the well. This scenario could reduce future cash distributions to trust unitholders.

Enduro Sponsor has entered into hedge contracts with respect to approximately 69%, 70% and 57% of expected production of oil and natural gas production for 2011, 2012 and 2013, respectively, from the total proved reserves attributable to the Underlying Properties in the reserve reports. The

hedge contracts are intended to reduce exposure of the revenues from oil and natural gas production from the Underlying Properties to fluctuations in oil and natural gas prices and to achieve more predictable cash flow. Some of the hedge contracts could limit the benefit to the trust of any increase in oil or natural gas prices through 2013. The trust will be required to bear its share of the hedge payments regardless of whether the corresponding quantities of oil and natural gas are produced or sold. Furthermore, Enduro Sponsor has not entered into any hedge contracts relating to oil and natural gas volumes expected to be produced after 2013, and the terms of the conveyance of the Net Profits Interest will prohibit Enduro Sponsor from entering into new hedging arrangements burdening the trust following the completion of this offering. As a result, the amount of the cash distributions will be subject to a greater fluctuation after 2013 due to changes in oil and natural gas prices. For a discussion of the hedge contracts, please read "The Underlying Properties — Hedge Contracts."

***Estimates of future cash distributions to trust unitholders are based on assumptions that are inherently subjective.***

The projected cash distributions to trust unitholders for the twelve months ending September 30, 2012 contained elsewhere in this prospectus are based on Enduro Sponsor's calculations, and Enduro Sponsor has not received an opinion or report on such calculations from any independent accountants or engineers. Such calculations are based on assumptions about drilling, production, crude oil and natural gas prices, hedging activities, development expenses, and other matters that are inherently uncertain and are subject to significant business, economic, financial, legal, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those estimated. In particular, these estimates have assumed that crude oil and natural gas production is sold in 2011 and 2012 based on assumed NYMEX prices of \$100.00 per Bbl in the case of crude oil and \$4.50 per MMBtu in the case of natural gas. However, actual sales prices may be significantly lower. Additionally, these estimates assume the Underlying Properties will achieve production volumes set forth in the reserve reports; however, actual production volumes may be significantly lower. If prices or production are lower than expected, the amount of cash available for distribution to trust unitholders would be reduced. Furthermore, there have been an additional 21 gross (2.4 net) wells spud or proposed and approved by Enduro Sponsor in 2011 that are not represented in the reserve report because they would not be classified as proved locations but would rather be classified as probable locations based on the information available on December 31, 2010. Although Enduro Sponsor has agreed to pay up to \$9.1 million of the development expenses associated with these wells incurred after May 1, 2011, Enduro Sponsor will not pay any amounts in excess of \$9.1 million (\$7.3 million attributable to the trust's Net Profits Interest), even if future capital expenditures increase substantially. Thus, any additional drilling opportunities not reflected in the reserve reports could increase development expenses significantly without an immediate increase in production or revenues, which could decrease the amount of cash available for distribution to trust unitholders unless and until production and revenue from the new wells resulted in the recoupment of such expenses.

***Actual reserves and future production may be less than current estimates, which could reduce cash distributions by the trust and the value of the trust units.***

The value of the trust units and the amount of future cash distributions to the trust unitholders will depend upon, among other things, the accuracy of the reserves and future production estimated to be attributable to the trust's interest in the Underlying Properties. Please read "The Underlying Properties — Reserve Reports" for a discussion of the method of allocating proved reserves to the Underlying Properties and the Net Profits Interest. It is not possible to measure underground accumulations of oil and natural gas in an exact way, and estimating reserves is inherently uncertain. Ultimately, actual production and revenues for the Underlying Properties could vary both positively and negatively and in material amounts from estimates. Furthermore, direct operating expenses and development expenses relating to the Underlying Properties could be substantially higher than current

estimates. Petroleum engineers are required to make subjective estimates of underground accumulations of oil and natural gas based on factors and assumptions that include:

- historical production from the area compared with production rates from other producing areas;
- oil and natural gas prices, production levels, Btu content, production expenses, transportation costs, severance and excise taxes and development expenses; and
- the assumed effect of expected governmental regulation and future tax rates.

Changes in these assumptions and amounts of actual direct operating expenses and development expenses could materially decrease reserve estimates. In addition, the quantities of recovered reserves attributable to the Underlying Properties may decrease in the future as a result of future decreases in the price of oil or natural gas.

***The Third Party Operators are the operators of approximately 99.3% of the wells on the Underlying Properties and, therefore, Enduro Sponsor is not in a position to control the timing of development efforts, the associated costs or the rate of production of the reserves on such properties.***

As of December 31, 2010, approximately 99.3% of the wells on the Underlying Properties were operated by the Third Party Operators. As a result, Enduro Sponsor has limited ability to exercise influence over, and control the risks or costs associated with, the operations of these properties. The failure of a Third Party Operator to adequately or efficiently perform operations, a Third Party Operator's breach of the applicable operating agreements or a Third Party Operator's failure to act in ways that are in Enduro Sponsor's or the trust's best interests could reduce production and revenues. Further, none of the Third Party Operators of the Underlying Properties are obligated to undertake any development activities, so any development and production activities will be subject to their reasonable discretion. The success and timing of drilling and development activities on properties operated by the Third Party Operators, therefore, depends on a number of factors that will be largely outside of Enduro Sponsor's control, including:

- the timing and amount of capital expenditures, which could be significantly more than anticipated;
- the availability of suitable drilling equipment, production and transportation infrastructure and qualified operating personnel;
- the Third Party Operator's expertise, operating efficiency and financial resources;
- approval of other participants in drilling wells;
- the selection of technology;
- the selection of counterparties for the sale of production; and
- the rate of production of the reserves.

The Third Party Operators may elect not to undertake development activities, or may undertake such activities in an unanticipated fashion, which may result in significant fluctuations in capital expenditures and amounts available for distribution to trust unitholders.

***Developing oil and natural gas wells and producing oil and natural gas are costly and high-risk activities with many uncertainties that could adversely affect future production from the Underlying Properties. Any delays, reductions or cancellations in development and producing activities could decrease revenues that are available for distribution to trust unitholders.***

The process of developing oil and natural gas wells and producing oil and natural gas on the Underlying Properties is subject to numerous risks beyond the trust's, Enduro Sponsor's and the Third Party Operators' control, including risks that could delay the operators' current drilling or production



schedule and the risk that drilling will not result in commercially viable oil or natural gas production. The ability of the operators to carry out operations or to finance planned development expenses could be materially and adversely affected by any factor that may curtail, delay, reduce or cancel development and production, including:

- delays imposed by or resulting from compliance with regulatory requirements, including permitting;
- unusual or unexpected geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- lack of available gathering facilities or delays in construction of gathering facilities;
- lack of available capacity on interconnecting transmission pipelines;
- equipment malfunctions, failures or accidents;
- unexpected operational events and drilling conditions;
- reductions in oil or natural gas prices;
- market limitations for oil or natural gas;
- pipe or cement failures;
- casing collapses;
- lost or damaged drilling and service tools;
- loss of drilling fluid circulation;
- uncontrollable flows of oil and natural gas, insert gas, water or drilling fluids;
- fires and natural disasters;
- environmental hazards, such as oil and natural gas leaks, pipeline ruptures and discharges of toxic gases;
- adverse weather conditions; and
- oil or natural gas property title problems.

In the event that planned operations, including drilling of development wells, are delayed or cancelled, or existing wells or development wells have lower than anticipated production due to one or more of the factors above or for any other reason, estimated future distributions to trust unitholders may be reduced. In the event an operator incurs increased costs due to one or more of the above factors or for any other reason and is not able to recover such costs from insurance, the estimated future distributions to trust unitholders may be reduced.

***The trust is passive in nature and neither the trust nor the trust unitholders will have any ability to influence Enduro Sponsor or control the operations or development of the Underlying Properties.***

The trust units are a passive investment that entitle the trust unitholder to only receive cash distributions from the Net Profits Interest and hedge contracts being conveyed to the trust. Trust unitholders have no voting rights with respect to Enduro Sponsor and, therefore, will have no managerial, contractual or other ability to influence Enduro Sponsor's or the Third Party Operators' activities or the operations of the Underlying Properties. Oil and natural gas properties are typically managed pursuant to an operating agreement among the working interest owners of oil and natural gas properties. The Third Party Operators operate approximately 99.3% of the wells on the Underlying Properties. The typical operating agreement contains procedures whereby the owners of the working interests in the property designate one of the interest owners to be the operator of the property. Under these arrangements, the

operator is typically responsible for making all decisions relating to drilling activities, sale of production, compliance with regulatory requirements and other matters that affect the property.

***Shortages of equipment, services and qualified personnel could increase costs of developing and operating the Underlying Properties and result in a reduction in the amount of cash available for distribution to the trust unitholders.***

The demand for qualified and experienced personnel to conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices, causing periodic shortages. Historically, there have been shortages of drilling rigs and other equipment as demand for rigs and equipment has increased along with the number of wells being drilled. These factors also cause significant increases in costs for equipment, services and personnel. Higher oil and natural gas prices generally stimulate demand and result in increased prices for drilling rigs, crews and associated supplies, equipment and services. Shortages of field personnel and equipment or price increases could hinder the ability of the operators of the Underlying Properties to conduct the operations which they currently have planned for the Underlying Properties, which would reduce the amount of cash received by the trust and available for distribution to the trust unitholders.

***The trust units may lose value as a result of title deficiencies with respect to the Underlying Properties.***

Enduro Sponsor acquired the Underlying Properties through various acquisitions since December 2010. The existence of a material title deficiency with respect to the Underlying Properties could reduce the value of a property or render it worthless, thus adversely affecting the Net Profits Interest and the distributions to trust unitholders. Enduro Sponsor does not obtain title insurance covering mineral leaseholds, and Enduro Sponsor's failure to cure any title defects may cause Enduro Sponsor to lose its rights to production from the Underlying Properties. In the event of any such material title problem, profits available for distribution to trust unitholders and the value of the trust units may be reduced.

***Enduro Sponsor may transfer all or a portion of the Underlying Properties at any time without trust unitholder consent, subject to specified limitations.***

Enduro Sponsor may at any time transfer all or part of the Underlying Properties, subject to and burdened by the Net Profits Interest, and may, along with the Third Party Operators, abandon individual wells or properties reasonably believed to be uneconomic. Trust unitholders will not be entitled to vote on any transfer or abandonment of the Underlying Properties, and the trust will not receive any profits from any such transfer, except in the limited circumstances when the Net Profits Interest is released in connection with such transfer, in which case the trust will receive an amount equal to the fair market value (net of sales costs) of the Net Profits Interest released. Please read "The Underlying Properties — Sale and Abandonment of Underlying Properties." Following any sale or transfer of any of the Underlying Properties, if the Net Profits Interest is not released in connection with such sale or transfer, the Net Profits Interest will continue to burden the transferred property and net profits attributable to such property will be calculated as part of the computation of net profits described in this prospectus. Enduro Sponsor may delegate to the transferee responsibility for all of Enduro Sponsor's obligations relating to the Net Profits Interest on the portion of the Underlying Properties transferred.

In addition, Enduro Sponsor may, without the consent of the trust unitholders, require the trust to release the Net Profits Interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the Underlying Properties in the prior 12 months and provided that the Net Profits Interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by Enduro Sponsor of the relevant Underlying Properties and are conditioned upon an amount equal to the fair market value of such Net Profits Interest being treated as an offset amount against costs and expenses. Enduro Sponsor has not identified for sale any of the Underlying Properties.

The Third Party Operators and Enduro Sponsor may enter into farm-out, operating, participation and other similar agreements to develop the property without the consent or approval of the trustee or any trust unitholder.

***The reserves attributable to the Underlying Properties are depleting assets and production from those reserves will diminish over time. Furthermore, the trust is precluded from acquiring other oil and natural gas properties or net profits interests to replace the depleting assets and production. Therefore, proceeds to the trust and cash distributions to trust unitholders will decrease over time.***

The profits payable to the trust attributable to the Net Profits Interest are derived from the sale of production of oil and natural gas from the Underlying Properties. The reserves attributable to the Underlying Properties are depleting assets, which means that the reserves and the quantity of oil and natural gas produced from the Underlying Properties will decline over time. Based on the estimated production and operating expenses in the reserve report of the Underlying Properties, the oil and natural gas production from proved reserves attributable to the Underlying Properties is projected to be shallow declining over the next five years. Actual decline rates may vary from this projected decline rate. In the event expected future development is delayed, reduced or cancelled, the average rate of decline will likely exceed 9% per year.

Future maintenance projects on the Underlying Properties may affect the quantity of proved reserves that can be economically produced from wells on the Underlying Properties. The timing and size of these projects will depend on, among other factors, the market prices of oil and natural gas. Neither Enduro Sponsor nor, to Enduro Sponsor's knowledge, the Third Party Operators have a contractual obligation to develop or otherwise pay development expenses on the Underlying Properties in the future. Enduro Sponsor, however, will have an obligation to pay up to \$9.1 million of development expenses (or \$7.3 million attributable to the trust's 80% indirect interest in the Underlying Properties) for projects in the Haynesville Shale for which notifications have been received by Enduro Sponsor as of June 2011, and which are a part of Enduro Sponsor's \$37 million 2011 capital budget for the Underlying Properties. Furthermore, with respect to properties for which Enduro Sponsor is not designated as the operator, Enduro Sponsor has limited control over the timing or amount of those development expenses. Enduro Sponsor also has the right to non-consent and not participate in the development expenses on properties for which it is not the operator, in which case Enduro Sponsor and the trust will not receive the production resulting from such development expenses. If the operators of the Underlying Properties do not implement maintenance projects when warranted, the future rate of production decline of proved reserves may be higher than the rate currently expected by Enduro Sponsor or estimated in the reserve report.

The trust agreement will provide that the trust's activities will be limited to owning the Net Profits Interest and any activity reasonably related to such ownership, including activities required or permitted by the terms of the conveyance related to the Net Profits Interest. As a result, the trust will not be permitted to acquire other oil and natural gas properties or net profits interests to replace the depleting assets and production attributable to the Net Profits Interest.

Because the net profits payable to the trust are derived from the sale of depleting assets, the portion of the distributions to trust unitholders attributable to depletion may be considered to have the effect of a return of capital as opposed to a return on investment. Eventually, the Underlying Properties burdened by the Net Profits Interest may cease to produce in commercially paying quantities and the trust may, therefore, cease to receive any distributions of net profits therefrom.

***An increase in the differential between the price realized by Enduro Sponsor for oil or natural gas produced from the Underlying Properties and the NYMEX or other benchmark price of oil or natural gas could reduce the profits to the trust and, therefore, the cash distributions by the trust and the value of trust units.***

The prices received for Enduro Sponsor's oil and natural gas production usually fall below the relevant benchmark prices, such as NYMEX, that are used for calculating hedge positions. The difference

between the price received and the benchmark price is called a basis differential. The differential may vary significantly due to market conditions, the quality and location of production and other factors. Enduro Sponsor cannot accurately predict oil or natural gas differentials. Increases in the differential between the realized price of oil and natural gas and the benchmark price for oil and natural gas could reduce the profits to the trust, the cash distributions by the trust and the value of the trust units.

***The amount of cash available for distribution by the trust will be reduced by the amount of any costs and expenses related to the Underlying Properties and other costs and expenses incurred by the trust.***

The trust will indirectly bear an 80% share of all costs and expenses related to the Underlying Properties, such as direct operating expenses, development expenses and hedge expenses, which will reduce the amount of cash received by the trust and thereafter distributable to trust unitholders. Accordingly, higher costs and expenses related to the Underlying Properties will directly decrease the amount of cash received by the trust in respect of its Net Profits Interest. Please read "The Underlying Properties — Unaudited Pro Forma Combined Financial and Operating Data of the Underlying Properties." Historical costs may not be indicative of future costs. For example, the Third Party Operators may in the future propose additional drilling projects that significantly increase the capital expenditures associated with the Underlying Properties, which could reduce cash available for distribution by the trust. In addition, cash available for distribution by the trust will be further reduced by the trust's general and administrative expenses, which are expected to be approximately \$850,000 for the twelve months ending April 30, 2012. For details about these general and administrative expenses, please read "Description of the Trust Agreement — Fees and Expenses."

If direct operating expenses, development expenses and hedge expenses on the Underlying Properties together with the other costs exceed gross profits of production from the Underlying Properties, the trust will not receive net profits from those properties until future gross profits from production exceed the total of the excess costs, plus accrued interest at the prime rate. If the trust does not receive net profits pursuant to the Net Profits Interest, or if such net profits are reduced, the trust will not be able to distribute cash to the trust unitholders, or such cash distributions will be reduced, respectively. Development activities may not generate sufficient additional revenue to repay the costs.

***The generation of profits for distribution by the trust depends in part on access to and operation of gathering, transportation and processing facilities. Any limitation in the availability of those facilities could interfere with sales of oil and natural gas production from the Underlying Properties.***

The amount of oil and natural gas that may be produced and sold from a well is subject to curtailment in certain circumstances, such as by reason of weather conditions, pipeline interruptions due to scheduled and unscheduled maintenance, failure of tendered oil and natural gas to meet quality specifications of gathering lines or downstream transporters, excessive line pressure which prevents delivery, physical damage to the gathering system or transportation system or lack of contracted capacity on such systems. The curtailments may vary from a few days to several months. In many cases, the operators of the Underlying Properties are provided limited notice, if any, as to when production will be curtailed and the duration of such curtailments. If the operators of the Underlying Properties are forced to reduce production due to such a curtailment, the revenues of the trust and the amount of cash distributions to the trust unitholders would similarly be reduced due to the reduction of profits from the sale of production.

***The trustee must, under certain circumstances, sell the Net Profits Interest and dissolve the trust prior to the expected termination of the trust. As a result, trust unitholders may not recover their investment.***

The trustee must sell the Net Profits Interest and dissolve the trust if the holders of at least 75% of the outstanding trust units approve the sale or vote to dissolve the trust. The trustee must also sell the Net Profits Interest and dissolve the trust if the annual gross profits from the Underlying Properties attributable to the Net Profits Interest are less than \$2 million for each of any two consecutive years. The net profits of any such sale will be distributed to the trust unitholders.

***Enduro Sponsor may sell trust units in the public or private markets, and such sales could have an adverse impact on the trading price of the trust units.***

After the closing of the offering, Enduro Sponsor will hold an aggregate of 19,800,000 trust units, assuming no exercise of the underwriters' option to purchase additional trust units. Enduro Sponsor has agreed not to sell any trust units for a period of 180 days after the date of this prospectus without the consent of Barclays Capital Inc. Please read "Underwriting." After such period, Enduro Sponsor may sell trust units in the public or private markets, and any such sales could have an adverse impact on the price of the trust units or on any trading market that may develop. The trust has granted registration rights to Enduro Sponsor, which, if exercised, would facilitate sales of trust units by Enduro Sponsor.

***There has been no public market for the trust units.***

The initial public offering price of the trust units will be determined by negotiation among Enduro Sponsor and the underwriters. Among the factors to be considered in determining the number of trust units to be offered hereby and the initial public offering price will be estimates of distributions to trust unitholders; overall quality of the oil and natural gas properties attributable to the Underlying Properties; the history and prospects for the energy industry; Enduro Sponsor's financial information; the prevailing securities markets at the time of this offering and the recent market prices of, and the demand for, publicly traded units of royalty trusts. None of Enduro Sponsor, the trust or the underwriters will obtain any independent appraisal or other opinion of the value of the Net Profits Interest, other than the reserve report prepared by Cawley Gillespie.

***The trading price for the trust units may not reflect the value of the Net Profits Interest held by the trust.***

The trading price for publicly traded securities similar to the trust units tends to be tied to recent and expected levels of cash distributions. The amounts available for distribution by the trust will vary in response to numerous factors outside the control of the trust, including prevailing prices for sales of oil and natural gas production from the Underlying Properties and the timing and amount of direct operating expenses and development expenses. Consequently, the market price for the trust units may not necessarily be indicative of the value that the trust would realize if it sold the Net Profits Interest to a third-party buyer. In addition, such market price may not necessarily reflect the fact that since the assets of the trust are depleting assets, a portion of each cash distribution paid with respect to the trust units should be considered by investors as a return of capital, with the remainder being considered as a return on investment. As a result, distributions made to a trust unitholder over the life of these depleting assets may not equal or exceed the purchase price paid by the trust unitholder.

***Conflicts of interest could arise between Enduro Sponsor and its affiliates, on the one hand, and the trust and the trust unitholders, on the other hand.***

As working interest owners in, and the operators of certain wells on, the Underlying Properties, Enduro Sponsor and its affiliates could have interests that conflict with the interests of the trust and the trust unitholders. For example:

- Enduro Sponsor's interests may conflict with those of the trust and the trust unitholders in situations involving the development, maintenance, operation or abandonment of certain wells on the Underlying Properties for which Enduro Sponsor acts as the operator. Enduro Sponsor may also make decisions with respect to development expenses that adversely affect the Underlying Properties. These decisions include reducing development expenses on properties for which Enduro Sponsor acts as the operator, which could cause oil and natural gas production to decline at a faster rate and thereby result in lower cash distributions by the trust in the future.
- Enduro Sponsor may sell some or all of the Underlying Properties without taking into consideration the interests of the trust unitholders. Such sales may not be in the best interests of the trust unitholders. These purchasers may lack Enduro Sponsor's

experience or its credit worthiness. Enduro Sponsor also has the right, under certain circumstances, to cause the trust to release all or a portion of the Net Profits Interest in connection with a sale of a portion of the Underlying Properties to which such Net Profits Interest relates. In such an event, the trust is entitled to receive the fair value (net of sales costs) of the Net Profits Interest released. Please read "The Underlying Properties — Sale and Abandonment of Underlying Properties."

- Enduro Sponsor has registration rights and can sell its trust units without considering the effects such sale may have on trust unit prices or on the trust itself. Additionally, Enduro Sponsor can vote its trust units in its sole discretion without considering the interests of the other trust unitholders. Enduro Sponsor is not a fiduciary with respect to the trust unitholders or the trust and will not owe any fiduciary duties or liabilities to the trust unitholders or the trust.

***The trust is managed by a trustee who cannot be replaced except by a majority vote of the trust unitholders at a special meeting, which may make it difficult for trust unitholders to remove or replace the trustee.***

The affairs of the trust will be managed by the trustee. Your voting rights as a trust unitholder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of trust unitholders or for an annual or other periodic re-election of the trustee. The trust agreement provides that the trustee may only be removed and replaced by the holders of a majority of the trust units present in person or by proxy at a meeting of such holders where a quorum is present, including trust units held by Enduro Sponsor, called by either the trustee or the holders of not less than 10% of the outstanding trust units. As a result, it will be difficult for public trust unitholders to remove or replace the trustee without the cooperation of Enduro Sponsor so long as it holds a significant percentage of total trust units.

***Trust unitholders have limited ability to enforce provisions of the Net Profits Interest, and Enduro Sponsor's liability to the trust is limited.***

The trust agreement permits the trustee to sue Enduro Sponsor or any other future owner of the Underlying Properties to enforce the terms of the conveyance creating the Net Profits Interest. If the trustee does not take appropriate action to enforce provisions of the conveyance, trust unitholders' recourse would be limited to bringing a lawsuit against the trustee to compel the trustee to take specified actions. The trust agreement expressly limits a trust unitholder's ability to directly sue Enduro Sponsor or any other third party other than the trustee. As a result, trust unitholders will not be able to sue Enduro Sponsor or any future owner of the Underlying Properties to enforce these rights. Furthermore, the Net Profits Interest conveyance provides that, except as set forth in the conveyance, Enduro Sponsor will not be liable to the trust for the manner in which it performs its duties in operating the Underlying Properties as long as it acts without gross negligence or willful misconduct.

***Courts outside of Delaware may not recognize the limited liability of the trust unitholders provided under Delaware law.***

Under the Delaware Statutory Trust Act, trust unitholders will be entitled to the same limitation of personal liability extended to stockholders of corporations for profit under the General Corporation Law of the State of Delaware. No assurance can be given, however, that the courts in jurisdictions outside of Delaware will give effect to such limitation.

***The operations of the Underlying Properties are subject to environmental laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations on them or result in significant costs and liabilities, which could reduce the amount of cash available for distribution to trust unitholders.***

The oil and natural gas exploration and production operations on the Underlying Properties are subject to stringent and comprehensive federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations that apply to the operations on the Underlying Properties, including the requirement to obtain a permit before conducting drilling, waste disposal or other regulated activities; the restriction of types, quantities and concentrations of materials that can be released into the environment; the incurrence of significant development expenses to install pollution or safety-related controls at the operated facilities; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and the imposition of substantial liabilities for pollution resulting from operations. For example, the U.S. Environmental Protection Agency ("EPA") has proposed regulations to impose more stringent emissions control requirements for oil and gas development and production operations, which may require us, our operators, or third-party contractors to incur additional expenses to control air emissions from current operations and during new well developments by installing emissions control technologies and adhering to a variety of work practice and other requirements. Any such requirements could increase the costs of development and production, reducing the profits available to the trust and potentially impairing the economic development of the Underlying Properties. Numerous governmental authorities, such as the EPA and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often times requiring difficult and costly actions. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties; the imposition of investigatory or remedial obligations; and the issuance of injunctions limiting or preventing some or all of the operations on the Underlying Properties. Furthermore, the inability to comply with environmental laws and regulations in a cost-effective manner, such as removal and disposal of produced water and other generated oil and gas wastes, could impair the operators' ability to produce oil and natural gas commercially from the Underlying Properties, which would reduce profits attributable to the Net Profits Interest.

There is inherent risk of incurring significant environmental costs and liabilities in the operations on the Underlying Properties as a result of the handling of petroleum hydrocarbons and wastes, air emissions and wastewater discharges related to operations, and historical industry operations and waste disposal practices. Under certain environmental laws and regulations, the operators could be subject to joint and several strict liability for the removal or remediation of previously released materials or property contamination regardless of whether such operators were responsible for the release or contamination or whether the operations were in compliance with all applicable laws at the time those actions were taken. Private parties, including the owners of properties upon which wells are drilled and facilities where petroleum hydrocarbons or wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, the risk of accidental spills or releases could expose the operators of the Underlying Properties to significant liabilities that could have a material adverse effect on the operators' businesses, financial condition and results of operations and could reduce the amount of cash available for distribution to trust unitholders. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly operational control requirements or waste handling, storage, transport, disposal or cleanup requirements could require the operators of the Underlying Properties to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on their results of operations, competitive position or financial condition.

The trust will indirectly bear 80% of all costs and expenses paid by Enduro Sponsor, including those related to environmental compliance and liabilities associated with the Underlying Properties, including costs and liabilities resulting from conditions that existed prior to Enduro Sponsor's

acquisition of the Underlying Properties unless such costs and expenses result from the operator's negligence or misconduct. In addition, as a result of the increased cost of compliance, the operators of the Underlying Properties may decide to discontinue drilling.

Neither Enduro Sponsor nor the trust is generally entitled to, nor required to provide, indemnity to third party operators with respect to pollution liability and associated environmental remediation costs. However, Enduro Sponsor may be required to provide, and may be entitled to, indemnity from third party operators with respect to such liabilities and costs in the event of the other party's gross negligence or misconduct. In addition, Enduro Sponsor has agreed to assume certain environmental liabilities of prior owners of the Underlying Properties in connection with the purchase thereof.

***The amount of cash available for distribution by the trust could be reduced by expenses caused by uninsured claims.***

Enduro Sponsor maintains insurance coverage against potential losses that it believes are customary in its industry. Enduro Sponsor currently maintains general liability insurance and excess liability coverage with limits of \$1 million and \$20 million per occurrence, respectively, and \$2 million and \$20 million in the aggregate, respectively. Enduro Sponsor's excess liability coverage has a deductible of \$10,000 per occurrence, while there is no deductible on the general liability insurance. The general liability insurance covers Enduro Sponsor and its subsidiaries for legal and contractual liabilities arising out of bodily injury or property damage, including any resulting loss of use to third parties, and for sudden and accidental pollution or environmental liability, while the excess liability coverage is in addition to and triggered if the general liability per occurrence limit is reached. In addition, Enduro Sponsor maintains control of well insurance with per occurrence limits ranging from \$5 million to \$20 million and deductibles ranging from \$100,000 to \$200,000 depending on the status of the well. Enduro Sponsor's general liability insurance and excess liability policies do not provide coverage with respect to legal and contractual liabilities of the trust, and the trust does not maintain such coverage since it is passive in nature and does not have any ability to influence Enduro Sponsor or control the operations or development of the Underlying Properties. However, the trust unitholders may indirectly benefit from Enduro Sponsor's insurance coverage to the extent that insurance proceeds offset or reduce any costs or expenses that are deducted when calculating the net profits attributable to the trust.

Enduro Sponsor does not currently have any insurance policies in effect that are intended to provide coverage for losses solely related to hydraulic fracturing operations; however, Enduro Sponsor believes its general liability and excess liability insurance policies would cover third-party claims related to hydraulic fracturing operations in accordance with, and subject to, the terms of such policies. These policies may not cover fines, penalties or costs and expenses related to government-mandated clean up of pollution. In addition, these policies do not provide coverage for all liabilities, and we cannot assure you that the insurance coverage will be adequate to cover claims that may arise or that Enduro Sponsor will be able to maintain adequate insurance at rates it considers reasonable. The occurrence of an event not fully covered by insurance could result in a significant decrease in the amount of cash available for distribution by the trust.

***The operations of the Underlying Properties are subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations on them or expose the operator to significant liabilities, which could reduce the amount of cash available for distribution to trust unitholders.***

The production and development operations on the Underlying Properties are subject to complex and stringent laws and regulations. In order to conduct their operations in compliance with these laws and regulations, the operators of the Underlying Properties must obtain and maintain numerous permits, drilling bonds, approvals and certificates from various federal, state and local governmental authorities and engage in extensive reporting. The operators of the Underlying Properties may incur substantial costs and experience delays in order to maintain compliance with these existing laws and regulations, and the trust will bear an 80% share of these costs. In addition, the operators'



costs of compliance may increase if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to their operations. Such costs could have a material adverse effect on the operators' business, financial condition and results of operations and reduce the amount of cash received by the trust in respect of the Net Profits Interest. The operators of the Underlying Properties must also comply with laws and regulations prohibiting fraud and market manipulations in energy markets. To the extent the operators of the Underlying Properties are shippers on interstate pipelines, they must comply with the tariffs of such pipelines and with federal policies related to the use of interstate capacity, and such compliance costs will be borne in part by the trust.

Laws and regulations governing exploration and production may also affect production levels. The operators of the Underlying Properties are required to comply with federal and state laws and regulations governing conservation matters, including: provisions related to the unitization or pooling of the oil and natural gas properties; the establishment of maximum rates of production from wells; the spacing of wells; the plugging and abandonment of wells; and the removal of related production equipment. Additionally, state and federal regulatory authorities may expand or alter applicable pipeline safety laws and regulations, compliance with which may require increase capital costs on the part of the operators and third party downstream natural gas transporters. These and other laws and regulations can limit the amount of oil and natural gas the operators can produce from their wells, limit the number of wells they can drill, or limit the locations at which they can conduct drilling operations, which in turn could negatively impact trust distributions, estimated and actual future net revenues to the trust and estimates of reserves attributable to the trust's interests.

New laws or regulations, or changes to existing laws or regulations, may unfavorably impact the operators of the Underlying Properties, could result in increased operating costs or have a material adverse effect on their financial condition and results of operations and reduce the amount of cash received by the trust. For example, Congress is currently considering legislation that, if adopted in its proposed form, would subject companies involved in oil and natural gas exploration and production activities to, among other items, additional regulation of and restrictions on hydraulic fracturing of wells, the elimination of certain U.S. federal tax incentives and deductions available to oil and natural gas exploration and production activities and the prohibition or additional regulation of private energy commodity derivative and hedging activities. These and other potential regulations could increase the operating costs of the Underlying Properties, reduce the operators' liquidity, delay the operators' operations or otherwise alter the way the operators conduct their business, any of which could have a material adverse effect on the trust and the amount of cash available for distribution to trust unitholders.

***Climate change laws and regulations restricting emissions of "greenhouse gases" could result in increased operating costs and reduced demand for the oil and natural gas that the operators produce while the physical effects of climate change could disrupt their production and cause them to incur significant costs in preparing for or responding to those effects.***

The oil and gas industry is a direct source of certain greenhouse gas ("GHG") emissions, namely carbon dioxide and methane, and future restrictions on such emissions could impact future operations on the Underlying Properties. On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the Earth's atmosphere and other climate changes. Based on these findings, the agency has begun adopting and implementing regulations that would restrict emissions of GHGs under existing provisions of the federal Clean Air Act. During 2010, the EPA adopted two sets of rules regulating GHG emissions under the Clean Air Act, one of which requires a reduction in emissions of GHGs from motor vehicles and the other of which regulates emissions of GHGs from certain large stationary sources under the Prevention of Significant Deterioration ("PSD") and Title V permitting programs. The stationary source rule "tailors" these permitting programs to apply to certain stationary sources in a multi-step process, with the largest sources first subject to permitting. Facilities required to obtain PSD permits for their GHG emissions also will be required to reduce those emissions

according to "best available control technology" standards for GHG that will be established by the states or, in some instances, by the EPA on a case-by-case basis. The EPA's rules relating to emissions of GHGs from large stationary sources of emissions are currently subject to a number of legal challenges, but the federal courts have thus far declined to issue any injunctions to prevent the EPA from implementing, or requiring state environmental agencies to implement, the rules. These EPA rulemakings could affect the operations on the Underlying Properties or the ability of the operators of the Underlying Properties to obtain air permits for new or modified facilities. In addition, on November 30, 2010, the EPA published final regulations expanding the existing greenhouse gas monitoring and reporting rule to include onshore and offshore oil and natural gas production and onshore oil and natural gas processing, transmission, storage and distribution facilities. Reporting of GHG emissions from such facilities will be required on an annual basis, with reporting beginning in 2012 for emissions occurring in 2011. The Underlying Properties may be subject to these requirements or become subject to them in the future.

In addition, the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, and almost half of the states have already taken legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Most of these cap and trade programs work by requiring either major sources of emissions or major producers of fuels to acquire and surrender emission allowances, with the number of allowances available for purchase reduced each year until the overall GHG emission reduction goal is achieved. These reductions would be expected to cause the cost of allowances to escalate significantly over time. The adoption of any legislation or regulations that requires reporting of GHGs or otherwise limits emissions of GHGs from the equipment or operations of the operators of the Underlying Properties could require the operators to incur costs to monitor and report on GHG emissions or reduce emissions of GHGs associated with their operations. Such requirements could also adversely affect demand for the oil and natural gas produced, all of which could reduce profits attributable to the Net Profits Interest and, as a result, the trust's cash available for distribution.

Because regulation of GHG emissions is relatively new, further regulatory, legislative and judicial developments are likely to occur. Such developments may affect how these GHG initiatives will impact the operators of the Underlying Properties and the trust. Due to the uncertainties surrounding the regulation of and other risks associated with GHG emissions, Enduro Sponsor cannot predict the financial impact of related developments on the operators of the Underlying Properties or the trust.

Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on the operators' assets and operations and, consequently, may reduce profits attributable to the Net Profits Interest and, as a result, the trust's cash available for distribution.

***Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as adversely affect the services of the operators of the Underlying Properties.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions. However, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel fuel under the Safe Drinking Water Act's Underground Injection Control Program and has commenced drafting guidance for permitting authorities and the industry regarding the process for obtaining a permit for hydraulic fracturing involving diesel fuel. Industry groups have filed suit challenging the EPA's recent decision. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with results of the study anticipated to be available by late 2012. Other

federal agencies are also examining hydraulic fracturing, including the U.S. Department of Energy ("DOE"), the U.S. Government Accountability Office and the White House Council for Environmental Quality. The U.S. Department of the Interior is also considering regulation of hydraulic fracturing activities on public lands. In addition, legislation called the Fracturing Responsibility and Awareness of Chemicals Act ("FRAC Act") has been introduced in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Also, some states have adopted, and other states are considering adopting, regulations that could restrict or impose additional requirements relating to hydraulic fracturing in certain circumstances. For example, on June 17, 2011, Texas signed into law a bill that requires the disclosure of information regarding the substances used in the hydraulic fracturing process to the Railroad Commission of Texas (the entity that regulates oil and natural gas production) and the public. Such federal or state legislation could require the disclosure of chemical constituents used in the fracturing process to state or federal regulatory authorities who could then make such information publicly available. Disclosure of chemicals used in the fracturing process could make it easier for third parties opposing hydraulic fracturing to initiate legal proceedings against producers and service providers based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, if hydraulic fracturing is regulated at the federal level, Enduro Sponsor's and the Third Party Operators' fracturing activities could become subject to additional permit requirements or operational restrictions and also to associated permitting delays and potential increases in costs. Further, at least three local governments in Texas have imposed temporary moratoria on drilling permits within city limits so that local ordinances may be reviewed to assess their adequacy to address such activities, while some state and local governments in the Marcellus Shale region in Pennsylvania and New York have considered or imposed temporary moratoria on drilling operations using hydraulic fracturing until further study of the potential environmental and human health impacts by the EPA or the relevant agencies are completed. No assurance can be given as to whether or not similar measures might be considered or implemented in the jurisdictions in which the Underlying Properties are located. If new laws or regulations that significantly restrict or otherwise impact hydraulic fracturing are passed by Congress or adopted in Texas, Louisiana or New Mexico, such legal requirements could make it more difficult or costly for Enduro Sponsor or the Third Party Operators to perform hydraulic fracturing activities and thereby could affect the determination of whether a well is commercially viable. In addition, restrictions on hydraulic fracturing could reduce the amount of oil and natural gas that the operators are ultimately able to produce in commercially paying quantities from the Underlying Properties.

***The bankruptcy of Enduro Sponsor or any of the Third Party Operators could impede the operation of the wells and the development of the proved undeveloped reserves.***

The value of the Net Profits Interest and the trust's ultimate cash available for distribution will be highly dependent on the financial condition of the operators of the Underlying Properties. None of the operators of the Underlying Properties, including Enduro Sponsor, has agreed with the trust to maintain a certain net worth or to be restricted by other similar covenants, and Enduro Sponsor intends to use a portion of the net proceeds of this offering for general limited liability company purposes instead of retaining all or a portion to pay costs for the operation and development of the Underlying Properties.

The ability to develop and operate the Underlying Properties depends on the future financial condition and economic performance and access to capital of the operators of those properties, which in turn will depend upon the supply and demand for oil and natural gas, prevailing economic conditions and financial, business and other factors, many of which are beyond the control of Enduro Sponsor and the Third Party Operators. Please read "Information about Enduro Resource Partners LLC (Enduro Sponsor)" for additional information relating to Enduro Sponsor, including information relating to the business of Enduro Sponsor, historical financial statements of Enduro Sponsor and other financial information relating to Enduro Sponsor. This prospectus contains no financial information about the Third Party Operators. Enduro Sponsor will not be a reporting company following this offering and will not be required to file periodic reports with the SEC pursuant to the Securities

Exchange Act of 1934, as amended (the "Exchange Act"). Therefore, as a trust unitholder, you will not have access to financial information about Enduro Sponsor.

In the event of the bankruptcy of an operator of the Underlying Properties, the working interest owners in the affected properties will have to seek a new party to perform the development and the operations of the affected wells. The working interest owners may not be able to find a replacement driller or operator, and they may not be able to enter into a new agreement with such replacement party on favorable terms within a reasonable period of time. As a result, such a bankruptcy may result in reduced production from the reserves and decreased distributions to trust unitholders.

***In the event of the bankruptcy of Enduro Sponsor, if a court held that the Net Profits Interest was part of the bankruptcy estate, the trust may be treated as an unsecured creditor with respect to the Net Profits Interest attributable to properties in Louisiana and New Mexico.***

It is well-established under Texas law that the conveyance of a net profits interest constitutes the conveyance of a presently vested, non-possessory interest in real property. Therefore, Enduro Sponsor and the trust believe that, in a bankruptcy of Enduro Sponsor, the Net Profits Interest would be viewed as a separate property interest under Texas law and, as such, outside of Enduro Sponsor's bankruptcy estate. Likewise, Enduro Sponsor and the trust believe that the Net Profits Interest would be viewed as a separate property interest under the laws of Louisiana and outside of Enduro Sponsor's bankruptcy estate. Since enactment of the Louisiana Mineral Code in 1975, Louisiana courts have classified an overriding royalty interest as a real right and an incorporeal immovable (similar to a real property interest). Although there are no reported Louisiana court cases addressing whether a net profits interest, carved out of the interest of a mineral lessee under an oil and gas lease, should be similarly classified as a real right and an incorporeal immovable, a 1972 Colorado federal court applying Louisiana law did conclude that such a net profits interest was comparable to an overriding royalty interest and, thus, was properly so classified. Similarly, Enduro Sponsor and the trust believe that a New Mexico court would rule that the conveyance of a net profits interest constitutes a conveyance of a real property interest. While no New Mexico case has clearly defined the nature of a "net profits interest" independent of the creating instrument, New Mexico case law has held that an overriding royalty interest in a mineral lease is a real property interest under New Mexico law. The 10th Circuit Court of Appeals has held that a net profits interest is "similar to" an overriding royalty interest. Given that the conveyance of the Net Profits Interest will contain a provision stating that it is the express intent of the parties that the conveyance of the Net Profits Interest constitutes a conveyance of a royalty interest in real property, in the event of a bankruptcy on the part of Enduro Sponsor, under New Mexico law, the Net Profits Interest would likely not be treated as part of Enduro Sponsor's bankruptcy estate. Further, it is relevant that Enduro Sponsor and the trust have structured the Net Profits Interest as an overriding royalty interest in gross production payable on the basis of net profits. Nevertheless, the outcome is not certain given that there are not any dispositive Louisiana or New Mexico Supreme Court cases directly concluding that a conveyance of a net profits interest: (i) in the case of Louisiana, constitutes the conveyance of a real right and an incorporeal immovable (similar to a real property interest) or (ii) in the case of New Mexico, constitutes the conveyance of a real property interest. As such, in a bankruptcy of Enduro Sponsor, to the extent Louisiana or New Mexico law were held to be applicable, the Net Profits Interest might be considered an asset of the bankruptcy estate and used to satisfy obligations to creditors of Enduro Sponsor, in which case the trust would be an unsecured creditor of Enduro Sponsor at risk of losing the entire value of the Net Profits Interest to senior creditors.

***Adverse developments in Texas, Louisiana or New Mexico could adversely impact the results of operations and cash flows of the Underlying Properties and reduce the amount of cash available for distributions to trust unitholders.***

The operations of the Underlying Properties are focused on the production and development of oil and natural gas within the states of Texas, Louisiana and New Mexico. As a result, the results of

operations and cash flows of the Underlying Properties depend upon continuing operations in these areas. This concentration could disproportionately expose the trust's interests to operational and regulatory risk in these areas. Due to the lack of diversification in geographic location, adverse developments in exploration and production of oil and natural gas in any of these areas of operation could have a significantly greater impact on the results of operations and cash flows of the Underlying Properties than if the operations were more diversified.

***The receipt of payments by Enduro Sponsor based on the hedge contracts depends upon the financial position of the hedge contract counterparties. A default by any of the hedge contract counterparties could reduce the amount of cash available for distribution to the trust unitholders.***

Payments from hedge contract counterparties to Enduro Sponsor are intended to offset costs and thus have the effect of providing additional cash to the trust during periods of lower crude oil prices. In the event that any of the counterparties to the hedge contracts default on their obligations to make payments to Enduro Sponsor under the hedge contracts, the cash distributions to the trust unitholders could be materially reduced. Enduro Sponsor does not have any security interest from its hedge counterparties against which it could recover in the event of a default by any such counterparty.

#### **Tax Risks Related to the Trust Units**

***The tax treatment of an investment in trust units could be affected by recent and potential legislative changes, possibly on a retroactive basis.***

The recently enacted Health Care and Education Affordability Reconciliation Act of 2010 includes a provision that, in taxable years beginning after December 31, 2012, subjects an individual having modified adjusted gross income in excess of \$200,000 (or \$250,000 for married taxpayers filing joint returns) to a "Medicare tax" equal generally to 3.8% of the lesser of such excess or the individual's net investment income, which appears to include royalty income, if any, derived from the trust units as well as any net gain from the disposition of trust units. In addition, absent new legislation extending the current rates, beginning January 1, 2013, the highest marginal U.S. federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively. Moreover, these rates are subject to change by new legislation at any time.

***The trust has not requested a ruling from the IRS regarding the tax treatment of the trust. If the IRS were to determine (and be sustained in that determination) that the trust is not a "grantor trust" for federal income tax purposes, the trust could be subject to more complex and costly tax reporting requirements that could reduce the amount of cash available for distribution to trust unitholders.***

If the trust were not treated as a grantor trust for federal income tax purposes, the trust should be treated as a partnership for such purposes. Although the trust would not become subject to federal income taxation at the entity level as a result of treatment as a partnership, and items of income, gain, loss and deduction would flow through to the trust unitholders, the trust's tax reporting requirements would be more complex and costly to implement and maintain, and its distributions to trust unitholders could be reduced as a result.

Neither Enduro Sponsor nor the trustee has requested a ruling from the IRS regarding the tax status of the trust, and neither Enduro Sponsor nor the trust can assure you that such a ruling would be granted if requested or that the IRS will not challenge these positions on audit.

Trust unitholders should be aware of the possible state tax implications of owning trust units. Please read "State Tax Considerations."

***Certain U.S. federal income tax preferences currently available with respect to oil and natural gas production may be eliminated as a result of future legislation.***

Among the changes contained in President Obama's Budget Proposal for Fiscal Year 2012 (the "Budget Proposal") is the elimination of certain key U.S. federal income tax preferences relating to oil and natural gas exploration and production. The Budget Proposal proposes to eliminate certain tax preferences applicable to taxpayers engaged in the exploration or production of natural resources. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for United States production activities and (iv) the increase in the amortization period from two years to seven years for geophysical costs paid or incurred in connection with the exploration for, or development of, oil or gas within the United States. It is unclear whether any such changes will actually be enacted into law or, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of these proposals, or any other similar changes in U.S. federal income tax laws that eliminate certain tax preferences that are currently available with respect to oil and natural gas exploration and production, could reduce the cash available for distribution to the trust unitholders or adversely affect the value of the trust units.

***You will be required to pay taxes on your share of the trust's income even if you do not receive any cash distributions from the trust.***

Trust unitholders are treated as if they own the trust's assets and receive the trust's income and are directly taxable thereon as if no trust were in existence. Because the trust will generate taxable income that could be different in amount than the cash the trust distributes, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of the trust's taxable income even if you receive no cash distributions from the trust. You may not receive cash distributions from the trust equal to your share of the trust's taxable income or even equal to the actual tax liability that results from that income.

***A portion of any tax gain on the disposition of the trust units could be taxed as ordinary income.***

If you sell your trust units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those trust units. A substantial portion of any gain recognized may be taxed as ordinary income due to potential recapture items, including depletion recapture. Please read "Federal Income Tax Consequences — Tax Consequences to U.S. Trust Unitholders — Disposition of Trust Units."

***The trust will allocate its items of income, gain, loss and deduction between transferors and transferees of the trust units each month based upon the ownership of the trust units on the monthly record date, instead of on the basis of the date a particular trust unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among the trust unitholders.***

The trust will generally allocate its items of income, gain, loss and deduction between transferors and transferees of the trust units each month based upon the ownership of the trust units on the monthly record date, instead of on the basis of the date a particular trust unit is transferred. It is possible that the IRS could disagree with this allocation method and could assert that income and deductions of the trust should be determined and allocated on a daily or prorated basis, which could require adjustments to the tax returns of the trust unitholders affected by the issue and result in an increase in the administrative expense of the trust in subsequent periods. Please read "Federal Income Tax Consequences — U.S. Federal Income Tax Consequences — Direct Taxation of Trust Unitholders."

#### FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements" about Enduro Sponsor and the trust that are subject to risks and uncertainties. All statements other than statements of historical fact included in this prospectus, including, without limitation, statements under "Prospectus Summary" and "Risk Factors" regarding the financial position, business strategy, production and reserve growth and other plans and objectives for the future operations of Enduro Sponsor and the trust are forward-looking statements. Such statements may be influenced by factors that could cause actual outcomes and results to differ materially from those projected. Forward-looking statements are subject to risks and uncertainties and include statements made in this prospectus under "Projected Cash Distributions," statements pertaining to future development activities and costs, and other statements in this prospectus that are prospective and constitute forward-looking statements.

When used in this document, the words "believes," "expects," "anticipates," "intends" or similar expressions are intended to identify such forward-looking statements. The following important factors, in addition to those discussed elsewhere in this prospectus, could affect the future results of the energy industry in general, and Enduro Sponsor and the trust in particular, and could cause actual results to differ materially from those expressed in such forward-looking statements:

- risks associated with the drilling and operation of oil and natural gas wells;
- the amount of future direct operating expenses and development expenses;
- the effect of existing and future laws and regulatory actions;
- the effect of changes in commodity prices or in alternative fuel prices;
- the impact of hedge contracts;
- conditions in the capital markets;
- competition from others in the energy industry;
- uncertainty of estimates of oil and natural gas reserves and production; and
- cost inflation.

You should not place undue reliance on these forward-looking statements. All forward-looking statements speak only as of the date of this prospectus. Enduro Sponsor does not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, unless the securities laws require it to do so.

This prospectus describes other important factors that could cause actual results to differ materially from expectations of Enduro Sponsor and the trust, including under the heading "Risk Factors." All written and oral forward-looking statements attributable to Enduro Sponsor, the trust, or persons acting on behalf of Enduro Sponsor or the trust are expressly qualified in their entirety by such factors.

## USE OF PROCEEDS

Enduro Sponsor is offering all of the trust units to be sold in this offering, including the trust units to be sold upon the exercise of the underwriters' option to purchase additional trust units. Enduro Sponsor expects to receive net proceeds from the sale of 13,200,000 trust units offered by this prospectus of approximately \$ million, after deducting underwriting discounts and commissions, structuring fees and offering expenses, and \$ million if the underwriters exercise their option to purchase additional trust units in full. Enduro Sponsor is deemed to be an underwriter with respect to the trust units offered hereby.

Enduro Sponsor intends to use the net proceeds from this offering, including any proceeds from the exercise of the underwriters' option to purchase additional trust units, to repay a portion of the borrowings outstanding under its senior secured credit agreement, to make a distribution to its sole member, Enduro Holdings, and to acquire additional oil and natural gas properties in the future for Enduro Sponsor. Enduro Sponsor has not yet identified oil and natural gas properties to be acquired.

The table below sets forth these intended uses with the corresponding dollar amounts planned for such use, assuming no exercise of the underwriters' over-allotment option.

<u>Intended Use</u>	<u>Intended Amount Dedicated to Such Use</u> (in millions)
Repay borrowings outstanding under senior secured credit agreement	\$
Distribution to sole member of Enduro Sponsor	\$
Future acquisitions of additional oil and natural gas properties for Enduro Sponsor (none of which have been identified)(1)	\$

(1) Future acquisitions will not be made on behalf or for the benefit of the trust.

On December 1, 2010 Enduro Sponsor entered into a \$500 million senior secured credit agreement, which provides for revolving loans. Borrowings under the revolving credit facility have a maturity date of December 1, 2015 and bear interest at the applicable LIBOR rate, plus applicable margins ranging from 1.75% to 2.75%, or at a base rate, based upon the greatest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.5%, and (c) LIBOR plus 1%, plus applicable margins ranging from 0.75% to 1.75%.

As of June 30, 2011, total borrowings under Enduro Sponsor's revolving credit facility were \$231 million and had a weighted average interest rate of approximately 3.3% for the second quarter of 2011. The current borrowings under the revolving credit facility were incurred to fund the acquisition of the Acquired Properties. Affiliates of certain of the underwriters participating in this offering are lenders under Enduro Sponsor's senior secured credit agreement and will receive a substantial portion of the proceeds from this offering pursuant to the repayment of a portion of the borrowings thereunder. Please read "Underwriting — FINRA Rules."



**ENDURO SPONSOR**

Enduro Sponsor is a privately-held Delaware limited liability company engaged in the production and development of oil and natural gas from properties located in Texas, Louisiana and New Mexico. Enduro Sponsor was formed on March 3, 2010.

The Underlying Properties were acquired in three separate transactions and are located in two different geographic regions: the Permian Basin and East Texas/North Louisiana. After giving pro forma effect to the conveyance of the Net Profits Interest to the trust, the offering of the trust units contemplated by this prospectus and the application of the net proceeds as described in "Use of Proceeds," as of March 31, 2011, Enduro Sponsor would have had total assets of \$662.8 million and total liabilities of \$107.7 million. For an explanation of the pro forma adjustments, please read "Financial Statements of Enduro Sponsor — Unaudited Pro Forma Financial Statements — Introduction."

**The trust units do not represent interests in, or obligations of, Enduro Sponsor.**

**Summary Historical and Unaudited Pro Forma Financial, Operating and Reserve Data of Enduro Sponsor**

The summary historical audited financial data presented below should be read in conjunction with "Information about Enduro Resource Partners LLC (Enduro Sponsor) — Selected Historical and Unaudited Pro Forma Financial, Operating and Reserve Data of Enduro Sponsor" and the accompanying financial statements and related notes of Enduro Sponsor included elsewhere in this prospectus. The summary historical audited financial data of the Predecessor as of December 31, 2009 and 2010 and for each of the years in the three-year period ended December 31, 2010 have been derived from the Predecessor's audited financial statements. Operations of the Predecessor Properties are deemed to be the "predecessor" of Enduro Sponsor and recorded transactions are shown separately based on the ownership of the Predecessor Properties. EAC owned the Predecessor Properties prior to March 9, 2010, at which time Denbury Resources Inc. acquired the properties in connection with its acquisition of EAC. Enduro Sponsor then acquired the Predecessor Properties on December 1, 2010. Accordingly, the audited financial statements of the Predecessor as of and for the three years ended December 31, 2010 are presented for (i) "Predecessor-EAC" for the years ended December 31, 2008 and 2009 and for the period from January 1, 2010 through March 8, 2010; (ii) "Predecessor-DNR" for the period from March 9, 2010 through November 30, 2010 and (iii) "Enduro Sponsor" for the period from Enduro Sponsor's inception (March 3, 2010) through December 31, 2010.

The summary historical unaudited financial data of Enduro Sponsor as of March 31, 2011 and 2010 and for the three-month period ended March 31, 2011 and 2010 have been derived from Enduro Sponsor's unaudited interim financial statements. The unaudited financial statements were prepared on a basis consistent with the audited statements and, in the opinion of Enduro Sponsor's management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of Enduro Sponsor for the periods presented.

The summary unaudited pro forma financial data as of and for the three months ended March 31, 2011 and for the year ended December 31, 2010 set forth in the following table has been derived from the unaudited pro forma financial statements of Enduro Sponsor included elsewhere in this prospectus. The pro forma adjustments have been prepared as if the acquisition of the Acquired Properties and, with respect to the pro forma as adjusted information, the conveyance of the Net Profits Interest and the offer and sale of the trust units and application of the net proceeds therefrom, had taken place (i) on March 31, 2011, in the case of the pro forma balance sheet information as of March 31, 2011, and (ii) as of January 1, 2010, in the case of the pro forma statements of earnings for the three months ended March 31, 2011 and for the year ended December 31, 2010.

	Enduro Sponsor Pro Forma as Adjusted for the Offering (including the Acquisition of the Acquired Properties)	Enduro Sponsor Pro Forma as Adjusted for the Offering (including the Conveyance of the Net Profits Interest)	Enduro Sponsor Pro Forma as Adjusted for the Offering (including the Conveyance of the Net Profits Interest)	Enduro Sponsor		Enduro Sponsor	Predecessor-DNR	Predecessor-EAC			
	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Year Ended December 31, 2010	Three Months Ended March 31, 2011	Inception Through March 31, 2010	Inception Through December 31, 2010	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenues	\$ 33,793	\$ 31,672	\$ 137,712	\$ 127,421	\$ 22,952	\$ —	\$ 3,975	\$ 40,210	\$ 12,164	\$ 33,907	\$ 62,370
Net income (loss)	\$ (9,559)	\$ (6,601)	\$ (8,645)	\$ 2,917	\$ (11,495)	\$ (77)	\$ (8,222)	\$ (19,515)	\$ (17,821)	\$ (25,853)	\$ 19,540
Total assets (at period end)		\$ 662,829			\$ 735,806	\$ 100	\$ 361,832	\$ 397,314	\$ 313,106	\$ 301,127	\$ 256,783
Long-term liabilities, excluding current maturities (at period end)		\$ 77,392			\$ 260,392	\$ —	\$ 66,211	\$ 587	\$ 1,412	\$ 1,404	\$ 1,322
Members' equity/owners' equity		\$ 555,166			\$ 445,143	\$ 23	\$ 273,939	\$ 374,731	\$ 290,073	\$ 281,439	\$ 234,433

The table below includes selected historical production and reserve information for Enduro Sponsor for the periods presented.

	Enduro Sponsor		Predecessor-DNR	Predecessor - EAC		
	Inception Through March 31, 2010	Inception Through December 31, 2010	March 9, 2010 Through November 30, 2010	January 1 Through March 8, 2010	Year Ended December 31,	
					2009	2008
Production (MBoe)	—	143	1,505	329	1,463	1,194
Net proved reserves (MBoe) (at period end)	—	15,483	18,059	17,936	18,265	10,357
Net proved developed reserves (MBoe) (at period end)	—	10,191	9,679	8,685	9,014	7,836

**Management of Enduro Sponsor**

Set forth in the table below are the names, ages and titles of the managers and executive officers of Enduro Sponsor.

Name	Age	Title
Jon S. Brumley	40	President, Chief Executive Officer and Manager
John W. Arms	44	Executive Vice President, Chief Operating Officer and Manager
Kimberly A. Weimer	32	Vice President and Chief Financial Officer
Bill R. Pardue	38	Director, Engineering and Operations
David J. Grahek	57	Director, Geology
David Leuschen	60	Manager
Pierre F. Lapeyre, Jr.	48	Manager
N. John Lancaster	43	Manager
I. Jon Brumley	72	Manager

*Jon S. Brumley* co-founded Enduro Sponsor and has been the President and Chief Executive Officer of Enduro Sponsor and a member of Enduro Sponsor's board of managers (the "Enduro Sponsor Board") since March 2010. Mr. Brumley is responsible for the coordination and supervision of exploration and production and the acquisition of Enduro Sponsor's oil and natural gas reserves. Mr. Brumley was the Chief Executive Officer of EAC from January 2006 until March 2010 when it was sold to Denbury Resources Inc., a publicly traded exploration and production company. At EAC, Mr. Brumley also served as President from August 2002 until March 2010, a director on the Board of Directors from April 1999 until May 2001 and from November 2001 until March 2010 and Executive Vice President of Business Development and Corporate Secretary from April 1998 until August 2002. Mr. Brumley also served as President and Chief Executive Officer of Encore Energy Partners GP LLC ("Encore GP LLC"), the general partner of Encore Energy Partners LP ("Encore Energy"), a publicly traded master limited partnership whose general partner was owned by EAC from February 2007 until March 2010. Prior to joining EAC, Mr. Brumley held management positions at MESA Petroleum and Pioneer Natural Resources Company. Mr. Brumley received a Bachelor of Business Administration in Marketing from the University of Texas.

*John W. Arms* co-founded Enduro Sponsor and has been the Executive Vice President and Chief Operating Officer of Enduro Sponsor and a member of the Enduro Sponsor Board since March 2010. Mr. Arms is responsible for the coordination and supervision of acquisitions, the engineering, enhancement and exploitation of Enduro Sponsor's existing properties as well as the engineering analysis and evaluation of its future reserve acquisitions. Prior to joining Enduro Sponsor, Mr. Arms served as Senior Vice President of Acquisitions at EAC and Encore Energy from February 2007 until its acquisition by Denbury Resources Inc. in March 2010. At EAC, Mr. Arms also served as Vice President of Business Development of EAC from September 2001 until February 2007 and as Manager of Acquisitions and in various other petroleum engineering positions from November 1998 until

September 2001. Prior to joining EAC, Mr. Arms held various positions of responsibility at XTO Energy and ARCO Oil and Gas Company. Mr. Arms received his Bachelor of Science in Petroleum Engineering from the Colorado School of Mines.

*Kimberly A. Weimer* has been the Vice President and Chief Financial Officer of Enduro Sponsor since April 2010. Prior to joining Enduro Sponsor, Ms. Weimer served as the Director of Investor Relations of EAC from October 2008 until its acquisition by Denbury Resources Inc. in March 2010. From May 2007 until October 2008, she was the Senior Manager of Financial Reporting at EAC responsible for all aspects of SEC reporting for Encore Energy. During this timeframe, Encore Energy completed its initial public offering and was listed on the New York Stock Exchange, completed two follow-on equity offerings, and purchased over \$500 million in assets. Prior to joining EAC in 2007, Ms. Weimer worked in public accounting, beginning her career at Arthur Andersen. From May 2005 to May 2007, Ms. Weimer served as an Audit Manager at Cherry, Bekaert & Holland. Ms. Weimer received a Bachelor of Science in Accounting and Finance from Louisiana State University. She is a Certified Public Accountant.

*Bill R. Pardue* has been the Director, Engineering and Operations of Enduro Sponsor since May 2010. Prior to joining Enduro Sponsor, Mr. Pardue served as the Asset Manager of Encore Energy from May 2007 to May 2010. Mr. Pardue also served as the Engineering Manager for EAC from June 2005 until May 2007 in the Permian and Mid-Continent regions. At EAC, Mr. Pardue also worked in various petroleum engineering positions from November 2000 until May 2005. Prior to joining EAC, Mr. Pardue worked as a production and reservoir engineer for Meridian Oil/Burlington Resources from 1996 until 2000. Mr. Pardue received a Bachelor of Science in Petroleum Engineering from Texas Tech University and a Master of Business Administration from Texas Christian University. Mr. Pardue is also a registered professional engineer in the state of Texas.

*David J. Grahek* has been the Director, Geology of Enduro Sponsor since June 2010. Prior to joining Enduro Sponsor, Mr. Grahek served as Geologic Advisor of EAC from June 2005 until its acquisition by Denbury Resources, Inc. in March 2010. Prior to joining EAC, Mr. Grahek held various positions of responsibility with G&G Exploration Inc. and Union Pacific Resources Company. Mr. Grahek has over 35 years of petroleum geology experience. Mr. Grahek received his Bachelor of Science in Geology from the University of Southern Colorado and completed post graduate work at the Colorado School of Mines.

*David Leuschen* has been a member of the Enduro Sponsor Board since March 2010. Mr. Leuschen is a founder and Senior Managing Director of Riverstone. Prior to co-founding Riverstone, Mr. Leuschen was a Partner and Managing Director at Goldman, Sachs & Co. and founder and head of the Goldman, Sachs & Co. Global Energy & Power Group. Mr. Leuschen joined Goldman, Sachs & Co. in 1977 and became head of the Global Energy & Power Group in 1985 and a Partner in 1986. He remained with Goldman, Sachs & Co. until leaving to found Riverstone. Mr. Leuschen has served as a director of Cambridge Energy Research Associates, Cross Timbers Oil Company (predecessor to XTO Energy), J. Aron Resources, Mega Energy, Inc. and Natural Meats Montana. He currently serves on the boards of directors of Legend Natural Gas, Dynamic Industries, Dynamic Offshore Resources, Canera Resources and Titan Operating. He is also president of Switchback Ranch LLC and has served on a number of non-profit boards of directors. Mr. Leuschen received his Bachelor of Arts from Dartmouth and his Master of Business Administration from Dartmouth's Amos Tuck School of Business.

*Pierre F. Lapeyre, Jr.* has been a member of the Enduro Sponsor Board since March 2010. Mr. Lapeyre is a founder and Senior Managing Director of Riverstone. Prior to co-founding Riverstone, Mr. Lapeyre was a Managing Director at Goldman, Sachs & Co. in its Global Energy & Power Group. Mr. Lapeyre joined Goldman, Sachs & Co. in 1986 and spent his 14-year investment banking career focused on energy and power, particularly the midstream/pipeline and oil service sectors. Mr. Lapeyre's responsibilities included client coverage and leading the execution of a wide variety of mergers and acquisitions, initial public offerings, strategic advisory and capital markets financings for clients across all sectors of the industry. Mr. Lapeyre serves on the boards of directors of Legend Natural Gas, Titan Specialties, Dynamic Industries, Titan Operating, Three Rivers, Dynamic Offshore Resources and

Quorum Technologies. Mr. Lapeyre received his Bachelor of Science in Finance and Economics from the University of Kentucky and his Master of Business Administration from the University of North Carolina at Chapel Hill.

*N. John Lancaster* has been a member of the Enduro Sponsor Board since March 2010. Mr. Lancaster is a Partner and Managing Director of Riverstone. Mr. Lancaster joined Riverstone in 2000 and is responsible for the sourcing and management of investments across the energy industry, with a particular emphasis on the oilfield service and exploration and production sectors. Prior to joining Riverstone, Mr. Lancaster was a Director with The Beacon Group, LLC, a privately held firm specializing in principal investing and strategic advisory services in the energy and other industries. Mr. Lancaster began his career at Bankers Trust and later at CS First Boston, spending time as an investment banker and equity research analyst focused on the oil service and unregulated gas transmission sectors of the energy industry. Mr. Lancaster serves on the boards of directors of Cobalt International Energy, Inc., Titan Specialties, Dynamic Industries, Dynamic Offshore Resources, Cuadrilla Resources, Hudson Products, Liberty Resources, and Barra Energia. Mr. Lancaster received his Bachelor of Business Administration from the University of Texas, where he serves on the McCombs School of Business Advisory Council, and his Master of Business Administration from Harvard Business School.

*I. Jon Brumley* has been a member of the Enduro Sponsor Board since March 2010. Mr. Brumley served as the Chairman of the Board of Directors of Encore GP LLC from February 2007 to March 2010. Mr. Brumley also served as the Chairman of the Board of Directors of EAC since its inception in April 1998 until March 2010, the Chief Executive Officer from its inception until December 2005 and President from its inception until August 2002. Beginning in August 1996, Mr. Brumley served as Chairman and Chief Executive Officer of MESA Petroleum until MESA's merger in August 1997 with Parker & Parsley to form Pioneer Natural Resources Company. He served as Chairman and Chief Executive Officer of Pioneer until joining EAC in 1998. Mr. Brumley received a Bachelor of Business Administration from the University of Texas and a Master of Business Administration from the University of Pennsylvania Wharton School of Business.

**Beneficial Ownership of Enduro Sponsor**

The following table sets forth, as of July 25, 2011, the beneficial ownership of limited liability company interests of Enduro Sponsor held by:

- each person who beneficially owns 5% or more of the outstanding membership interests in Enduro Sponsor;
- each manager and executive officer of Enduro Sponsor; and
- all managers and executive officers of Enduro Sponsor as a group.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all membership interests of Enduro Sponsor shown as beneficially owned by them and their address is 777 Main Street, Suite 800, Fort Worth, Texas 76102.

Name of Beneficial Owner	Percentage of Membership Interests Beneficially Owned
Enduro Resource Holdings LLC <sup>(1)</sup>	100%
Jon S. Brumley	—
David Leuschen	—
Pierre F. Lapeyre, Jr.	—
N. John Lancaster	—
I. Jon Brumley	—
John W. Arms	—
Kimberly A. Weimer	—
Bill R. Pardue	—
David J. Grahek	—
Managers and executive officers of Enduro Sponsor as a group (9 persons)	—

<sup>(1)</sup> Enduro Resource Holdings LLC is owned by individual investors, including certain of the directors and executive officers of Enduro Sponsor, and by R/C IV Enduro Holdings, L.P. ("R/C IV Enduro") and End Line Partners LP ("End Line"). As of July 25, 2011, the beneficial ownership of limited liability company interests of Enduro Holdings is as follows:

Name of Beneficial Owner	Percentage of Membership Interests Beneficially Owned
R/C IV Enduro Holdings, L.P. <sup>(a)</sup>	92.7%
End Line Partners LP <sup>(b)</sup>	5.0%
Jon S. Brumley	*
David Leuschen	*
Pierre F. Lapeyre, Jr.	*
I. Jon Brumley	*
John W. Arms	*
Kimberly A. Weimer	*
Bill R. Pardue	*
David J. Grahek	*

\* Less than 1%.

- (a) R/C IV Enduro is the record holder of approximately 92.7% of the limited liability company interests of Enduro Holdings. R/C Energy GP IV, LLC ("R/C Energy GP") exercises investment discretion and control over the units held by R/C IV Enduro through its subsidiary, Riverstone/Carlyle Energy Partners IV, L.P. ("Riverstone/Carlyle Energy"), which is the general partner of R/C IV Enduro. Accordingly, each of Riverstone/Carlyle Energy and R/C Energy GP may be deemed to be beneficial owners of the units owned of record by R/C IV Enduro.
- R/C Energy GP is managed by a board of managers and all action relating to the voting or disposition of the units in Enduro Holdings requires approval of a majority of the board of managers. Pierre F. Lapeyre, Jr., David M. Leuschen, Lord John Browne, Michael B. Hoffman, N. John Lancaster, Jr., Andrew W. Ward, Daniel A. D'Aniello and Edward J. Mathias, as the managing members of R/C Energy GP, may be deemed to share beneficial ownership of the units in Enduro Holdings beneficially owned by R/C Energy GP. Such individuals expressly disclaim any such beneficial ownership. The principal address of each of R/C Energy GP, Riverstone/Carlyle Energy and R/C IV Enduro is c/o Riverstone Holdings LLC, 712 Fifth Avenue, 51st Floor, New York, New York 10019.
- (b) End Line is the record holder of approximately 5% of the limited liability company interests of Enduro Holdings. End Line is managed by its general partner, Bratton Capital Management, L.P., which is managed by its general partner, Bratton Capital Inc. The address for End Line is c/o Crestline Investors, Inc., 201 Main Street, Suite 1900, Fort Worth, Texas 76102.

**Beneficial Ownership of Enduro Royalty Trust**

The following table sets forth the beneficial ownership of trust units of the trust that will be outstanding after giving effect to the consummation of this offering, assuming no exercise of the underwriters' option to purchase additional trust units, and held, directly or indirectly, by each person who will then beneficially own 5% or more of the outstanding trust units.

<u>Name of Beneficial Owner</u>	<u>Class of Securities</u>	<u>Percentage of Ownership</u>
Enduro Sponsor	Trust Units	60%

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The trust will enter into a registration rights agreement with Enduro Sponsor in connection with Enduro Sponsor's contribution to the trust of the Net Profits Interest. Under the registration rights agreement, the trust will agree, for the benefit of Enduro Sponsor and any transferee of Enduro Sponsor's trust units, to register the trust units they hold. In connection with the preparation and filing of any registration statement, Enduro Sponsor will bear all costs and expenses incidental to any registration statement, excluding certain internal expenses of the trust, which will be borne by the trust. Any underwriting discounts and commissions will be borne by the seller of the trust units. Please read "Trust Units Eligible for Future Sale — Registration Rights."



## THE TRUST

The trust is a statutory trust created under the Delaware Statutory Trust Act on May 3, 2011. The affairs of the trust will be managed by The Bank of New York Mellon Trust Company, N.A., as trustee. Enduro Sponsor has no ability to manage or influence the operations of the trust. In addition, Wilmington Trust Company will act as Delaware trustee of the trust. The Delaware trustee will have only minimal rights and duties as are necessary to satisfy the requirements of the Delaware Statutory Trust Act. In connection with the completion of this offering, Enduro Sponsor will contribute the Net Profits Interest to the trust in exchange for 33,000,000 newly issued trust units. Enduro Sponsor will make its first payment to the trust pursuant to the Net Profits Interest in October 2011, which payment may include cash that Enduro Sponsor is required to pay to the trust relating to sales of oil and natural gas production for the months of May and June 2011 and production and development expenses for the months of May and June 2011. Subsequent distributions will only cover the net profits attributable to the Net Profits Interest for one month, and, as a result, are likely to differ substantially.

The trustee can authorize the trust to borrow money to pay trust administrative or incidental expenses that exceed cash held by the trust. The trustee may authorize the trust to borrow from the trustee as a lender provided the terms of the loan are fair to the trust unitholders. The trustee may also deposit funds awaiting distribution in an account with itself, if the interest paid to the trust at least equals amounts paid by the trustee on similar deposits, and make other short-term investments with the funds distributed to the trust. The trustee has no current plans to authorize the trust to borrow money.

The trust will pay the trustee and Delaware trustee an administrative fee of \$200,000 and \$2,000 per year, respectively. The trust will also incur legal, accounting, tax, advisory and engineering fees, printing costs and other administrative and out-of-pocket expenses that are deducted by the trust before distributions are made to trust unitholders. The trust will also be responsible for paying other expenses incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and monthly reports to trust unitholders, tax return and Form 1099 preparation and distribution, NYSE listing fees, independent auditor fees and registrar and transfer agent fees. Total administrative expenses of the trust on an annualized basis for 2011 are initially expected to be approximately \$850,000, including the administrative fees payable to the trustee and Delaware trustee.

The trust will dissolve upon the earliest to occur of the following: (1) the trust, upon the approval of the holders of at least 75% of the outstanding trust units, sells the Net Profits Interest, (2) the annual cash available for distribution to the trust is less than \$2 million for each of any two consecutive years, (3) the holders of at least 75% of the outstanding trust units vote in favor of dissolution or (4) the trust is judicially dissolved.

## PROJECTED CASH DISTRIBUTIONS

Immediately prior to the closing of this offering, Enduro Sponsor will create the Net Profits Interest through a conveyance to the trust of a Net Profits Interest carved from Enduro Sponsor's interests in certain of its oil and natural gas properties located in Texas, Louisiana and New Mexico. The Net Profits Interest will entitle the trust to receive 80% of the net profits from the sale of production of oil and natural gas attributable to the Underlying Properties.

The amount of trust revenues and cash distributions to trust unitholders will depend on, among other things:

- oil and natural gas sales prices;
- the volume of oil and natural gas produced and sold attributable to the Underlying Properties;
- the payments made or received by Enduro Sponsor pursuant to the hedge contracts;
- direct operating expenses;
- development expenses; and
- administrative expenses of the trust.

The following table presents a calculation of forecasted cash distributions to holders of trust units for the twelve months ending September 30, 2012, which was prepared by Enduro Sponsor based on the assumptions that are described below and in "— Significant Assumptions Used to Prepare the Projected Cash Distributions."

Typically, cash payment is received by Enduro Sponsor for oil production 30 to 60 days after it is produced and for natural gas production 60 to 90 days after it is produced. Given that the trust is entitled to production effective May 1, 2011 and the initial distribution will not occur until October 2011, the initial distribution in October 2011 may relate to net profits received from production from May and June of 2011. The forecasted cash distributions assume that each of the monthly distributions during the forecasted period will relate to production from a single month. **To adjust for the lag between the timing of production and the timing of cash received by Enduro Sponsor and the trust, the forecasted cash distributions for the twelve months ending September 30, 2012 are based on estimated production of oil and natural gas for the twelve months ending April 30, 2012.**

Unlike payments for production, payments related to hedges are settled during or very soon after the end of each month. As a result, and in an effort to better align payments associated with production and hedges, the trust will not bear any hedge settlement costs paid by Enduro Sponsor, or be entitled to any hedge payments received by Enduro Sponsor, for periods on or prior to June 30, 2011 (which is 60 days after May 1, 2011). In order to reflect this, the forecasted cash distributions for the twelve months ending September 30, 2012 reflect forecasted hedge settlements related to the twelve months ending June 30, 2012.

Enduro Sponsor does not as a matter of course make public projections as to future sales, earnings or other results. However, the management of Enduro Sponsor has prepared the projected financial information set forth below to present the projected cash distributions to the holders of the trust units based on the estimates and hypothetical assumptions described below. The accompanying projected financial information was not prepared with a view toward complying with the published guidelines of the SEC or guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information.

In the view of Enduro Sponsor's management, the accompanying unaudited projected financial information was prepared on a reasonable basis and reflects the best currently available estimates and

judgments of Enduro Sponsor related to oil and natural gas production, operating expenses and development expenses and other general and administrative expenses based on:

- the oil and natural gas production estimates for the twelve months ending April 30, 2012 contained in the reserve reports;
- estimated direct operating expenses and development expenses for the twelve months ending April 30, 2012 contained in the reserve reports;
- projected payments made or received pursuant to the hedge contracts for the twelve months ending June 30, 2012;
- estimated general and administrative expenses of \$850,000 for the twelve months ending April 30, 2012; and
- an adjustment for the estimated production, revenue, operating expenses and development expenses (as adjusted to reflect that Enduro Sponsor has agreed to pay for \$7.3 million of development expenses otherwise attributable to the trust) expected in the twelve months ending April 30, 2012 for drilling projects in the Haynesville Shale that are not included in the reserve reports.

The projected financial information was also based on the hypothetical assumption that prices for oil and natural gas remain constant at \$100.00 per Bbl of oil and \$4.50 per MMBtu of natural gas during the twelve months ending April 30, 2012. These hypothetical prices are then adjusted to take into account Enduro Sponsor's estimate of the basis differential (based on location and quality of the production) between published prices and the prices actually received by Enduro Sponsor. Actual prices paid for oil and natural gas expected to be produced from the Underlying Properties during the twelve months ending April 30, 2012 will likely differ from these hypothetical prices due to fluctuations in the prices generally experienced with respect to the production of oil and natural gas and variations in basis differentials. For example, for the twelve months ending June 30, 2011, the published daily average closing WTI crude oil spot price per Bbl was approximately \$89.40 and the daily average Henry Hub natural gas spot price per MMBtu was approximately \$4.16.

**Please read “— Significant Assumptions Used to Prepare the Projected Cash Distributions” and “Risk Factors — Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders.”**

Neither Enduro Sponsor's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

The projections and estimates and the hypothetical assumptions on which they are based are subject to significant uncertainties, many of which are beyond the control of Enduro Sponsor or the trust. Actual cash distributions to trust unitholders, therefore, could vary significantly based upon events or conditions occurring that are different from the events or conditions assumed to occur for purposes of these projections. Cash distributions to trust unitholders will be particularly sensitive to fluctuations in oil and natural gas prices. Please read “Risk Factors — Prices of oil and natural gas fluctuate, and lower prices could reduce proceeds to the trust and cash distributions to trust unitholders.” As a result of typical production declines for oil and natural gas properties, production estimates generally decrease from year to year, and the projected cash distributions shown in the table below are not necessarily indicative of distributions for future years. Please read “— Sensitivity of Projected Cash Distributions to Oil and Natural Gas Production and Prices” below, which shows projected effects on cash distributions from hypothetical changes in oil and natural gas production and prices. Because payments to the trust will be generated by depleting assets and the trust has a finite life with the production from the Underlying Properties diminishing over time, a portion of each

distribution will represent, in effect, a return of your original investment. Please read “Risk Factors — The reserves attributable to the Underlying Properties are depleting assets and production from those reserves will diminish over time. Furthermore, the trust is precluded from acquiring other oil and natural gas properties or net profits interests to replace the depleting assets and production. Therefore, proceeds to the trust and cash distributions to trust unitholders will decrease over time.”

Projected Cash Distributions to Trust Unitholders	Projections for the Twelve Month Period Ending September 30, 2012	
	<i>(In thousands, except per unit data)</i>	
Underlying Properties sales volumes:		
Oil (MBbl) <sup>(1)</sup>		911
Natural gas (MMcf)		7,119
Total sales (MBoe)		2,097
Assumed NYMEX price <sup>(2)</sup> :		
Oil (per Bbl)	\$	100.00
Natural gas (per MMBtu)		4.50
Assumed realized sales price <sup>(3)</sup> :		
Oil (per Bbl)	\$	96.54
Natural gas (per Mcf)		4.63
Calculation of net profits:		
Gross profits <sup>(4)</sup> :		
Oil sales	\$	87,940
Natural gas sales		32,979
Total	\$	120,919
Costs:		
Direct operating expenses:		
Lease operating expenses	\$	23,489
Production and other taxes		9,225
Development expenses <sup>(5)</sup>		14,300
Total	\$	47,014
Settlement of hedge contracts <sup>(6)</sup>		1,857
Net adjustment for additional projects <sup>(7)</sup>		(989)
Net profits	\$	74,773
Percentage allocable to Net Profits Interest		80%
Net profits to trust from Net Profits Interest	\$	59,818
Trust general and administrative expenses <sup>(8)</sup>	\$	850
Cash available for distribution by the trust	\$	58,968
Cash distribution per trust unit (assumes 33,000,000 units)	\$	1.79

(1) Sales volumes for oil include 9 MBbls of NGLs.

(2) For a description of the effect of lower NYMEX prices on projected cash distributions, please read “— Sensitivity of Projected Cash Distributions to Oil and Natural Gas Production and Prices.”

(3) Sales price net of forecasted gravity, quality, transportation, gathering and processing and marketing costs. For more information about the estimates and hypothetical assumptions made in preparing the table above, see “— Significant Assumptions Used to Prepare the Projected Cash Distributions.”

(4) Represents “gross profits” as described in “Computation of Net Profits.”

(5) Does not include development expenses related to 21 gross (2.4 net) wells associated with development drilling projects in the Haynesville Shale. Please read footnote 7.

- (6) Reflects net cash impact of settlements of hedge contracts relating to production. See "The Underlying Properties — Hedge Contracts."
- (7) Net adjustment for additional projects reflects the expected drilling of 21 gross (2.4 net) wells in the Haynesville Shale during the forecast period associated with development drilling projects not reflected in the reserve reports but for which notifications have been received by Enduro Sponsor as of June 2011. These additional development drilling projects are expected to increase total sales volumes by 221 MBoe, total gross profits by \$3.3 million and total lease operating and development expenses and production and other taxes by \$4.3 million, which is expected to result in a decrease in net profits for the Underlying Properties by \$989,000 and cash available for distribution to the trust by \$791,000. The amount of estimated development expenses has been adjusted to reflect the agreement by Enduro Sponsor to pay for up to \$9.1 million (or \$7.3 million attributable to the trust's Net Profits Interest) of the total estimated development expenses of \$12.4 million related to the 21 gross (2.4 net) wells, thereby reducing the trust's share of development expenses associated with these wells to \$2.6 million. In the absence of this payment obligation by Enduro Sponsor, the cash available for distribution to the trust would be reduced by an additional \$7.3 million during the forecast period. Please read "Projected Cash Distributions — Significant Assumptions Used to Prepare the Projected Cash Distributions — Net adjustment for additional projects."
- (8) Total general and administrative expenses of the trust on an annualized basis for the twelve months ending April 30, 2012 are expected to be \$850,000 and will include the annual fees to the trustees, accounting fees, engineering fees, legal fees, printing costs and other expenses properly chargeable to the trust.

#### **Significant Assumptions Used to Prepare the Projected Cash Distributions**

*Timing of actual distributions.* In preparing the projected cash distributions above and sensitivity analysis below, the revenues and expenses of the trust were calculated based on the terms of the conveyance creating the trust's Net Profits Interest. These calculations are described under "Computation of Net Profits Interest." It is the intent of the trust to distribute to trust unitholders proceeds received by the trust in the month after the trust receives such funds. Monthly cash distributions will be made to holders of trust units as of the applicable record date (generally the 15<sup>th</sup> day of each calendar month) on or before the 10<sup>th</sup> business day after the record date. Due to the amount of time it typically takes the Third Party Operators to collect payments from their customers and distribute their payments to the interest owners, including Enduro Sponsor, it has been assumed, for purposes of the projections, that cash distributions for each month will include oil production from 60 to 90 days prior to the distribution date and natural gas production from 90 to 120 days prior to the distribution date. The first distribution is expected to be made on or about October 28, 2011 to record trust unitholders as of or about October 14, 2011, and may include cash that Enduro Sponsor is required to pay to the trust relating to sales of oil and natural gas production for the months of May and June 2011 and production and development expenses for the months of April and May 2011.

*Production estimates and development expenses.* In 2009 and 2010, Enduro Sponsor's production declines were 5.4% and 12%, respectively, and for the year ended December 31, 2010, net sales were 939 MBbls of oil and 7,171 MMcf of natural gas. Based on the reserve reports, production volumes for the twelve months ending April 30, 2012 (the "forecast period") are 911 MBbls of oil and 7,119 Mcf of natural gas, representing a decline in production of 1.7% for the forecast period from 2010 production. Historically, Enduro Sponsor's decline rate has been much greater. This difference is due to increased vertical infill drilling of tight sands in the Hosston and Cotton Valley formations in the East Texas/North Louisiana region in 2008 and 2009. Despite the drilling of 1.3 net wells and 1.1 net wells in 2009 and 2010, respectively, this was insufficient to offset the decline from the drilling of 21.9 net wells in the Elm Grove field in 2008.

In 2010, 11 gross (1.0 net) wells were horizontally drilled in the Haynesville Shale formation on the Underlying Properties. As of July 25, 2011, Enduro Sponsor was participating in 26 gross (2.5 net)

horizontal Haynesville Shale wells in the Kingston and Elm Grove fields in the East Texas/North Louisiana region. According to the Third Party Operators, future development drilling will be increasingly focused on the horizontal Haynesville Shale and Lower Cotton Valley. Please see "The Underlying Properties — Near Term Development Activities" for more information regarding drilling activities in the Haynesville Shale. The impact of horizontal drilling can be large with initial producing rates up to 15 MMcf per day. Thus, although the 2010 Haynesville drilling activity was not large enough to sufficiently impact the character or decline of Enduro Sponsor's proved developed production, future drilling activity in the Haynesville Shale is expected to shallow the overall 2011 and 2012 producing decline rates (as represented in the forecast period).

The proved undeveloped reserves scheduled in the Underlying Properties reserve report for 2011 through 2015 have modeled future drilling with 29 proved undeveloped Haynesville Shale and Lower Cotton Valley wells, along with 8 proved undeveloped Lost Tank field wells. Without any future drilling, the reserve report relating to the Underlying Properties reflects a proved developed producing decline rate for 2011, 2012, 2013, 2014 and 2015 of 16%, 14%, 12%, 9% and 9%, respectively. With the development of the proved undeveloped Haynesville Shale and Lower Cotton Valley wells in the reserve report, Enduro Sponsor expects an average increase of 1% on production from 2011 through 2015. For further information, please see the five-year production graph in "Prospectus Summary — Enduro Royalty Trust" and "The Underlying Properties — Near Term Development Activities."

*Oil and natural gas prices.* Assumed NYMEX oil and natural gas prices differ from the actual price received for production attributable to the Underlying Properties. Differentials between published oil and natural gas prices and the prices actually received for the oil and natural gas production may vary significantly due to market conditions, transportation, gathering and processing costs, quality of production and other factors.

In the above table, an average of \$3.46 per Bbl is deducted from, and an average of \$0.13 per Mcf is added to, the assumed NYMEX futures price for crude oil and natural gas, respectively, to reflect these differentials. These differences are based on Enduro Sponsor's estimate of the average difference between the NYMEX published price of crude oil and natural gas and the price to be received by Enduro Sponsor for production attributable to the Underlying Properties during the twelve months ending April 30, 2012. Projected average oil and natural gas prices appearing in this prospectus have been adjusted for these differentials.

The differentials to published oil and natural gas prices applied in the above projected cash distribution estimate are based upon an analysis by Enduro Sponsor of the historic price differentials for production from the Underlying Properties with consideration given to gravity, quality and transportation and marketing costs that may affect these differentials. There is no assurance that these assumed differentials will occur.

When oil and natural gas prices decline, the operators of the properties comprising the Underlying Properties may elect to reduce or completely suspend production. No adjustments have been made to estimated production during the twelve months ending April 30, 2012 to reflect potential reductions or suspensions of production.

*Settlement of Hedge Contracts.* Enduro Sponsor has entered into commodity derivative contracts with unaffiliated third parties in order to mitigate the effects of falling commodity prices through 2013. The trust will not bear any hedge settlement costs paid by Enduro Sponsor, or be entitled to any hedge payments received by Enduro Sponsor, for periods on or prior to June 30, 2011. For more information, see "The Underlying Properties — Hedge Contracts."

*Costs.* For the twelve months ending April 30, 2012, Enduro Sponsor estimates lease operating expenses to be approximately \$23.4 million, production and other taxes to be approximately \$9.2 million and development costs incurred to be approximately \$14.0 million. For the year ended December 31, 2010, lease operating expenses of the Underlying Properties were \$24.6 million, property and other taxes were \$8.1 million and development costs incurred were \$37.0 million. Enduro Sponsor

believes drilling activity during the year ended December 31, 2010 was in excess of that which will be undertaken in each of the next five years. For a description of direct operating expenses, see "Computation of Net Profits — Net Profits Interest."

*Net adjustment for additional projects.* Net adjustment for additional projects reflects the expected drilling of 21 gross (2.4 net) wells in the Haynesville Shale during the forecast period associated with development drilling projects not reflected in the reserve reports but for which notifications have been received by Enduro Sponsor as of June 2011 and as identified in the conveyance relating to the Net Profits Interest. The additional wells are expected to increase total sales volumes for the Underlying Properties during the forecast period by 221 MBoe. In estimating the production attributable to the Haynesville Shale projects discussed above, Enduro Sponsor used the same methodologies and assumptions as were used in the preparation of the reserve reports by Cawley Gillespie. During the forecast period, the additional wells are expected to increase total gross profits with respect to the Underlying Properties by approximately \$3.3 million and total lease operating and development expenses and production and other taxes by \$4.3 million, which is expected to result in a decrease in net profits for the Underlying Properties by \$989,000 and cash available for distribution to the trust by \$791,000. The amount of estimated development expenses has been adjusted to reflect the agreement by Enduro Sponsor to pay for up to \$9.1 million (or \$7.3 million attributable to the trust's Net Profits Interest) of the total estimated development expenses of \$12.4 million related to the 21 gross (2.4 net) wells, thereby reducing the trust's share of development expenses associated with these wells to \$2.6 million. In the absence of this payment obligation by Enduro Sponsor, the cash available for distribution to the trust would be reduced by an additional \$7.3 million during the forecast period. Enduro Sponsor will not pay the trust's share of any development costs relating to these wells in excess of the amounts described above, so the trust will bear 80% of any incremental development expenses. Enduro Sponsor will also not pay the trust's share of any development costs for additional wells that may be drilled during the forecast period.

*General and administrative expense.* The trust will be responsible for paying the annual fees to the trustees, all accounting fees, engineering fees, legal fees, printing costs and other out-of-pocket expenses incurred by or at the direction of the trustee or the Delaware trustee. The trust will also be responsible for paying other expenses incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and monthly reports to trust unitholders, tax return and Form 1099 preparation and distribution, NYSE listing fees, independent auditor fees and registrar and transfer agent fees. These general and administrative expenses are anticipated to be approximately \$850,000 for the twelve months ending April 30, 2012. General and administrative expenses for subsequent years could be greater or less depending on future events that cannot be predicted. Included in the estimates is an annual administrative fee of \$200,000 and \$2,000 for the trustee and Delaware trustee, respectively. The trust will pay, out of the first cash payment received by the trust, the trustee's and Delaware trustee's legal expenses incurred in forming the trust as well as their acceptance fees in the amount of \$10,000 and \$1,500, respectively. These costs will be deducted by the trust before distributions are made to trust unitholders. See "The Trust."

#### **Sensitivity of Projected Cash Distributions to Oil and Natural Gas Production and Prices**

The amount of revenues of the trust and cash distributions to the trust unitholders will be directly dependent on the sales price for oil and natural gas production sold from the Underlying Properties, the volumes of oil and natural gas produced attributable to the Underlying Properties, payments made or received under the hedge contracts and variations in direct operating expenses and development expenses.

The table and discussion below set forth sensitivity analyses of annual cash distributions per trust unit for the twelve months ending September 30, 2012, on the assumption that a trust unitholder purchased a trust unit in this offering and held such trust unit until the monthly record date for distributions for September 2012, based upon (1) the assumption that a total of 33,000,000 trust units are issued and outstanding after the closing of the offering made hereby; (2) realization of the

production levels estimated in the reserve reports; (3) the hypothetical commodity prices based upon assumed NYMEX prices; (4) the impact of the hedge contracts entered into by Enduro Sponsor that relate to production from the Underlying Properties; and (5) other assumptions described above under “— Significant Assumptions Used to Prepare the Projected Cash Distributions.” The hypothetical commodity prices of oil and natural gas production shown have been chosen solely for illustrative purposes.

**The table below is not a projection or forecast of the actual or estimated results from an investment in the trust units. The purpose of the table below is to illustrate the sensitivity of cash distributions to changes in oil and natural gas pricing (giving effect to the hedge contracts that will be in place during the twelve months ending April 30, 2012). There is no assurance that the hypothetical assumptions described below will actually occur or that NYMEX futures prices will not change by amounts different from those shown in the tables.**

The trust’s hedge contracts will be in effect only through December 31, 2013, and thus there is likely to be greater fluctuation in cash distributions resulting from fluctuations in the realized oil and natural gas prices in periods subsequent to the expiration of those contracts. See “Risk Factors” for a discussion of various items that could impact production levels and the prices of crude oil and natural gas.

**Sensitivity of Projected Cash Distribution Per Trust Unit  
to Changes in NYMEX Futures Pricing  
(Period Estimate of May 2011 to April 2012)**

% of NYMEX Natural Gas Futures Pricing (\$ per MMBtu)	% of NYMEX Futures Oil Pricing (\$ per Bbl of Oil)							
		85%	90%	95%	100%	105%	110%	115%
		\$85	\$90	\$95	\$100	\$105	\$110	\$115
85%	\$3.83	\$1.57	\$1.60	\$1.67	\$1.74	\$1.81	\$1.88	\$1.93
90%	\$4.05	\$1.59	\$1.62	\$1.68	\$1.75	\$1.83	\$1.90	\$1.95
95%	\$4.28	\$1.61	\$1.63	\$1.70	\$1.77	\$1.84	\$1.92	\$1.97
100%	\$4.50	\$1.62	\$1.65	\$1.71	\$1.79	\$1.86	\$1.93	\$1.98
110%	\$4.95	\$1.67	\$1.70	\$1.76	\$1.84	\$1.91	\$1.98	\$2.03
120%	\$5.40	\$1.73	\$1.76	\$1.82	\$1.90	\$1.97	\$2.04	\$2.09
130%	\$5.85	\$1.80	\$1.83	\$1.89	\$1.96	\$2.04	\$2.11	\$2.16



**THE UNDERLYING PROPERTIES**

The Underlying Properties consist of producing and non-producing interests in oil and natural gas units, wells and lands in Texas, Louisiana and New Mexico. The Underlying Properties include a portion of the assets in East Texas and North Louisiana acquired by Enduro Sponsor from Denbury Resources Inc. in December 2010, and all of the assets in the Permian Basin of New Mexico and West Texas acquired by Enduro Sponsor from Samson Investment Company and ConocoPhillips Company in January 2011 and February 2011, respectively. The Underlying Properties are divided into two geographic regions: the Permian Basin region and East Texas/North Louisiana region.

As of December 31, 2010, the Underlying Properties had proved reserves of 26.5 MMBoe. A majority of the proved reserves attributable to Underlying Properties are proved developed reserves. Proved developed reserves are the most valuable and lowest risk category of reserves because their production requires no significant future development expenses. As of December 31, 2010, approximately 79% of the volumes and 91% of the PV-10 value of the proved reserves associated with the Underlying Properties were attributed to proved developed reserves. As of December 31, 2010, the Third Party Operators and Enduro Sponsor were the operators of 99% and 1%, respectively, of the proved reserves attributable to the Underlying Properties, based on PV-10 value.

As proved reserves are evaluated using only direct costs such as production costs, production taxes, work-over, gathering and processing, transportation and drilling costs, if applicable, and other costs such as general and administrative, depreciation, depletion and amortization, interest and derivative losses are not included, the attribution of proved reserves is not necessarily a sign of future overall corporate profitability.

The following table sets forth, as of December 31, 2010, certain estimated proved reserves, estimated future net revenues and the discounted present value thereof attributable to the Underlying Properties, 80% of the Underlying Properties and the Net Profits Interest, in each case derived from the reserve reports.

	<u>Underlying Properties<sup>(1)</sup></u>	<u>80% of the Underlying Properties<sup>(2)</sup></u> <i>(in thousands)</i>	<u>Net Profits Interest</u>
<b>Proved Reserves</b>			
Oil (MBbls) <sup>(3)</sup>	12,766	10,213	5,642
Natural Gas (MMcf)	82,242	65,794	41,407
Oil Equivalents (Mboe) <sup>(4)</sup>	26,473	21,178	12,543
<b>Future Net Revenues</b>	\$ 1,330,352	\$ 1,064,282	\$ 609,445
Future Production Cost	\$ 571,492	\$ 457,194	\$ 48,524 <sup>(5)</sup>
Future Development Cost	\$ 57,674	\$ 46,139	\$ —
Future Net Income	\$ 701,186	\$ 560,921	\$ 560,921
Present Value at 10% Discount Rate <sup>(6)</sup>	\$ 349,169	\$ 279,397	\$ 279,397
Standardized Measure of Discounted Future Net Cash Flows	\$ 349,169	\$ 279,397	\$ 279,397

(1) Reserve volumes and estimated future net revenues for the Underlying Properties reflect volumes and revenues attributable to Enduro Sponsor's net interests in the properties comprising the Underlying Properties.

(2) Reflects 80% of the proved reserves and future net revenues, production and development cost, net income and present value attributable to the Underlying Properties expected to be produced based on the reserve report.

- (3) Proved reserves for oil include volumes for NGLs (MBbls) of 183 MBbls, 146 MBbls and 101 MBbls attributable to the Underlying Properties, 80% of the Underlying Properties and the Net Profits Interest, respectively.
- (4) The proved reserves for 80% of the Underlying Properties and the Net Profits Interest of 21,178 Mboe and 12,543 Mboe differ by 8,635 Mboe. Proceeds from the sale of the 8,635 Mboe will be used to cover 80% of the future production and development costs attributable to the Underlying Properties for the benefit of the trust.
- (5) Future production costs for the Net Profits Interest consist solely of severance taxes and ad valorem taxes attributable to the trust.
- (6) The present values of the future net revenues for the Underlying Properties and the Net Profits Interest were determined using a discount rate of 10% per annum. As of December 31, 2010, Enduro Sponsor was structured as a limited liability company. Accordingly, no provision for federal or state income taxes has been provided because taxable income was passed through to the members of Enduro Sponsor.

Average net production from the Underlying Properties for the year ended December 31, 2010 was approximately 5,847 Boe per day (or 4,678 Boe per day attributable to 80% of the Underlying Properties for the benefit of the trust), comprised of approximately 44% oil and 56% natural gas. For 2010, the oil revenues generated by the Underlying Properties was \$70.0 million and natural gas revenues generated by the Underlying Properties was \$33.8 million.

Enduro Sponsor's interests in the Underlying Properties require Enduro Sponsor to bear its proportionate share of the costs of development and operation of such properties. As of December 31, 2010, Enduro Sponsor held average working interests of 19.52% and 26.16% and average net revenue interest of 16.11% and 20.00% in the Underlying Properties located in the Permian Basin and East Texas/North Louisiana regions, respectively. The Underlying Properties are also burdened by non-cost bearing interests owned by third parties consisting primarily of overriding royalty and royalty interests.

**Unaudited Pro Forma Combined Financial and Operating Data of the Underlying Properties**

The following table sets forth revenues, direct operating expenses and the excess of revenues over direct operating expenses relating to the Underlying Properties for the three months ended March 31, 2011 and 2010 and for the three years in the period ended December 31, 2010 derived from the unaudited pro forma combined statements of historical revenues and direct operating expenses of the Underlying Properties included elsewhere in this prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	<i>(In thousands)</i>				
<b>Revenues:</b>					
Oil	\$ 20,150	\$ 17,354	\$ 70,033	\$ 55,309	\$ 106,801
Natural gas	7,262	9,838	33,787	33,053	76,001
Total revenues	<u>\$ 27,412</u>	<u>\$ 27,192</u>	<u>\$ 103,820</u>	<u>\$ 88,362</u>	<u>\$ 182,802</u>
<b>Direct operating expenses:</b>					
Lease operating	\$ 6,185	\$ 6,206	\$ 24,579	\$ 25,822	\$ 29,331
Gathering and processing	489	419	1,977	1,885	3,035
Production and other taxes	2,005	2,052	8,069	7,512	11,217
Total direct operating expenses	<u>\$ 8,679</u>	<u>\$ 8,677</u>	<u>\$ 34,625</u>	<u>\$ 35,219</u>	<u>\$ 43,583</u>
Excess of revenues over direct operating expenses	<u>\$ 18,733</u>	<u>\$ 18,515</u>	<u>\$ 69,195</u>	<u>\$ 53,143</u>	<u>\$ 139,219</u>

The following table provides oil and natural gas sales volumes, average sales prices, average costs per Boe and capital expenditures relating to the Underlying Properties for the three months ended March 31, 2011 and 2010 and for the three years in the period ended December 31, 2010. This operating data includes the effect of the Acquired Properties for all periods presented.

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010 <i>(Unaudited)</i>	2009	2008
<b>Operating data:</b>					
<b>Permian Basin</b>					
Sales volumes:					
Oil (MBbls)	226	233	921	985	1,051
Natural gas (MMcf)	490	494	2,195	2,386	2,419
Total sales (MBoe)	308	316	1,287	1,382	1,454
Average sales prices:					
Oil (per Bbl)	\$ 87.68	\$ 72.62	\$ 74.58	\$ 54.44	\$ 98.71
Natural gas (per Mcf)	\$ 5.68	\$ 6.49	\$ 5.77	\$ 4.41	\$ 8.89
Average costs per Boe:					
Lease operating	\$ 16.03	\$ 16.14	\$ 15.62	\$ 14.80	\$ 16.94
Gathering and processing	\$ 0.33	\$ 0.36	\$ 0.35	\$ 0.30	\$ 0.39
Production and other taxes	\$ 5.71	\$ 5.16	\$ 5.20	\$ 4.01	\$ 6.16
Capital expenditures (in thousands):					
Property development costs	\$ 6,039	\$ 292	\$ 29,257	\$ 1,606	\$ 11,911
<b>East Texas/North Louisiana</b>					
Sales volumes:					
Oil (MBbls)	4	6	18	31	33
Natural gas (MMcf)	1,129	1,274	4,976	6,069	6,449
Total sales (MBoe)	192	218	847	1,043	1,108
Average sales prices:					
Oil (per Bbl)	\$ 83.75	\$ 72.17	\$ 74.72	\$ 54.35	\$ 92.64
Natural gas (per Mcf)	\$ 3.97	\$ 5.21	\$ 4.24	\$ 3.71	\$ 8.45
Average costs per Boe:					
Lease operating	\$ 6.44	\$ 5.12	\$ 5.29	\$ 5.14	\$ 4.24
Gathering and processing	\$ 2.01	\$ 1.41	\$ 1.80	\$ 1.41	\$ 2.23
Production and other taxes	\$ 1.26	\$ 1.95	\$ 1.62	\$ 1.88	\$ 2.04
Capital expenditures (in thousands):					
Property development costs	\$ 6,066	\$ 1,489	\$ 7,779	\$ 16,926	\$ 53,660
<b>Total Underlying Properties</b>					
Sales volumes:					
Oil (MBbls)	230	239	939	1,016	1,084
Natural gas (MMcf)	1,619	1,768	7,171	8,455	8,868
Total sales (MBoe)	500	534	2,134	2,425	2,562
Average sales prices:					
Oil (per Bbl)	\$ 87.61	\$ 72.61	\$ 74.58	\$ 54.44	\$ 98.52
Natural gas (per Mcf)	4.49	5.56	4.71	3.91	8.57
Average costs per Boe:					
Lease operating	\$ 12.37	\$ 11.62	\$ 11.52	\$ 10.65	\$ 11.45
Gathering and processing	0.98	0.79	0.93	0.78	1.18
Production and other taxes	4.01	3.58	3.78	3.10	4.38
Capital expenditures (in thousands):					
Property development costs	\$ 12,105	\$ 1,781	\$ 37,036	\$ 18,532	\$ 65,571

**Discussion and Analysis of Pro Forma Combined Historical Results of the Underlying Properties**

***Comparison of Pro Forma Combined Historical Results for the Three Months Ended March 31, 2011 and 2010***

Excess of revenues over direct operating expenses for the Underlying Properties increased by \$0.2 million to \$18.7 million for the three months ended March 31, 2011 as a result of a \$0.2 million increase in revenues.

*Revenues.* Revenues from oil and natural gas sales increased \$0.2 million between the periods. This increase in revenues was primarily the result of an increase in the average price received for crude oil sold from \$72.61 per Bbl for the three months ended March 31, 2010 to \$87.61 per Bbl for the three months ended March 31, 2011, partially offset by a 9 MBbls decrease in oil volumes sold.

*Lease operating expenses.* Lease operating expenses remained relatively constant at \$6.2 million for the three months ended March 31, 2011 and March 31, 2010.

*Gathering and processing expenses.* Gathering and processing expenses increased by \$0.1 million from \$0.4 million for the quarter ended March 31, 2010 to \$0.5 million for the quarter ended March 31, 2011.

*Production and other taxes.* Production and other taxes decreased \$0.1 million as a result of the decrease in oil and natural gas volumes sold on which production taxes are based.

***Comparison of Pro Forma Combined Historical Results for the Years Ended December 31, 2010 and 2009***

Excess of revenues over direct operating expenses for the Underlying Properties was \$69.2 million for the year ended December 31, 2010, compared to \$53.1 million for the year ended December 31, 2009. The increase was primarily a result of an increase in the average price received for the oil and natural gas sold. This was partially offset by a decrease in production.

*Revenues.* Revenues from oil and natural gas sales increased \$15.5 million between the periods. This increase in revenues was primarily the result of an increase in the average price received for crude oil sold from \$54.44 per Bbl for the year ended December 31, 2009 to \$74.58 per Bbl for the year ended December 31, 2010, partially offset by a 77 MBbl decrease in oil volumes sold. The increase in revenues was also the result of an increase in the average price received for natural gas sold from \$3.91 per Mcf for the year ended December 31, 2009 to \$4.71 per Mcf for the year ended December 31, 2010, partially offset by a 1,284 MMcf decrease in natural gas volumes sold.

*Lease operating expenses.* Lease operating expenses decreased to \$24.6 million for the year ended December 31, 2010 from \$25.8 million for the year ended December 31, 2009, primarily due to a decrease in volumes partially offset by an \$0.87 per Boe increase in lease operating expense rate.

*Gathering and processing expenses.* Gathering and processing expenses remained essentially stable increasing by \$0.1 million to \$2.0 million for the year ended December 31, 2010.

*Production and other taxes.* Production and other taxes increased \$0.6 million as a result of the increase in revenues from oil and natural gas sales on which these taxes are based.

***Comparison of Pro Forma Combined Historical Results for the Years Ended December 31, 2009 and 2008***

*The pro forma combined historical results for the year ended December 31, 2008 were derived from the audited statements of revenues and direct operating expenses of the Predecessor Underlying Properties, the Samson Permian Basin Assets and the ConocoPhillips Permian Basin Assets, in each case for the year ended December 31, 2008, which are included in this prospectus on pages F-5, F-14 and F-22, respectively.*

Excess of revenues over direct operating expenses for the Underlying Properties was \$53.1 million for the year ended December 31, 2009, compared to \$139.2 million for the year ended December 31, 2008. The decrease was primarily a result of a decrease in the average price received for the oil and natural gas sold.

*Revenues.* Revenues from oil and natural gas sales decreased \$94.4 million between these periods. This decrease in revenues was primarily the result of a decrease in the average price received for crude oil sold from \$98.52 per Bbl for the year ended December 31, 2008 to \$54.44 per Bbl for the year ended December 31, 2009, and a 68 MMBbl decrease in oil volumes sold. The decrease in revenues was also the result of a decrease in the average price received for natural gas sold from \$8.57 per Mcf for the year ended December 31, 2008 to \$3.91 per Mcf for the year ended December 31, 2009, and a 413 MMcf decrease in natural gas volumes sold.

*Lease operating expenses.* Lease operating expenses decreased from \$29.3 million for the year ended December 31, 2008 to \$25.8 million for the year ended December 31, 2009. This decrease was primarily a result of a decrease in volumes.

*Gathering and processing expenses.* Gathering and processing expenses decreased \$1.1 million from \$3.0 million for the year ended December 31, 2008 to \$1.9 million for the same period in 2009 due to lower volumes coupled with a lower processing fee per Mcf.

*Production and other taxes.* Production and other taxes decreased \$3.7 million as a result of the decreases in the price of crude oil and in revenues from oil and natural gas sales, on which these taxes are based.

### Hedge Contracts

The revenues derived from the Underlying Properties depend substantially on prevailing oil prices and, to a lesser extent, natural gas prices. As a result, commodity prices also affect the amount of cash flow available for distribution to the trust unitholders. Lower prices may also reduce the amount of oil and natural gas that the Third Party Operators or Enduro Sponsor can economically produce. Enduro Sponsor has entered into hedge contracts to reduce the exposure of the revenues from oil and natural gas production from the Underlying Properties to fluctuations in oil and natural gas prices and to achieve more predictable cash flow. However, these contracts limit the amount of cash available for distribution if prices increase above the fixed hedge price. The hedge contracts consist of commodity derivative contracts with unaffiliated third parties in order to mitigate the effects of falling commodity prices through 2013.

The following table sets forth the volumes of Enduro Sponsor's natural gas commodity derivative contracts, the weighted average contractual prices per Mcf, and the weighted average NYMEX equivalent prices per Mcf as of June 30, 2011:

Period	Put Contracts			Swap Contracts		
	Daily Volumes (Mcf)	Average Contractual Price (\$/Mcf)	Average NYMEX Equivalent Price <sup>(1)</sup> (\$/Mcf)	Daily Volumes (Mcf)	Average Contractual Price (\$/Mcf)	Average NYMEX Equivalent Price <sup>(1)</sup> (\$/Mcf)
July 2011 — December 2011	14,000	\$ 4.20	\$ 4.46	10,000	\$ 4.30	\$ 4.52
2012	14,000	\$ 4.90	\$ 5.05	10,000	\$ 4.57	\$ 4.79
2013	12,000	\$ 4.90	\$ 5.17	8,000	\$ 5.00	\$ 5.20

(1) Enduro Sponsor's natural gas derivative contracts are comprised of contracts entered into at local basis points, such as Centerpoint and El Paso Permian, as well as NYMEX-based contracts. For presentation purposes and for comparability among the various contracts, the contract prices were converted to NYMEX equivalent prices using estimated basis differentials in the over-the-counter futures market.

Of Enduro Sponsor's natural gas put contracts shown above, for 2011, 2012, and 2013, approximately 64%, 64%, and 67%, respectively, of the hedged volumes relate to the Underlying Properties. For all periods shown above, 50% of Enduro Sponsor's hedged volumes under swap contracts relate to the Underlying Properties.

The following table sets forth the volumes of Enduro Sponsor's oil commodity derivative contracts and the weighted average NYMEX prices per Bbl as of June 30, 2011:

Period	Daily Put Volumes (Bbls)	Average Put Price (\$/Bbl)	Daily Volumes (Bbls)	Average Sub-Floor Price (\$/Bbl)	Average Floor Price (\$/Bbl)	Average Cap Price (\$/Bbl)	Daily Swap Volumes (Bbls)	Average Swap Price (\$/Bbl)
July 2011 — December 2011	500	\$ 92.00	500	\$ 67.50	\$ 90.00	\$ 110.00	530	\$ 102.96
2012	500	\$ 92.00	500	\$ 67.50	\$ 90.00	\$ 110.00	520	\$ 104.10
2013	—	\$ —	500	\$ 67.50	\$ 90.00	\$ 110.00	510	\$ 102.97

All the oil commodity derivative contracts shown above relate to the Underlying Properties.

The trust will not bear any hedge settlement costs paid by Enduro Sponsor, or be entitled to any hedge payments received by Enduro Sponsor, for periods on or prior to June 30, 2011.

The amounts received by Enduro Sponsor from the hedge contract counterparty upon settlement of the hedge contracts will reduce the operating expenses related to the Underlying Properties in calculating net profits. In addition, the aggregate amounts paid by Enduro Sponsor on settlement of the hedge contracts related to the Underlying Properties will reduce the amount of net profits paid to the trust. See "Computation of Net Profits — Net Profits Interest."

#### Producing Acreage and Well Counts

For the following data, "gross" refers to the total number of wells or acres in which Enduro Sponsor owns a working interest and "net" refers to gross wells or acres multiplied by the percentage working interest owned by Enduro Sponsor. All of the acreage comprising the Underlying Properties is held by production. Although many of Enduro Sponsor's wells produce both oil and natural gas, a well is categorized as an oil well or a natural gas well based upon the ratio of oil to natural gas production. The Underlying Properties are interests in properties located in the Permian Basin of West Texas and New Mexico and in the East Texas/North Louisiana region. The following is a summary of the approximate acreage of the Underlying Properties at December 31, 2010.

	Acres	
	Gross	Net
Permian Basin	278,612	30,350
East Texas/North Louisiana	15,440	4,113
<b>Total</b>	<b>294,052</b>	<b>34,463</b>

The following is a summary of the producing wells on the Underlying Properties as of December 31, 2010:

	Oil		Natural Gas	
	Gross Wells <sup>(1)</sup>	Net Wells	Gross Wells <sup>(1)</sup>	Net Wells
Permian Basin	4,161	753.5	130	23.5
East Texas/North Louisiana	—	—	385	100.7
<b>Total</b>	<b>4,161</b>	<b>753.5</b>	<b>515</b>	<b>124.2</b>

(1) Enduro Sponsor's total wells include 34 operated wells and 4,642 non-operated wells. At December 31, 2010, 64 of Enduro Sponsor's wells had multiple completions.

The following is a summary of the number of development and exploratory wells drilled on the Underlying Properties during the last three years.

	Year Ended December 31,					
	2010		2009		2008	
	Gross	Net	Gross	Net	Gross	Net
<b>Permian Basin</b>						
Development Wells:						
Productive	55	10.9	38	1.3	79	5.3
Dry holes	—	—	—	—	—	—
	<u>55</u>	<u>10.9</u>	<u>38</u>	<u>1.3</u>	<u>79</u>	<u>5.3</u>
Exploratory Wells:						
Productive	—	—	—	—	—	—
Dry holes	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total:						
Productive	55	10.9	38	1.3	79	5.3
Dry holes	—	—	—	—	—	—
	<u>55</u>	<u>10.9</u>	<u>38</u>	<u>1.3</u>	<u>79</u>	<u>5.3</u>
<b>East Texas/North Louisiana</b>						
Development Wells:						
Productive	3	0.3	4	0.7	57	17.6
Dry holes	—	—	—	—	—	—
	<u>3</u>	<u>0.3</u>	<u>4</u>	<u>0.7</u>	<u>57</u>	<u>17.6</u>
Exploratory Wells:						
Productive	8	0.7	4	0.7	14	4.3
Dry holes	—	—	3	0.5	—	—
	<u>8</u>	<u>0.7</u>	<u>7</u>	<u>1.2</u>	<u>14</u>	<u>4.3</u>
Total:						
Productive	11	1	8	1.3	71	21.9
Dry holes	—	—	3	0.5	—	—
	<u>11</u>	<u>1</u>	<u>11</u>	<u>1.8</u>	<u>71</u>	<u>21.9</u>

**Operating Areas**

The following table summarizes the estimated proved reserves by operating area attributable to the Underlying Properties according to the reserve reports and the corresponding pre-tax PV-10 value as of December 31, 2010.

Operating Area	Producing Formation	Proved Reserves <sup>(1)</sup>					PV-10 Value <sup>(2)</sup> (In thousands)	% of Total PV-10 Value
		Oil (MBbls)	Natural Gas (MMcf)	Total (MBoe)	% of Total Reserves			
<b>Permian Basin</b>								
North Monument								
Grayburg Unit	Grayburg/San Andres	2,028	1,471	2,273	15%	\$ 42,989	15%	
North Central Levelland Unit	San Andres	2,330	265	2,374	14%	\$ 39,208	14%	
North Cowden Unit	Grayburg/San Andres	2,403	993	2,569	16%	\$ 32,563	12%	
Yates Field Unit	Grayburg/San Andres	633	—	633	4%	\$ 18,052	6%	
Other	Various	5,347	18,752	8,472	51%	\$ 147,163	53%	
<b>Permian Basin Total</b>		<b>12,741</b>	<b>21,481</b>	<b>16,321</b>	<b>100%</b>	<b>\$ 279,975</b>	<b>100%</b>	
<b>East Texas/North Louisiana</b>								
Elm Grove Field								
	Cotton Valley, Hosston, Travis Peak, Haynesville Shale	2	52,303	8,719	86%	\$ 54,275	79%	
Kingston Field	Travis Peak, Haynesville Shale	—	6,164	1,028	10%	\$ 9,981	14%	
Stockman Field	Travis Peak	23	2,294	405	4%	\$ 4,939	7%	
<b>East Texas/North Louisiana Total</b>		<b>25</b>	<b>60,761</b>	<b>10,152</b>	<b>100%</b>	<b>\$ 69,194</b>	<b>100%</b>	
<b>Total</b>		<b>12,766</b>	<b>82,242</b>	<b>26,473</b>	<b>100%</b>	<b>\$ 349,169</b>	<b>100%</b>	

- (1) In accordance with the rules and regulations promulgated by the SEC, the proved reserves presented above were determined using the twelve month unweighted arithmetic average of the first-day-of-the-month price for the period from January 1, 2010 through December 1, 2010, without giving effect to any hedge transactions, and were held constant for the life of the properties. This yielded a price for oil of \$79.43 per Bbl and a price for natural gas of \$4.37 per MMBtu.
- (2) PV-10 is the present value of estimated future net revenue to be generated from the production of proved reserves, discounted using an annual discount rate of 10%, calculated without deducting future income taxes and future abandonment costs. Standardized measure of discounted future net cash flows is calculated the same as PV-10 except that it deducts future income taxes and future abandonment costs. Because the trust bears no federal tax expense and taxable income is passed through to the unitholders of the trust, no provision for federal or state income taxes is included in the summary reserve reports. PV-10 may not be considered a GAAP financial measure as defined by the SEC and is derived from the standardized measure of discounted future net cash flows, which is the most directly comparable GAAP financial measure. The pre-tax PV-10 value and the standardized measure of discounted future net cash flows do not purport to present the fair value of the oil and natural gas reserves attributable to Underlying Properties.

Substantially all of the Underlying Properties are located in mature oil fields that are characterized by long production histories and additional development opportunities, which may help to diminish natural declines in production from the Underlying Properties. Based on the reserve reports, approximately 48% of the future production from the Underlying Properties is expected to be oil and approximately 52% is expected to be natural gas.



## Oil Recovery Overview

When an oil field is first produced, the oil typically is recovered as a result of natural pressure within the producing formation, often assisted by pumps of various types. The only natural force present to move the crude oil to the wellbore is the pressure differential between the higher pressure in the formation and the lower pressure in the wellbore. At the same time, there are many factors that act to impede the flow of crude oil, depending on the nature of the formation and fluid properties, such as pressure, permeability, viscosity and water saturation. This stage of production, referred to as "primary production," recovers only a small fraction of the crude oil originally in place in a producing formation.

Many, but not all, oil fields are amenable to assistance from a waterflood, a form of "secondary recovery," which is used to maintain reservoir pressure and to help sweep oil to the wellbore. In a waterflood, certain wells are used to inject water into the reservoir while other wells are used to produce the fluid. As the waterflood matures, the fluid produced contains increasing amounts of water and decreasing amounts of oil. Surface equipment is used to separate the oil from the water, with the oil going to pipelines or holding tanks for sale and the water being recycled to the injection facilities. Primary recovery followed by secondary recovery usually produces between 20% and 40% of the crude oil originally in place in a producing formation.

A third stage of oil recovery is called "tertiary recovery" or "enhanced oil recovery" ("EOR"). In addition to maintaining reservoir pressure, this type of recovery seeks to alter the properties of the oil in ways that facilitate production. A commonly utilized method of tertiary recovery involves the use of a CO<sub>2</sub> flood, where CO<sub>2</sub> is liquefied under high pressure and injected into the reservoir. The CO<sub>2</sub> then swells the oil in a way that increases the mobilization of by-passed oil while also reducing the oil's viscosity. The lighter oil fractions vaporize into the CO<sub>2</sub> while the CO<sub>2</sub> also condenses into the reservoir's oil. In this manner, the two fluids become miscible, mixing to form a homogeneous fluid that is mobile and has lower viscosity and lower interfacial tension. The implementation of a CO<sub>2</sub> flood can result in increased production growth and recovery over and above that which is produced through primary and secondary recovery methods.

## Permian Basin Region

The Permian Basin is one of the largest and most prolific oil and natural gas producing basins in the United States. The Permian Basin extends over 100,000 square miles in West Texas and southeast New Mexico and has produced over 24 billion Bbls of oil since its discovery in 1921. The Permian Basin is characterized by oil and natural gas fields with long production histories and multiple producing formations. The Underlying Properties in the Permian Basin contain 278,612 gross (30,350 net) acres in Texas and New Mexico. Approximately, 63% of the oil produced in the Underlying Properties in the Permian Basin comes from waterflooding and CO<sub>2</sub> flooding.

Four of the largest fields in the Permian Basin region of the Underlying Properties are the following (measured by PV-10 value):

- The largest field in the Permian Basin region is the Apache operated North Monument Grayburg Unit discovered in 1929. This unit produces 293 Boe per day net to Enduro Sponsor's interest from the Grayburg and San Andres formations of which 90% is oil. Proved reserves attributable to the Underlying Properties in the North Monument Grayburg Unit are 2.3 MMBoe as of December 31, 2010.
- The second largest field in the Permian Basin region is the Apache operated North Central Levelland Unit discovered in 1937. This unit produces from the San Andres formation at a depth of approximately 4,900 feet. The North Central Levelland Unit is a waterflood property and produces 397 Boe per day net to Enduro Sponsor's interest of which 98% is oil. Proved reserves attributable to the Underlying Properties in the North Central Levelland Unit are 2.4 MMBoe as of December 31, 2010.

- The third largest field in the Permian Basin region is the North Cowden Unit discovered in 1930. The North Cowden Unit is undergoing both waterflood and CO<sub>2</sub> recovery processes. The field produces 455 Boe per day net to Enduro Sponsor's interest of which 94% is oil. This production is produced from the Grayburg formation at a depth of 4,500 feet. Proved reserves attributable to the Underlying Properties in the North Cowden field are 2.6 MMBoe as of December 31, 2010. The operator of the North Cowden field is Occidental, the largest oil and gas operator in the Permian Basin.
- The fourth largest field in the Permian Basin region is the Yates Field discovered in 1926. Kinder Morgan is the operator of the field and is producing oil through the implementation of both waterflood and CO<sub>2</sub> processes. The Yates Field produces 159 Boe per day net to Enduro Sponsor's interest of which 100% is oil. Proved reserves attributable to the Underlying Properties in the Yates Field are 633 MBoe as of December 31, 2010.

The following table sets forth the recovery method and certain additional information about some of the fields in the Permian Basin region:

Unit Name	Operator	Recovery Method	Working Interest (%)	Net Revenue Interest (%)	Original Oil in Place (MMBO) <sup>(1)</sup>	Cumulative Production (MMBO)	PV-10 (Millions)
North Monument Grayburg Unit	Apache	Waterflood	11.2	9.9	580(2)	152	\$43
North Central Levelland Unit	Apache	Waterflood	30.9	23.3	142(3)	56	\$39
North Cowden Unit	Occidental	Waterflood/CO <sub>2</sub>	8.5	7.6	1,266(4)	270	\$33
Yates Field Unit	Kinder Morgan	Waterflood/CO <sub>2</sub>	0.8	0.7	4,000(5)	1,235	\$18
South Foster Unit	Occidental	Waterflood	12.7	11.1	163(6)	45	\$10
Eunice Monument South Unit A	XTO	Waterflood	9.4	8.1	672(7)	110	\$ 7
Jo-Mill Unit	Chevron	Waterflood	1.2	1.1	326(8)	76	\$ 4
West Spraberry Unit	Chevron	Waterflood	22.7	19.7	60(9)	14	\$ 4
Spraberry Driver Unit	Pioneer	Waterflood	1.0	0.8	600(10)	88	\$ 3
Eunice Monument South Unit B	XTO	Waterflood	14.1	11.7	136(11)	22	\$ 3
Corrigan Cowden Unit	Occidental	Waterflood	12.2	10.7	44(12)	18	\$ 2

- (1) Original oil in place is not an indication of the quantity of oil that is likely to be produced, but rather an indication of the estimated size of a reservoir.
- (2) New Mexico Oil Conservation Division Case No: 10253 Navigational Message Generation Unit Application Hearing dated April 4, 1991 filed by Amerada Hess Corporation as operator.
- (3) Texas Railroad Commission April 20, 2001 Form H-1 filing by Mobil Producing TX & NM Inc. as operator.
- (4) Texas Railroad Commission January 16, 2001 Form H-1 filing by Occidental Permian Ltd as operator.
- (5) Texas Railroad Commission December 30, 1999 Form H-1 filing by Marathon Oil Company as operator.
- (6) Texas Railroad Commission September 11, 2001 Form H-1 filing by Occidental Permian Ltd as operator.
- (7) New Mexico Oil Conservation Division April, 1983 Technical Committee Report for Unitization filing by the Eunice Monument South Unit Working Interest owners.
- (8) Texas Railroad Commission September 18, 1968 Form H-1 filing by Texaco Inc. as operator.
- (9) Texas Railroad Commission April 21, 2000 Form H-1 filing by Texaco E&P Inc. as operator.
- (10) Texas Railroad Commission February 24, 1993 Form H-1 filing by Texaco E&P Inc. as operator.
- (11) New Mexico Oil Conservation Division April, 1983 Technical Committee Report for Unitization filing by the Eunice Monument South Unit Working Interest owners.

(12) Texas Railroad Commission June 4, 1990 Form H-1 filing by ARCO Oil and Gas Company as operator.

Enduro Sponsor owns a working interest in the above fields. Each field was identified in a 2006 study by the United States Department of Energy as having a favorable reservoir for potential CO<sub>2</sub> upside recovery based on reservoir depth, oil gravity, reservoir pressure, reservoir temperature and oil composition. Enduro Sponsor will not be able to influence development activities in the non-operated fields, and no assurance can be given that CO<sub>2</sub> flooding will commence at any time in the future or will continue to be used on any of the above fields.

#### **East Texas/North Louisiana Region**

Historically, much of the East Texas/North Louisiana region was directed at the James Lime, Pettet, Travis Peak and Cotton Valley formations. Beginning in 2008, companies in the region began to focus on the development of the Haynesville Shale and Lower Cotton Valley utilizing horizontal drilling technology and multi-stage hydraulic fracturing well completion techniques. According to the Energy Information Administration, in 2011 the Haynesville Shale became the leading shale play in the United States by production volume. In 2010, operators began experimenting with down-spacing to 80-acre well spacing in parts of the Haynesville Shale from 160-acre well spacing, with a goal of increased overall gas recovery from the shale. Operators have also begun to focus on the efficiencies, such as drilling multiple wells from a single condensed pad location, reducing drilling times, combining fracture stimulation activities and designing facilities to be shared, in an effort to streamline operations and cut costs. Given that development in the Haynesville Shale and Lower Cotton Valley is relatively new, Enduro Sponsor has limited the production forecast from this play to a 25-year well life for its horizontal Haynesville Shale and Lower Cotton Valley wells. Current activity on Enduro Sponsor's acreage is focused on the horizontal development of the Haynesville Shale and Lower Cotton Valley sands. In addition, operators in the East Texas/North Louisiana region are beginning to test additional formations in the area such as the Bossier, Cotton Valley Lime and Smackover formations.

The Underlying Properties contain interests in 15,440 gross (4,113 net) acres in this region across three fields: the Elm Grove Field, operated by Petrohawk, the Kingston Field, operated by EXCO Resources, Inc., and the Stockman Field, operated by Enduro Sponsor. In the Kingston Field, EXCO Resources is drilling wells on 80-acre well spacing. Based on continued 80-acre well spacing, Enduro Sponsor believes the Underlying Properties may support additional Haynesville Shale wells. The proved reserves associated with the Underlying Properties in the East Texas/North Louisiana region do not include reserves attributable to 80-acre well spacing nor are there any reserves from the Bossier, Cotton Valley Lime or Smackover formations. However, the Underlying Properties include the economic rights to production from these formations on Enduro Sponsor's acreage position in the event that production is generated from them. Enduro Sponsor will not be able to influence development activities in the non-operated fields, and no assurance can be given that such down spacing will continue or that the referenced additional formations will be produced.

#### **Near Term Development Activities**

##### ***Payment of Operating and Development Expenses***

The Third Party Operators and, with respect to the Stockman Field, Enduro Sponsor, are entitled to make all determinations related to development and operating expenses with respect to the Underlying Properties, and there are no limitations on the amount of development or operating expenses that the Third Party Operators and Enduro Sponsor may incur with respect to the Underlying Properties. The trust is not directly obligated to pay any portion of any operating and development expenses made with respect to the Underlying Properties; however, operating and development expenses made by Enduro Sponsor with respect to the Underlying Properties will be included among the costs that will be deducted from the gross profits in calculating cash distributions attributable to the Net Profits Interest. As a result, the trust will indirectly bear an 80% share of any operating and

development expenses made with respect to the Underlying Properties. Accordingly, higher or lower operating and development expenses will, in general, directly decrease or increase, respectively, the cash received by the trust. Please read "Computation of Net Profits — Net Profits Interest."

### **2011 Capital Budget**

*Historical Activity.* Enduro Sponsor has estimated the development of the proved undeveloped reserves attributable to the Underlying Properties based on historical activity and known current development plans of the Third Party Operators. In 2008, 2009 and 2010, 150 gross (27.2 net) wells, 49 gross (3.1 net) wells, and 66 gross (11.9 net) wells, respectively, were drilled on the Underlying Properties. In 2011, 47 gross (15.3 net) wells have been drilled or proposed and approved for drilling by Enduro Sponsor as of June 2011. Enduro Sponsor has a good working relationship with its Third Party Operators and has discussed future drilling and development plans with them.

*East Texas/North Louisiana Region.* For 2011, Enduro Sponsor has a capital budget of \$25 million for the East Texas/North Louisiana region. Enduro Sponsor has spent \$5 million of this on proved undeveloped projects and \$9 million on non-proven probable projects and has dedicated \$11 million to approved future projects not represented in the proved reserves. Enduro Sponsor has agreed to pay up to \$9.1 million of development expenses in 2011 that occur after May 1, 2011 with respect to specified projects, which is included in Enduro Sponsor's \$25 million capital budget for 2011.

In 2011, much of the drilling activity in the East Texas/North Louisiana region has been associated with the Haynesville Shale formation, with 26 gross (2.5 net) wells having been drilled, spud, or proposed and approved. In the East Texas/North Louisiana region, Enduro Sponsor has been notified by the largest Third Party Operators of the Underlying Properties, EXCO Resources Inc. and Petrohawk, of plans to continue development in the Haynesville Shale and Lower Cotton Valley in the near term. EXCO is currently proposing 6 to 8 wells per section in the Haynesville Shale and plans to drill the wells at one time. These wells are being prepared on 80-acre spacing. The Haynesville Shale development is a fast moving immature play with much of the drilling considered to be new and extensional. As a result, the activity does not conform to the standard for proved reserves and does not appear in the reserve report relating to the Underlying Properties. Based on the level of activity in these areas and the current natural gas price environment, Enduro Sponsor believes that it is able to reasonably estimate the level of drilling activity in the near future. Enduro Sponsor expects the Third Party Operators to drill 4 proved undeveloped wells in 2011.

In the East Texas/North Louisiana region, of the 26 wells proposed to be drilled during 2011, a total of 5 wells have been drilled to date, but only 4 wells were scheduled as proved undeveloped locations in the reserve report relating to the Underlying Properties. There have been an additional 21 wells spud or proposed and approved by Enduro Sponsor in 2011 that are not represented in the reserve report because they would not be classified as proved locations but would rather be classified as probable locations based on the information available on December 31, 2010. These additional 21 wells would not be classified as proved because of one or more of the following reasons: (1) the drilling locations are more than one or two locations away from a producing well, (2) the drilling is occurring on smaller spacing than has historically occurred in the relevant field to be considered proven or (3) the wells are being drilled simultaneously in clusters of 6 or 8 wells where evidence of individual well commerciality cannot be determined. Enduro Sponsor has budgeted for this level of activity, which may have a positive impact on the proved reserves and production volumes in the future.

*Permian Basin Region.* For 2011, Enduro Sponsor has a capital budget of \$12 million for the Permian Basin region, of which \$4 million has been spent on proved undeveloped projects and \$5.5 million has been dedicated to approved future projects not represented in the proved reserves. The remaining \$2.5 million has been budgeted for non-proven wells and unknown projects.

In the Permian Basin region, 8 gross (4 net) wells are in the process of being drilled in the Lost Tank field operated by Occidental Petroleum in 2011. An additional 12 gross (6 net) wells have been

spud or proposed and approved in 2011 in the Lost Tank field. Because these 12 wells are more than one location away from a producing well they are not classified as proved locations and are therefore not in the reserve report. Occidental Petroleum has stated that they will not repeat this level of activity in the Lost Tank field after 2011. For 2011, all 8 of the proved undeveloped locations in the Lost Tank field in the reserve report have been drilled. Enduro Sponsor has not scheduled any additional proved undeveloped projects for the Permian Basin region in the reserve report after 2011.

#### **2012 Capital Budget**

Enduro Sponsor's capital budget for the Underlying Properties in 2012 is estimated to be \$19.6 million, of which \$17.8 million is expected to be invested in the East Texas/North Louisiana region and \$1.8 million is expected to be invested in the Permian Basin. These projects could maintain or increase future distributions to the trust unitholders.

In the East Texas/North Louisiana region, Enduro Sponsor's capital budget is expected to be \$17.8 million in 2012. Investments in this region will mainly flow into Haynesville Shale drilling projects in Caddo and De Soto Parishes in Louisiana. Enduro Sponsor believes its acreage in the Haynesville Shale area has significant upside potential. A majority of the 640 acre sections owned by Enduro Sponsor have only one producing well, which leaves 7 additional locations per section (assuming 80-acre spacing) to drive growth in this area for years to come.

In the Permian Basin, Enduro Sponsor's capital budget is expected to be \$1.8 million in 2012, including the North Cowden CO<sub>2</sub> projects. Past projects have typically targeted the Wolfcamp, Wolfberry, Cherry Canyon and San Andres zones. Enduro Sponsor also owns an interest in other prospective CO<sub>2</sub> units in the Permian Basin, with neighboring units being successfully flooded or expanded into units owned by Enduro Sponsor. The operators of these producing units have extensive experience in implementing CO<sub>2</sub> floods, which increase production.

#### **Other**

Any additional incremental revenue received by Enduro Sponsor from additional production resulting from future capital expenditures could have the effect of increasing future distributions to the trust unitholders. No assurance can be given, however, that any development well will produce in commercial quantities or that the characteristics of any development well will match the characteristics of the Third Party Operators' or Enduro Sponsor's existing wells or historical drilling success rate.

#### **Reserve Reports**

*Technologies.* The reserve reports were prepared using production performance decline curve analyses to determine the reserves of the Underlying Properties in Texas, Louisiana and New Mexico. After estimating the reserves of each proved developed property, it was determined that a reasonable level of certainty exists with respect to the reserves which can be expected from any individual undeveloped well in the field. The consistency of reserves attributable to the proved developed wells in Texas, Louisiana and New Mexico, which cover a wide area, further supports proved undeveloped classification.

The proved undeveloped locations in the Underlying Properties are direct offsets of other producing wells. Data from both Enduro Sponsor and offset operators with which Enduro Sponsor has exchanged technical data demonstrate a consistency in this resource play over an area much larger than the Underlying Properties. In addition, information from other producing wells has also been used to analyze reservoir properties such as porosity, thickness and stratigraphic conformity.

*Internal controls.* Cawley Gillespie, the independent petroleum engineering consultant, estimated all of the proved reserve information for the Underlying Properties in this registration statement in accordance with appropriate engineering, geologic and evaluation principles and techniques that are in accordance with practices generally accepted in the petroleum industry, and definitions and guidelines

established by the SEC. These reserves estimation methods and techniques are widely taught in university petroleum curricula and throughout the industry's ongoing training programs. Although these engineering, geologic and evaluation principles and techniques are based upon established scientific concepts, the application of such principles and techniques involves extensive judgment and is subject to changes in existing knowledge and technology, economic conditions and applicable statutory and regulatory provisions. These same industry-wide applied techniques are used in determining estimated reserve quantities. The technical person primarily responsible for overseeing preparation of the reserves estimates and the third party reserve reports is John W. Arms, Enduro Sponsor's Executive Vice President and Chief Operating Officer. Mr. Arms received a Bachelor of Science in Petroleum Engineering from the Colorado School of Mines in 1991. Prior to co-founding Enduro Sponsor, Mr. Arms was Senior Vice President of Acquisitions for EAC. Mr. Arms has over 20 years of experience working in various capacities in the energy industry, including acquisition analysis, reserve estimation, reservoir engineering and operations engineering. Mr. Arms consults regularly with Cawley Gillespie during the reserve estimation process to review properties, assumptions and relevant data. Additionally, Enduro Sponsor's senior management has reviewed and approved all Cawley Gillespie summary reserve reports contained in this prospectus.

The independent petroleum engineer's report as to the proved oil and natural gas reserves as of December 31, 2010 were prepared by Cawley Gillespie. Cawley Gillespie, whose firm registration number is F-693, was founded in 1961 and is a leader in the evaluation of oil and gas properties. The technical person at Cawley Gillespie primarily responsible for overseeing the reserve estimate with respect to Enduro Sponsor, the Underlying Properties and the Net Profits Interest attributable to the trust is Robert D. Ravnaas. Mr. Ravnaas has been a petroleum consultant for Cawley Gillespie since 1983, and became Executive Vice President in 1999. He is a registered professional engineer in the State of Texas (license no. 61304) and a graduate of the University of Texas with an M.S. in Petroleum Engineering. In addition, Mr. Ravnaas received a B.Sc. with special honors in Chemical Engineering from the University of Colorado.

Cawley Gillespie estimated oil and natural gas reserves attributable to Enduro Sponsor, the Underlying Properties and the Net Profits Interest as of December 31, 2010. Numerous uncertainties are inherent in estimating reserve volumes and values, and the estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production of the reserves may vary significantly from the original estimates.

The discounted estimated future net revenues presented below were prepared using the twelve month unweighted arithmetic average of the first-day-of-the-month price for the period from January 1, 2010 through December 1, 2010, without giving effect to any hedge transactions, and were held constant for the life of the properties. This yielded a price for oil of \$79.43 per barrel and a price for natural gas of \$4.37 per MMBtu. Oil equivalents in the table are the sum of the Bbls of oil and the Boe of the stated Mcfs of natural gas, calculated on the basis that six Mcfs of natural gas is the energy equivalent of one Bbl of oil. The estimated future net revenues attributable to the Net Profits Interest as of December 31, 2010 are net of the trust's proportionate share of all estimated costs deducted from revenue pursuant to the terms of the conveyance creating the Net Profits Interest. Because oil and natural gas prices are influenced by many factors, use of the twelve month unweighted arithmetic average of the first-day-of-the-month price for the period from January 1, 2010 through December 1, 2010, as required by the SEC, may not be the most accurate basis for estimating future revenues of reserve data. Future net cash flows are discounted at an annual rate of 10%. There is no provision for federal income taxes with respect to the future net cash flows attributable to the Underlying Properties or the Net Profits Interest because future net revenues are not subject to taxation at the Enduro Sponsor or trust level.

*Proved reserves of Underlying Properties.* The following table sets forth, as of December 31, 2010, certain estimated proved reserves, estimated future net revenues and the discounted present value thereof attributable to the Underlying Properties, 80% of the Underlying Properties and the Net Profits Interest, in each case derived from the reserve reports.

	<u>Underlying Properties<sup>(1)</sup></u>	<u>80% of the Underlying Properties<sup>(2)</sup></u> <i>(in thousands)</i>	<u>Net Profit Interests</u>
Proved Reserves			
Oil (MBbls) <sup>(3)</sup>	12,766	10,213	5,642
Natural Gas (MMcf)	82,242	65,794	41,407
Oil Equivalents (Mboe) <sup>(4)</sup>	26,473	21,178	12,543
Future Net Revenue	\$ 1,330,352	\$ 1,064,282	\$ 609,445
Future Production Cost	\$ 571,492	\$ 457,194	\$ 48,524 <sup>(5)</sup>
Future Development Cost	\$ 57,674	\$ 46,139	\$ —
Future Net Income	\$ 701,186	\$ 560,921	\$ 560,921
Present Value at 10% Discount Rate <sup>(6)</sup>	\$ 349,169	\$ 279,397	\$ 279,397
Standardized Measure of Discounted Future Net Cash Flows	\$ 349,169	\$ 279,397	\$ 279,397

(1) Reserve volumes and estimated future net revenues for the Underlying Properties reflect volumes and revenues attributable to Enduro Sponsor's net interests in the properties comprising the Underlying Properties.

(2) Reflects 80% of the proved reserves and future net revenues, production and development costs, net income and present value attributable to the Underlying Properties expected to be produced based on the reserve report.

(3) Proved reserves for oil include volumes for NGLs (MBbls) of 183 MBbls, 146 MBbls and 101 MBbls attributable to the Underlying Properties, 80% of the Underlying Properties and the Net Profits Interest, respectively.

(4) The proved reserves for 80% of the Underlying Properties and the Net Profits Interest of 21,178 Mboe and 12,543 Mboe differ by 8,635 Mboe. Proceeds from the sale of the 8,635 Mboe will be used to cover 80% of the future production and development costs attributable to the Underlying Properties for the benefit of the trust.

(5) Future production costs for the Net Profits Interest consist solely of severance taxes and ad valorem taxes attributable to the trust.

(6) The present values of the future net revenues for the Underlying Properties and the Net Profits Interest were determined using a discount rate of 10% per annum. As of December 31, 2010, Enduro Sponsor was structured as a limited liability company. Accordingly, no provision for federal or state income taxes has been provided because taxable income was passed through to the members of Enduro Sponsor.

As proved reserves are evaluated using only direct costs such as production costs, production taxes, work-over, gathering and processing, transportation and drilling costs, if applicable, and other costs such as general and administrative, depreciation, depletion and amortization, interest and derivative losses are not included, the attribution of proved reserves is not necessarily a sign of future overall corporate profitability.

The development in the Haynesville Shale and Lower Cotton Valley is new and the horizontal wells have a short production history. Therefore, Enduro Sponsor has limited the production forecast from this play to a 25-year well life for its horizontal Haynesville Shale and Lower Cotton Valley wells. Other Underlying Properties' proved reserves are not associated with this new horizontal gas well development. The unassociated wells and units in the Underlying Properties are vertical completions

with older, more mature oil and natural gas production. Enduro Sponsor has limited production forecasts for this type of property to a maximum 50-year producing life. All of Enduro Sponsor's assets in the proved reserve reports are handled using one of the two methods described above.

**Changes in Estimated Proved Reserves**

The following table summarizes the changes in estimated proved reserves of the Underlying Properties for the periods indicated. The data is presented assuming Enduro Sponsor owned all the Underlying Properties as of December 31, 2007.

	Oil (MBbls)	Natural Gas (MMcf)	Oil Equivalents (MBoe)
<b>Proved Reserves:</b>			
Balance, January 1, 2008	16,177	67,009	27,345
Revisions of prior estimates <sup>(1)</sup>	(4,374)	23,731	(419)
Production	(1,084)	(8,868)	(2,562)
Balance, December 31, 2008	10,719	81,872	24,364
Revisions of prior estimates <sup>(1)</sup>	2,466	2,705	2,917
Production	(1,016)	(8,455)	(2,425)
Balance, December 31, 2009	12,169	76,122	24,856
Revisions of prior estimates <sup>(1)</sup>	1,536	13,291	3,751
Production	(939)	(7,171)	(2,134)
Balance, December 31, 2010	12,766	82,242	26,473
<b>Proved Developed Reserves:</b>			
Balance, December 31, 2008	10,674	67,164	21,868
Balance, December 31, 2009	12,124	57,010	21,626
Balance, December 31, 2010	12,387	50,483	20,801
<b>Proved Undeveloped Reserves:</b>			
Balance, December 31, 2008	45	14,708	2,496
Balance, December 31, 2009	45	19,112	3,230
Balance, December 31, 2010	379	31,759	5,672

<sup>(1)</sup> The Underlying Properties include a portion of the assets in East Texas and North Louisiana acquired by Enduro Sponsor from Denbury in December 2010, and all of the assets in the Permian Basin of New Mexico and West Texas acquired by Enduro Sponsor from Samson and ConocoPhillips in January 2011 and February 2011, respectively. Because Enduro Sponsor did not own the Underlying Properties prior to December 31, 2009, it does not have a detailed reserve reconciliation for the Underlying Properties for that period. Instead, Enduro Sponsor has used reserve information as derived from EAC's 2008 and 2009 reserve reports, as well as its own reserve report for 2010, and rolled back the data from December 31, 2010 to December 31, 2009 and subsequently to December 31, 2008 for the ConocoPhillips and the Samson acquisitions.

During 2008, there were 150 wells drilled on the Underlying Properties. In the East Texas/North Louisiana region, there were 71 natural gas wells drilled. In the Permian Basin region, 79 vertical oil and natural gas wells were drilled in various fields and formations. The level and success of natural gas well drilling in the Cotton Valley and Hosston formations in East Texas/North Louisiana had a significant impact on the positive revision for natural gas reserves in 2008. There were no Haynesville Shale wells drilled in 2008.

During 2009, there were 49 wells drilled on the Underlying Properties. In the East Texas/North Louisiana region, there were eight natural gas wells drilled with four of these wells being drilled to the



Haynesville Shale. In the Permian Basin region, 38 vertical oil and natural gas wells were drilled in various fields and formations. As a result of the drop in the level of the vertical well drilling activity in East Texas/North Louisiana, natural gas reserve revisions were less in 2009.

During 2010, there were 66 wells drilled on the Underlying Properties. In the East Texas/North Louisiana region, there were 11 natural gas wells drilled. In the Permian Basin region, there were 55 oil and natural gas wells drilled vertically. The natural gas reserve revisions were greater than in 2008 and 2009 due to 11 horizontal wells being drilled in the Haynesville Shale in the East Texas/North Louisiana region in 2010.

The combination of a changing price environment together with successful drilling and growth in the Haynesville Shale has caused these fluctuations.

#### **Reserve Estimates**

Enduro Sponsor has not filed reserve estimates covering the Underlying Properties with any other federal authority or agency.

#### **Changes in Proved Undeveloped Reserves**

##### ***Permian Basin Region***

In the Permian Basin region, ConocoPhillips received notice in October 2010 of an intent to drill in the Lost Tank field in New Mexico. After significant preparations were made by the operator to drill the wells, Enduro Sponsor recognized eight proved undeveloped well locations in the Lost Tank field in the 2010 reserve report, which represented 595 MBoe of reserves.

In the Permian Basin region, all eight proved undeveloped well locations in the 2010 reserve report relating to the Underlying Properties have been or are in the process of being drilled in 2011. This drilling activity will result in the movement of 595 MBoe of reserves from proved undeveloped in 2010 to proved developed in 2011 at a development cost of \$4 million. Another 12 wells have been spud in 2011. These 12 wells are not included in the proved undeveloped category in future years in the Permian Basin region.

##### ***East Texas/North Louisiana Region***

On Enduro Sponsor's acreage, in 2008, there were 71 gross (21.9 net) wells drilled in the area characterized mainly by vertical Hosston, Cotton Valley and Travis Peak infill development drilling. There were no horizontal Haynesville Shale wells drilled in 2008 on the Underlying Properties. However, based in part on the success of drilling offset to Enduro Sponsor's acreage, Third Party Operators drilled 8 gross (1.3 net) wells, 4 of which were drilled horizontally to the Haynesville Shale formation in 2009. In 2010, the drilling pace increased with 11 gross (1.0 net) horizontal wells to the Haynesville Shale formation at a capital cost of \$9.5 million. As a result of the drilling activity in 2009 and 2010 and the positive results from that activity, Enduro Sponsor added 14 proved undeveloped well locations in the Haynesville Shale on its acreage in the 2010 reserve report relating to the Underlying Properties, which contributed significantly to the increase in Enduro Sponsor's proved undeveloped reserves from 2008 to 2010.

Since December 31, 2010, progress has been made to develop proved undeveloped reserves. In the East Texas/North Louisiana region, two of the four wells scheduled for 2011 have been drilled in the Haynesville Shale, which will move 136 MBoe of proved undeveloped reserves in 2010 at a capital cost of \$1.6 million to the proved developed category in 2011, representing 47% of the proved undeveloped reserves for 2011 in the Kingston and Elm Grove fields. Another 16 wells have been spud or have drilling in progress and eight more wells have been proposed and approved by Enduro Sponsor for the Haynesville Shale in 2011. Of these 26 wells, three wells represent 361 MBoe of reserves (88% of the proved undeveloped reserves for 2011) and are included in the proved undeveloped category for future years in the East Texas/North Louisiana region.

#### **Development of Proved Undeveloped Reserves**

All proved undeveloped locations are scheduled to be spud within the next five years. Enduro Sponsor does not recognize proved undeveloped reserves beyond five years.

#### **Sale and Abandonment of Underlying Properties**

The operators of the Underlying Properties or any transferee will have the right to abandon its interest in any well or property if it reasonably believes a well or property ceases to produce or is not capable of producing in commercially paying quantities. Upon termination of the lease, the portion of the Net Profits Interest relating to the abandoned property will be extinguished.

Enduro Sponsor generally may sell all or a portion of its interests in the Underlying Properties, subject to and burdened by the Net Profits Interest, without the consent of the trust unitholders. In addition, Enduro Sponsor may, without the consent of the trust unitholders, require the trust to release the Net Profits Interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the Underlying Properties in the prior 12 months and provided that the Net Profits Interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by Enduro Sponsor to a non-affiliate of the relevant Underlying Properties and are conditioned upon the trust receiving an amount equal to the fair value to the trust of such Net Profits Interest. Enduro Sponsor has not identified for sale any of the Underlying Properties.

#### **Hydraulic Fracturing**

As of December 31, 2010, all of the total proved reserves associated with the Underlying Properties within the East Texas/North Louisiana region were operated by third party oil and natural gas companies. These Third Party Operators often use hydraulic fracturing as a means to maximize the productivity of oil and natural gas wells. Hydraulic fracturing involves the injection of water, sand and additives under pressure into rock formations in order to stimulate natural gas production. The Third Party Operators often find that the use of hydraulic fracturing is necessary to produce commercial quantities of oil and natural gas from the Haynesville Shale. Many of the Third Party Operators have made extensive public disclosure regarding their hydraulic fracturing activities.

All of Enduro Sponsor's acreage in the East Texas/North Louisiana region, or 4,113 net acres, representing approximately 39.7% of the proved reserves associated with the Underlying Properties as of December 31, 2010, is subject to hydraulic fracturing. Although the cost of each well will vary, on average approximately 40% of the total cost of drilling and completing a well to the Haynesville Shale formation is associated with hydraulic fracturing activities. These costs are treated in the same way that all other costs of drilling and completing Enduro Sponsor's wells are treated and are built into Enduro Sponsor's normal capital expenditure budget, which is funded through operating cash flows or borrowings under its revolving credit facility. Enduro Sponsor owns an average 26.2% working interest in the Haynesville Shale formations associated with the Underlying Properties. Enduro Sponsor has a total \$25 million capital expenditure budget for the East Texas/North Louisiana region, approximately \$10 million of which is budgeted for hydraulic fracturing activities.

To Enduro Sponsor's knowledge, there have not been any incidents, citations or suits related to fracturing operations related to environmental concerns on the Underlying Properties. The protection of groundwater quality is extremely important to Enduro Sponsor. Enduro Sponsor has reviewed with the Third Party Operators their responsibilities, plans and policies regarding oil and gas operations and the environment, including hydraulic fracturing. These operators have provided detailed information in their publicly filed documents and on their websites regarding hydraulic fracturing. Enduro Sponsor believes that all of the Third Party Operators using hydraulic fracturing in the East Texas/North Louisiana region follow applicable standard industry practices and legal requirements for groundwater protection. These measures are subject to close supervision by state and federal regulators (including the Bureau of Land Management with respect to federal acreage), who conduct many inspections

during operations that include hydraulic fracturing. These protective measures include using steel casing pipe and concrete in well construction.

Once a pipe is set in place, cement is pumped into the well where it hardens and creates a permanent, isolating barrier between the steel casing pipe and surrounding geological formations. This aspect of the well design is intended to eliminate any "pathway" for the fracturing fluid to contact any aquifers during the hydraulic fracturing operations. Furthermore, in the Haynesville Shale, the hydrocarbon bearing formations are generally separated from any usable underground aquifers by thousands of feet of impermeable rock layers. This wide separation serves as a protective barrier, preventing any migration of fracturing fluids or hydrocarbons upwards into any groundwater zones.

In addition, the vendors conducting hydraulic fracturing in the East Texas/North Louisiana region monitor all pump rates and pressures during the fracturing treatments. This monitoring occurs on a real-time basis to identify abrupt changes in rate or pressure, which permits the operator to modify or cease the fracturing process.

Approximately 99% of typical hydraulic fracturing fluids are made up of water and sand. The Third Party Operators utilize major hydraulic fracturing service companies whose research departments, in cooperation with some Third Party Operators, conduct ongoing development of "greener" chemicals that are used in fracturing.

Many Third Party Operators have made arrangements to source a portion of their water needs from recycled industrial waste water. The Third Party Operators are also currently investigating the technology to recycle a significant percentage of the water recovered from hydraulic fracturing operations in the East Texas/North Louisiana region. This recycling greatly lessens the demand on local natural water resources. Enduro Sponsor believes that any water from hydraulic fracturing operations in the East Texas/North Louisiana region that is not recycled is disposed of in a way that does not impact surface waters, generally by means of approved disposal or injection wells. Enduro Sponsor currently does not intentionally discharge any waters to the surface. The Third Party Operators employ other procedures to reduce the impact of water discharge, including ensuring that produced water is contained in surface tanks or open pits that are properly lined to prevent produced water from being released into the environment. Enduro Sponsor supports the Third Party Operators' activities to operate responsibly and prudently. In many cases, Enduro Sponsor has joint operating agreements that require the operator to act prudently with respect to safety and the environment.

For more information on the risks of hydraulic fracturing, please read "Risk Factors — The operations of the Underlying Properties are subject to environmental laws and regulations that could adversely affect the cost, manner or feasibility of conducting operations on them or result in significant costs and liabilities, which could reduce the amount of cash available for distribution to trust unitholders." and "Risk Factors — Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as adversely affect the services of the operators of the Underlying Properties."

#### **Marketing and Post-Production Services**

Pursuant to the terms of the conveyance creating the Net Profits Interest, Enduro Sponsor will have the responsibility to market, or cause to be marketed, the oil and natural gas production attributable to the Net Profits Interest in the Underlying Properties. The terms of the conveyance restrict Enduro Sponsor from charging any fee for marketing production attributable to the Net Profits Interest other than fees for marketing paid to non-affiliates. Accordingly, a marketing fee will not be deducted (other than fees paid to non-affiliates) in the calculation of the Net Profits Interest's share of net profits. The net profits to the trust from the sales of oil and natural gas production from the Underlying Properties attributable to the Net Profits Interest will be determined based on the same price that Enduro Sponsor receives for sales of oil and natural gas production attributable to Enduro Sponsor's interest in the Underlying Properties. However, in the event that the oil or natural gas is processed, the net profits will receive the same processing upgrade or downgrade as Enduro Sponsor.

During the year ended December 31, 2010, the operators of the Underlying Properties sold the oil produced from the Underlying Properties to third-party crude oil purchasers. Oil production from the Underlying Properties is typically transported by truck from the field to the closest gathering facility or refinery. The operators sell the majority of the oil production from the Underlying Properties under contracts using market sensitive pricing. The price received by the operators for the oil production from the Underlying Properties is usually based on a regional price applied to equal daily quantities in the month of delivery that is then reduced for differentials based upon delivery location and oil quality. Enduro Sponsor does not believe that the loss of any of these parties as a purchaser of crude oil production from the Underlying Properties would have a material impact on the business or operations of Enduro Sponsor or the Underlying Properties because of the competitive marketing conditions in Texas, Louisiana and New Mexico.

All natural gas produced by the operators is marketed and sold to third-party purchasers. The natural gas is sold pursuant to contracts with such third parties, and the sales contracts are in their secondary terms and are on a month-to-month basis. In all cases, the contract price is based on a percentage of a published regional index price, after adjustments for Btu content, transportation and related charges.

#### **Title to Properties**

The properties comprising the Underlying Properties are or may be subject to one or more of the burdens and obligations described below. To the extent that these burdens and obligations affect Enduro Sponsor's rights to production or the value of production from the Underlying Properties, they have been taken into account in calculating the trust's interests and in estimating the size and the value of the reserves attributable to the Underlying Properties.

Enduro Sponsor's interests in the oil and natural gas properties comprising the Underlying Properties are typically subject, in one degree or another, to one or more of the following:

- royalties and other burdens, express and implied, under oil and natural gas leases and other arrangements;
- overriding royalties, production payments and similar interests and other burdens created by Enduro Sponsor's predecessors in title;
- a variety of contractual obligations arising under operating agreements, farm-out agreements, production sales contracts and other agreements that may affect the Underlying Properties or their title;
- liens that arise in the normal course of operations, such as those for unpaid taxes, statutory liens securing unpaid suppliers and contractors and contractual liens under operating agreements that are not yet delinquent or, if delinquent, are being contested in good faith by appropriate proceedings;
- pooling, unitization and communitization agreements, declarations and orders;
- easements, restrictions, rights-of-way and other matters that commonly affect property;
- conventional rights of reassignment that obligate Enduro Sponsor to reassign all or part of a property to a third party if Enduro Sponsor intends to release or abandon such property;
- preferential rights to purchase or similar agreements and required third party consents to assignments or similar agreements;
- obligations or duties affecting the Underlying Properties to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules, regulations and orders of any governmental authority; and

- rights reserved to or vested in the appropriate governmental agency or authority to control or regulate the Underlying Properties and also the interests held therein, including Enduro Sponsor's interests and the Net Profits Interest.

Enduro Sponsor believes that the burdens and obligations affecting the properties comprising the Underlying Properties are conventional in the industry for similar properties. Enduro Sponsor also believes that the existing burdens and obligations do not, in the aggregate, materially interfere with the use of the Underlying Properties and will not materially adversely affect the Net Profits Interest or its value.

In order to give third parties notice of the Net Profits Interest, Enduro Sponsor will record the conveyance of the Net Profits Interest in Texas, Louisiana and New Mexico in the real property records in each Texas, Louisiana or New Mexico county in which the Underlying Properties are located, or in such other public records of those states as required under applicable law to place third parties on notice of the conveyance.

It is well-established under Texas law that the conveyance of a net profits interest constitutes the conveyance of a presently vested, non-possessory interest in real property. Therefore, Enduro Sponsor and the trust believe that, in a bankruptcy of Enduro Sponsor, the Net Profits Interest would be viewed as a separate property interest under Texas law and, as such, outside of Enduro Sponsor's bankruptcy estate. Likewise, Enduro Sponsor and the trust believe that the Net Profits Interest would be viewed as a separate property interest under the laws of Louisiana and outside of Enduro Sponsor's bankruptcy estate. Since enactment of the Louisiana Mineral Code in 1975, Louisiana courts have classified an overriding royalty interest as a real right and an incorporeal immovable (similar to a real property interest). Although there are no reported Louisiana court cases addressing whether a net profits interest, carved out of the interest of a mineral lessee under an oil and gas lease, should be similarly classified as a real right and an incorporeal immovable, a 1972 Colorado federal court applying Louisiana law did conclude that such a net profits interest was comparable to an overriding royalty interest and, thus, was properly so classified. Similarly, Enduro Sponsor and the trust believe that a New Mexico court would rule that the conveyance of a net profits interest constitutes a conveyance of a real property interest. While no New Mexico case has clearly defined the nature of a "net profits interest" independent of the creating instrument, New Mexico case law has held that an overriding royalty interest in a mineral lease is a real property interest under New Mexico law. The 10th Circuit Court of Appeals has held that a net profits interest is "similar to" an overriding royalty interest. Given that the conveyance of the Net Profits Interest will contain a provision stating that it is the express intent of the parties that the conveyance of the Net Profits Interest constitutes a conveyance of a royalty interest in real property, in the event of a bankruptcy on the part of Enduro Sponsor, under New Mexico law, the Net Profits Interest would likely not be treated as part of Enduro Sponsor's bankruptcy estate. Further, it is relevant that Enduro Sponsor and the trust have structured the Net Profits Interest as an overriding royalty interest in gross production payable on the basis of net profits. Nevertheless, the outcome is not certain given that there are not any dispositive Louisiana or New Mexico Supreme Court cases directly concluding that a conveyance of a net profits interest: (i) in the case of Louisiana, constitutes the conveyance of a real right and an incorporeal immovable (similar to a real property interest) or (ii) in the case of New Mexico, constitutes the conveyance of a real property interest. As such, in a bankruptcy of Enduro Sponsor, to the extent Louisiana or New Mexico law were held to be applicable, the Net Profits Interest might be considered an asset of the bankruptcy estate and used to satisfy obligations to creditors of Enduro Sponsor, in which case the trust would be an unsecured creditor of Enduro Sponsor at risk of losing the entire value of the Net Profits Interest to senior creditors.

Enduro Sponsor believes that its title to the Underlying Properties is, and the trust's title to the Net Profits Interest will be, good and defensible in accordance with standards generally accepted in the oil and gas industry, subject to such exceptions as are not so material to detract substantially from the use or value of such properties or royalty interests. Under the terms of the conveyance creating the Net Profits Interest, Enduro Sponsor has provided a special warranty of title with respect to the Net Profits

Interest, subject to the burdens and obligations described in this section. Please see "Risk Factors — The trust units may lose value as a result of title deficiencies with respect to the Underlying Properties."

### **Competition and Markets**

The oil and natural gas industry is highly competitive. Enduro Sponsor competes with major oil and natural gas companies and independent oil and natural gas companies for oil and natural gas, equipment, personnel and markets for the sale of oil and natural gas. Many of these competitors are financially stronger than Enduro Sponsor, but even financially troubled competitors can affect the market because of their need to sell oil and natural gas at any price to attempt to maintain cash flow. The trust will be subject to the same competitive conditions as Enduro Sponsor and other companies in the oil and natural gas industry.

Oil and natural gas compete with other forms of energy available to customers, primarily based on price. These alternate forms of energy include electricity, coal and fuel oils. Changes in the availability or price of oil, natural gas or other forms of energy, as well as business conditions, conservation, legislation, regulations and the ability to convert to alternate fuels and other forms of energy may affect the demand for oil and natural gas.

Future price fluctuations for oil and natural gas will directly impact trust distributions, estimates of reserves attributable to the trust's interests and estimated and actual future net revenues to the trust. In view of the many uncertainties that affect the supply and demand for oil and natural gas, neither the trust nor Enduro Sponsor can make reliable predictions of future oil and natural gas supply and demand, future product prices or the effect of future product prices on the trust.

### **Environmental Matters and Regulation**

*General.* The oil and natural gas exploration and production operations of Enduro Sponsor are subject to stringent and comprehensive federal, regional, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose significant obligations on Enduro Sponsor's operations, including requirements to:

- obtain permits to conduct regulated activities;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas;
- restrict the types, quantities and concentration of materials that can be released into the environment in the performance of drilling and production activities;
- initiate investigatory and remedial measures to mitigate pollution from former or current operations, such as restoration of drilling pits and plugging of abandoned wells;
- apply specific health and safety criteria addressing worker protection; and
- impose substantial liabilities on Enduro Sponsor for pollution resulting from Enduro Sponsor's operations.

Failure to comply with environmental laws and regulations may result in the assessment of administrative, civil and criminal sanctions, including monetary penalties, the imposition of joint and several liability, investigatory and remedial obligations, and the issuance of injunctions limiting or prohibiting some or all of Enduro Sponsor's operations. Moreover, these laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise be possible. The regulatory burden on the oil and natural gas industry increases the cost of doing business in the industry and consequently affects profitability. Enduro Sponsor believes that it is in substantial compliance with all existing environmental laws and regulations applicable to its current operations

and that its continued compliance with existing requirements will not have a material adverse effect on the cash distributions to the trust unitholders. However, the clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly construction, drilling, water management, completion, emission or discharge limits or waste handling, disposal or remediation obligations could have a material adverse effect on Enduro Sponsor's development expenses, results of operations and financial position. Enduro Sponsor may be unable to pass on those increases to its customers. Moreover, accidental releases or spills may occur in the course of Enduro Sponsor's operations, and Enduro Sponsor cannot assure you that it will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for damage to property, natural resources or persons.

The following is a summary of certain existing environmental, health and safety laws and regulations, each as amended from time to time, to which Enduro Sponsor's business operations are subject.

*Hazardous substance and wastes.* The Comprehensive Environmental Response, Compensation and Liability Act, or "CERCLA," also known as the Superfund law, and comparable state laws impose liability without regard to fault or the legality of the original conduct on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. Under CERCLA, these "responsible persons" may include the owner or operator of the site where the release occurred, and entities that transport, dispose of or arrange for the transport or disposal of hazardous substances released at the site. These responsible persons may be subject to joint and several strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third-parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. Enduro Sponsor generates materials in the course of its operations that may be regulated as hazardous substances.

The Resource Conservation and Recovery Act, or "RCRA," and comparable state laws regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the EPA, most states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced waters and most of the other wastes associated with the exploration, production and development of crude oil or natural gas are currently regulated under RCRA's non-hazardous waste provisions. However, it is possible that certain oil and natural gas exploration and production wastes ("E&P Wastes") now classified as non-hazardous could be classified as hazardous wastes in the future. In September 2010, the Natural Resources Defense Council filed a petition with the EPA to request reconsideration of the exemption of E&P Wastes from regulation as hazardous waste under RCRA (which could also affect E&P Wastes' regulation under other environmental laws, including CERCLA). Any such change could result in an increase in the costs to manage and dispose of wastes, which could have a material adverse effect on the cash distributions to the trust unitholders. In addition, Enduro Sponsor generates industrial wastes in the ordinary course of its operations that may be regulated as hazardous wastes.

The real properties upon which Enduro Sponsor conducts its operations have been used for oil and natural gas exploration and production for many years. Although Enduro Sponsor may have utilized operating and disposal practices that were standard in the industry at the time, petroleum hydrocarbons and wastes may have been disposed of or released on or under the real properties upon which Enduro Sponsor conducts its operations, or on or under other, offsite locations, where these petroleum hydrocarbons and wastes have been taken for recycling or disposal. In addition, the real properties upon which Enduro Sponsor conducts its operations may have been operated by third

parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes or hydrocarbons was not under Enduro Sponsor's control. These real properties and the petroleum hydrocarbons and wastes disposed or released thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, Enduro Sponsor could be required to remove or remediate previously disposed wastes, to clean up contaminated property and to perform remedial operations such as restoration of pits and plugging of abandoned wells to prevent future contamination or to pay some or all of the costs of any such action.

*Water discharges and hydraulic fracturing.* The Federal Water Pollution Control Act, also known as the "Clean Water Act," and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil, into federal and state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by EPA or an analogous state agency. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations. Spill prevention, control and countermeasure, or SPCC, plan requirements imposed under the Clean Water Act require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a hydrocarbon tank spill, rupture or leak. In addition, the Clean Water Act and analogous state laws required individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. The Oil Pollution Act of 1990, as amended, or OPA, amends the Clean Water Act and establishes strict liability and natural resource damages liability for unauthorized discharges of oil into waters of the United States. OPA requires owners or operators of certain onshore facilities to prepare Facility Response Plans for responding to a worst case discharge of oil into waters of the United States.

In addition, naturally occurring radioactive material ("NORM") is brought to the surface in connection with oil and gas production. Concerns have arisen over traditional NORM disposal practices (including discharge through publicly owned treatment works into surface waters), which may increase the costs associated with management of NORM.

It is customary to recover oil and natural gas from deep shale and tight sand formations through the use of hydraulic fracturing, combined with sophisticated horizontal drilling. Hydraulic fracturing involves the injection of water, sand and chemical additives under pressure into rock formations to stimulate gas production. Due to public concerns raised regarding potential impacts of hydraulic fracturing on groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated to require or make more stringent the permitting and compliance requirements for hydraulic fracturing operations. Legislation called the FRAC Act has been introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. The EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with results of the study anticipated to be available by late 2012. The results of this study could spur further action toward federal legislation and regulation of hydraulic fracturing activities. Other federal agencies are examining hydraulic fracturing, including the U.S. DOE, the U.S. Government Accountability Office and the White House Council for Environmental Quality, and the U.S. Department of the Interior is also considering regulation of hydraulic fracturing activities on public lands. In addition, legislation called the FRAC Act has been introduced in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Also some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances, including states in which Enduro Sponsor operates. For example, on June 17, 2011, Texas signed into law a bill that requires the disclosure of information regarding the substances used in the hydraulic fracturing process to the Railroad Commission of Texas (the entity that regulates oil and natural gas production) and the public. In addition, at least three local governments in Texas have imposed temporary moratoria on drilling permits within city limits so that local ordinances may be reviewed to assess their adequacy to address such activities. Disclosures of chemicals used in the



hydraulic fracturing process could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. If new laws or regulations that significantly restrict hydraulic fracturing are adopted, such legal requirements could make it more difficult or costly for Enduro Sponsor to perform hydraulic fracturing activities. Moreover, Enduro Sponsor believes that enactment of legislation regulating hydraulic fracturing at the federal level may have a material adverse effect on its business. In addition, the EPA recently took the position that hydraulic fracturing operations using diesel are subject to regulation under the Underground Injection Control program of the Safe Drinking Water Act as Class II wells. Such regulation could result in increased costs and operational delays for certain hydraulic fracturing operations.

*Air emissions.* The federal Clean Air Act and comparable state laws restrict the emission of air pollutants from many sources through air emissions permitting programs and also impose various monitoring and reporting requirements. These laws and regulations may require Enduro Sponsor to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or incur development expenses to install and utilize specific equipment or technologies to control emissions. For example, the EPA has proposed regulations to impose more stringent emissions control requirements for oil and gas development and production operations, which may require us, our operators, or third-party contractors to incur additional expenses to control air emissions from current operations and during new well developments by installing emissions control technologies and adhering to a variety of work practice and other requirements. Any such requirements could increase the costs of development and production, reducing the profits available to the trust and potentially impairing the economic development of the Underlying Properties. Obtaining permits has the potential to delay the development of oil and natural gas projects. Federal and state regulatory agencies may impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal Clean Air Act and associated state laws and regulations.

*Climate change.* Recent scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" or "GHGs," and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere. In response to the scientific studies, international negotiations to address climate change have occurred. The United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol," became effective on February 16, 2005 as a result of these negotiations, but the United States did not ratify the Kyoto Protocol. At the end of 2009, an international conference to develop a successor to the Kyoto Protocol issued a document known as the Copenhagen Accord. Pursuant to the Copenhagen Accord, the United States submitted a greenhouse gas emission reduction target of 17 percent compared to 2005 levels.

Both houses of Congress have actively considered legislation to reduce emissions of GHGs, and almost one-half of the states have already taken legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Most of these cap and trade programs work by requiring either major sources of emissions or major producers of fuels to acquire and surrender emission allowances, with the number of allowances available for purchase reduced each year until the overall GHG emission reduction goal is achieved. These allowances would be expected to escalate significantly in cost over time. Although it is not possible at this time to predict when Congress may pass climate change legislation, any future federal or state laws that may be adopted to address GHG emissions could require Enduro Sponsor to incur increased operating costs and could adversely affect demand for the oil and natural gas Enduro Sponsor produces.

In addition, on December 15, 2009, the EPA published its findings that emissions of GHGs present an endangerment to public health and the environment. These findings allow the EPA to adopt and implement regulations that would restrict emissions of GHGs under existing provisions of the federal Clean Air Act. The EPA has adopted two sets of regulations under the Clean Air Act. The first limits emissions of GHGs from motor vehicles beginning with the 2012 model year. The EPA has

asserted that these final motor vehicle GHG emission standards trigger Clean Air Act construction and operating permit requirements for stationary sources, commencing when the motor vehicle standards take effect on January 2, 2011. On June 3, 2010, the EPA published its final rule to address the permitting of GHG emissions from stationary sources under PSD and Title V permitting programs. This rule "tailors" these permitting programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting. It is widely expected that facilities required to obtain PSD permits for their GHG emissions also will be required to reduce those emissions according to "best available control technology" standards for GHG that have yet to be developed. In December 2010, the EPA promulgated Federal Implementation Plans to establish GHG permitting under the PSD program in several jurisdictions in which applicable State Implementation Plans did not accommodate the regulation of GHGs. In many other jurisdictions, applicable State Implementation Plans may provide for GHG permitting under the PSD program. In addition, on November 30, 2010, the EPA published its final rule expanding the existing GHG monitoring and reporting rule to include onshore and offshore oil and natural gas production facilities and onshore oil and natural gas processing, transmission, storage and distribution facilities. Reporting of GHG emissions from such facilities will be required on an annual basis, with reporting beginning in 2012 for emissions occurring in 2011. The Underlying Properties may be subject to these requirements or become subject to them in the future.

Because regulation of GHG emissions is relatively new, further regulatory, legislative and judicial developments are likely to occur. Such developments may affect how these GHG initiatives will impact Enduro Sponsor's operations. In addition to these regulatory developments, recent judicial decisions that have allowed certain tort claims alleging property damage to proceed against GHG emissions sources may increase Enduro Sponsor's litigation risk for such claims. The adoption of any future regulations that require reporting of GHGs or otherwise limit emissions of GHGs from the equipment and operations of Enduro Sponsor could require Enduro Sponsor to incur costs to monitor and report on GHG emissions or reduce emissions of GHGs associated with its operations, and such requirements also could adversely affect demand for the oil and natural gas that Enduro Sponsor produces.

Legislation or regulations that may be adopted to address climate change could also affect the markets for Enduro Sponsor's products by making its products more or less desirable than competing sources of energy. To the extent that its products are competing with higher greenhouse gas emitting energy sources, Enduro Sponsor's products would become more desirable in the market with more stringent limitations on greenhouse gas emissions. To the extent that its products are competing with lower greenhouse gas emitting energy, Enduro Sponsor's products would become less desirable in the market with more stringent limitations on greenhouse gas emissions. Enduro Sponsor cannot predict with any certainty at this time how these possibilities may affect its operations.

Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could adversely affect or delay demand for the oil or natural gas produced by Enduro Sponsor or otherwise cause Enduro Sponsor to incur significant costs in preparing for or responding to those effects.

*National Environmental Policy Act.* Oil and natural gas exploration, development and production activities on federal lands are subject to the National Environmental Policy Act, as amended, or NEPA. NEPA requires federal agencies, including the Department of the Interior, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an Environmental Assessment that assesses the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. However, for those current activities as well as for future or proposed exploration and development plans on

federal lands, governmental permits or authorizations that are subject to the requirements of NEPA are required. This process has the potential to delay the development of oil and natural gas projects.

*Endangered Species Act.* The federal Endangered Species Act, or "ESA," restricts activities that may affect endangered and threatened species or their habitats. The designation of previously unidentified endangered or threatened species could cause Enduro Sponsor to incur additional costs or become subject to operating delays, restrictions or bans in the affected areas. For example, the U.S. Fish and Wildlife Service has proposed to list as "endangered" the dunes sagebrush lizard (*Sceloporus arenicolus*), whose habitat is understood to include areas in West Texas and southeast New Mexico in which some of the Underlying Properties are located. While some of Enduro Sponsor's facilities or leased acreage may be located in areas that are or will be designated as habitat for endangered or threatened species, Enduro Sponsor believes that it is in substantial compliance with the ESA.

*Employee health and safety.* The operations of Enduro Sponsor are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, or "OSHA," and comparable state statutes, whose purpose is to protect the health and safety of workers. In addition, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. Enduro Sponsor believes that it is in substantial compliance with all applicable laws and regulations relating to worker health and safety.

## COMPUTATION OF NET PROFITS

The provisions of the conveyance governing the computation of the net profits are detailed and extensive. The following information summarizes the material information contained in the conveyance related to the computation of the net profits. This summary may not contain all information that is important to you. For more detailed provisions concerning the Net Profits Interest, you should read the conveyance. A copy of the conveyance has been filed as an exhibit to the registration statement. See "Where You Can Find More Information."

### Net Profits Interest

The amounts paid to the trust for the Net Profits Interest are based on, among other things, the definitions of "gross profits" and "net profits" contained in the conveyance and described below. Under the conveyance, net profits are computed monthly, and 80% of the aggregate net profits attributable to the sale of oil and natural gas production from the Underlying Properties for each calendar month will be paid to the trust on or before the end of the following month. Enduro Sponsor will not pay to the trust any interest on the net profits held by Enduro Sponsor prior to payment to the trust, provided that such payments are timely made. The trustee will make distributions to trust unitholders monthly. See "Description of the Trust Units — Distributions and Income Computations."

"*Gross profits*" means the aggregate amount received by Enduro Sponsor from sales of oil and natural gas produced from the Underlying Properties that are not attributable to a production month that occurs prior to May 1, 2011 (after deducting the appropriate share of all royalties and any overriding royalties, production payments and other similar charges (in each case, in existence as of May 1, 2011) and other than certain excluded proceeds, as described in the conveyance), including all proceeds and consideration received (i) directly or indirectly, for advance payments, (ii) directly or indirectly, under take-or-pay and similar provisions of production sales contracts (when credited against the price for delivery of production) and (iii) under balancing arrangements. Gross profits do not include consideration for the transfer or sale of any Underlying Property by Enduro Sponsor or any subsequent owner to any new owner, unless the Net Profits Interest is released (as is permitted under certain circumstances). Gross profit also does not include any amount for oil or natural gas lost in production or marketing or used by the owner of the Underlying Properties in drilling, production and plant operations.

"*Net profits*" means gross profits less the following costs, expenses and, where applicable, losses, liabilities and damages all as actually incurred by Enduro Sponsor and attributable to the Underlying Properties on or after May 1, 2011 but that are not attributable to a production month that occurs prior to May 1, 2011 (as such items are reduced by any offset amounts, as described in the conveyance):

- with the exception of certain costs and expenses related to 21 wells identified in the conveyance (please read "Projected Cash Distributions — Significant Assumptions Used to Prepare the Projected Cash Distributions — Net adjustment for additional projects"), all costs for (i) drilling, development, production and abandonment operations, (ii) all direct labor and other services necessary for drilling, operating, producing and maintaining the Underlying Properties and workovers of any wells located on the Underlying Properties, (iii) treatment, dehydration, compression, separation and transportation, (iv) all materials purchased for use on, or in connection with, any of the Underlying Properties and (v) any other operations with respect to the exploration, development or operation of hydrocarbons from the Underlying Properties;
- all losses, costs, expenses, liabilities and damages with respect to the operation or maintenance of the Underlying Properties for (i) defending, prosecuting, handling, investigating or settling litigation, administrative proceedings, claims, damages, judgments, fines, penalties and other liabilities, (ii) the payment of certain judgments, penalties and other liabilities, (iii) the payment or restitution of any proceeds of hydrocarbons from the Underlying Properties, (iv) complying with applicable local, state and federal statutes, ordinances, rules and regulations, (v) tax or royalty audits and (vi) any other loss, cost, expense, liability or damage with respect to the Underlying Properties not paid or reimbursed under insurance;

- all taxes, charges and assessments (excluding federal and state income, transfer, mortgage, inheritance, estate, franchise and like taxes) with respect to the ownership of, or production of hydrocarbons from, the Underlying Properties;
- all insurance premiums attributable to the ownership or operation of the Underlying Properties for insurance actually carried with respect to the Underlying Properties, or any equipment located on any of the Underlying Properties, or incident to the operation or maintenance of the Underlying Properties;
- all amounts and other consideration for (i) rent and the use of or damage to the surface, (ii) delay rentals, shut-in well payments and similar payments and (iii) fees for renewal, extension, modification, amendment, replacement or supplementation of the leases included in the Underlying Properties;
- all amounts charged by the relevant operator as overhead, administrative or indirect charges specified in the applicable operating agreements or other arrangements covering the Underlying Properties or Enduro Sponsor's operations with respect thereto;
- to the extent that Enduro Sponsor is the operator of certain of the Underlying Properties and there is no operating agreement covering such portion of the Underlying Properties, those overhead, administrative or indirect charges that are allocated by Enduro Sponsor to such portion of the Underlying Properties;
- if, as a result of the occurrence of the bankruptcy or insolvency or similar occurrence of any purchaser of hydrocarbons produced from the Underlying Properties, any amounts previously credited to the determination of the net profits are reclaimed from Enduro Sponsor, then the amounts reclaimed;
- all costs and expenses for recording the conveyance and, at the applicable times, terminations and/or releases thereof;
- all administrative hedge costs paid after June 30, 2011 (in respect of hedges existing prior to the date of the conveyance, as further described in the conveyance);
- all hedge settlement costs paid after June 30, 2011 (in respect of hedges existing prior to the date of the conveyance, as further described in the conveyance);
- amounts previously included in gross profits but subsequently paid as a refund, interest or penalty; and
- at the option of Enduro Sponsor (or any subsequent owner of the Underlying Properties), amounts reserved for approved development expenditure projects, including well drilling, recompletion and workover costs, which amounts will at no time exceed \$2.0 million in the aggregate, and will be subject to the limitations described below (provided that such costs shall not be debited from gross profits when actually incurred).

As mentioned above, the costs deducted in the net profits determination will be reduced by certain offset amounts. The offset amounts are further described in the conveyance, and include, among other things, certain net proceeds attributable to the treatment or processing of hydrocarbons produced from the Underlying Properties, all of the hedge payments received by Enduro Sponsor after June 30, 2011 from hedge contract counterparties upon settlement of hedge contracts and certain other non-production revenues, including salvage value for equipment related to plugged and abandoned wells. If the offset amounts exceed the costs during a monthly period, the ability to use such excess amounts to offset costs will be deferred and utilized as offsets in the next monthly period to the extent such amounts, plus accrued interest thereon, together with other offsets to costs, for the applicable month, are less than the costs arising in such month.

The trust is not liable to the owners of the Underlying Properties or the operators for any operating, capital or other costs or liabilities attributable to the Underlying Properties. In the event that the net profits

for any computation period is a negative amount, the trust will receive no payment for that period, and any such negative amount plus accrued interest will be deducted from gross profits in the following computation period for purposes of determining the net profits for that following computation period.

Gross profits and net profits are calculated on a cash basis, except that certain costs, primarily ad valorem taxes and expenditures of a material amount, may be determined on an accrual basis.

#### **Additional Provisions**

If a controversy arises as to the sales price of any production, then for purposes of determining gross profits:

- any proceeds that are withheld for any reason (other than at the request of Enduro Sponsor) are not considered received until such time that the proceeds are actually collected;
- amounts received and promptly deposited with a nonaffiliated escrow agent will not be considered to have been received until disbursed to it by the escrow agent; and
- amounts received and not deposited with an escrow agent will be considered to have been received.

The trustee is not obligated to return any cash received from the Net Profits Interest. Any overpayments made to the trust by Enduro Sponsor due to adjustments to prior calculations of net profits or otherwise will reduce future amounts payable to the trust until Enduro Sponsor recovers the overpayments plus interest at a prime rate (as described in the conveyance).

The conveyance generally permits Enduro Sponsor to transfer without the consent or approval of the trust unitholders all or any part of its interest in the Underlying Properties, subject to the Net Profits Interest. The trust unitholders are not entitled to any proceeds of a sale or transfer of Enduro Sponsor's interest. Except in certain cases where the Net Profits Interest is released, following a sale or transfer, the Underlying Properties will continue to be subject to the Net Profits Interest, and the gross profits attributable to the transferred property will be calculated (as part of the computation of net profits described in this prospectus), paid and distributed by the transferee to the trust. Enduro Sponsor will have no further obligations, requirements or responsibilities with respect to any such transferred interests.

In addition, Enduro Sponsor may, without the consent of the trust unitholders, require the trust to release the Net Profits Interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the Underlying Properties in the prior 12 months, provided that the Net Profits Interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by Enduro Sponsor to a non-affiliate of the relevant Underlying Properties and are conditioned upon an amount equal to the fair value to the trust of such Net Profits Interest being treated as an offset amount against costs and expenses. Enduro Sponsor has not identified for sale any of the Underlying Properties.

As the designated operator of a property comprising the Underlying Properties, Enduro Sponsor may enter into farm-out, operating, participation and other similar agreements to develop the property, but any transfers made in connection with such agreements will be made subject to the Net Profits Interest. Enduro Sponsor may enter into any of these agreements without the consent or approval of the trustee or any trust unitholder.

Enduro Sponsor will have the right to release, surrender or abandon its interest in any Underlying Property that will no longer produce (or be capable of producing) hydrocarbons in paying quantities (determined without regard to the Net Profits Interest). Upon such release, surrender or abandonment, the portion of the Net Profits Interest relating to the affected property will also be released, surrendered or abandoned, as applicable. Enduro Sponsor will also have the right to abandon an interest in the Underlying Properties if (a) such abandonment is necessary for health, safety or environmental reasons or (b) the hydrocarbons that would have been produced from the abandoned

portion of the Underlying Properties would reasonably be expected to be produced from wells located on the remaining portion of the Underlying Properties.

Enduro Sponsor must maintain books and records sufficient to determine the amounts payable for the Net Profits Interest to the trust. Monthly and annually, Enduro Sponsor must deliver to the trustee a statement of the computation of the net profits for each computation period. The trustee has the right to inspect and review the books and records maintained by Enduro Sponsor during normal business hours and upon reasonable notice.

## DESCRIPTION OF THE TRUST AGREEMENT

The following information and the information included under "Description of the Trust Units" summarize the material information contained in the trust agreement and the conveyance. For more detailed provisions concerning the trust and the conveyance, you should read the trust agreement and the conveyance, forms of which are filed as exhibits to the registration statement. See "Where You Can Find More Information."

### Creation and Organization of the Trust; Amendments

Immediately prior to the closing of this offering, Enduro Sponsor will convey, or cause to be conveyed, to the trust the Net Profits Interest in consideration of the receipt of 33,000,000 trust units. The trust's first monthly distribution will consist of an amount in cash paid by Enduro Sponsor equal to the amount that would have been payable to the trust had the Net Profits Interest been in effect beginning on May 1, 2011, less any general and administrative expenses and reserves of the trust. After the offering made hereby, Enduro Sponsor will own its net interests in the Underlying Properties subject to and burdened by the Net Profits Interest.

The trust was created under Delaware law to acquire and hold the Net Profits Interest for the benefit of the trust unitholders pursuant to an agreement among Enduro Sponsor, the trustee and the Delaware trustee. The Net Profits Interest is passive in nature and neither the trust nor the trustee has any control over or responsibility for costs relating to the operation of the properties comprising the Underlying Properties. Except as described below under "— Fees and Expenses", neither Enduro Sponsor nor any of the Third Party Operators have any contractual commitments to the trust to provide additional funding or to conduct further drilling on or to maintain their ownership interest in any of the Underlying Properties. After the conveyance of the Net Profits Interest, however, Enduro Sponsor will retain an interest in the Underlying Properties. For a description of the Underlying Properties and other information relating to them, see "The Underlying Properties."

The trust agreement will provide that the trust's business activities will be limited to owning the Net Profits Interest and any activity reasonably related to such ownership, including activities required or permitted by the terms of the conveyance related to the Net Profits Interest. As a result, the trust will not be permitted to acquire other oil and natural gas properties or net profits interests or otherwise to engage in activities beyond those necessary for the conservation and protection of the Net Profits Interest.

The beneficial interest in the trust is divided into 33,000,000 trust units. Each of the trust units represents an equal undivided beneficial interest in the assets of the trust. You will find additional information concerning the trust units in "Description of the Trust Units."

Amendment of the trust agreement requires the affirmative vote of the holders of at least 75% of the outstanding trust units. However, no amendment may:

- increase the power of the trustee or the Delaware trustee to engage in business or investment activities; or
- alter the rights of the trust unitholders as among themselves.

In addition, certain sections of the trust agreement cannot be amended without the consent of Enduro Sponsor. Certain amendments to the trust agreement do not require the vote of the trust unitholders. The trustee may, without approval of the trust unitholders, from time to time supplement or amend the trust agreement in order to cure any ambiguity, to correct or supplement any defective or inconsistent provisions, to grant any benefit to all of the trust unitholders, to comply with changes in applicable law or to change the name of the trust, provided such supplement or amendment does not materially adversely affect the interests of the trust unitholders. The affairs of the trust will be managed by the trustee. Enduro Sponsor has no ability to manage or influence the operations of the



trust and will not owe any fiduciary duties or liabilities to the trust or the unitholders. Likewise, the trust has no ability to manage or influence the operation of Enduro Sponsor.

#### **Assets of the Trust**

Upon completion of this offering, the assets of the trust will consist of the Net Profits Interest and any cash and temporary investments being held for the payment of expenses and liabilities and for distribution to the trust unitholders.

#### **Duties and Powers of the Trustee**

The duties of the trustee are specified in the trust agreement and by the laws of the state of Delaware, except as modified by the trust agreement. The trustee's principal duties consist of:

- collecting cash attributable to the Net Profits Interest;
- paying expenses, charges and obligations of the trust from the trust's assets;
- distributing distributable cash to the trust unitholders;
- causing to be prepared and distributed a tax information report for each trust unitholder and to prepare and file tax returns on behalf of the trust;
- causing to be prepared and filed reports required to be filed under the Exchange Act and by the rules of any securities exchange or quotation system on which the trust units are listed or admitted to trading;
- causing to be prepared and filed a reserve report by or for the trust by independent reserve engineers as of December 31 of each year in accordance with criteria established by the SEC;
- establishing, evaluating and maintaining a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- enforcing the rights under certain agreements entered into in connection with this offering; and
- taking any action it deems necessary, desirable or advisable to best achieve the purposes of the trust.

In connection with the formation of the trust, the trust will enter into several agreements with Enduro Sponsor that impose obligations upon Enduro Sponsor that are enforceable by the trustee on behalf of the trust, including a conveyance and a registration rights agreement. The trustee has the power and authority under the trust agreement to enforce these agreements on behalf of the trust. Additionally, the trustee may from time to time supplement or amend the conveyance and the registration rights agreement to which the trust is a party without the approval of trust unitholders in order to cure any ambiguity, to correct or supplement any defective or inconsistent provisions, to grant any benefit to all of the trust unitholders, to comply with changes in applicable law or to change the name of the trust. Such supplement or amendment, however, may not materially adversely affect the interests of the trust unitholders.

The trustee may create a cash reserve to pay for future liabilities of the trust. If the trustee determines that the cash on hand and the cash to be received are, or will be, insufficient to cover the trust's liabilities, the trustee may cause the trust to borrow funds to pay liabilities of the trust. The trustee may cause the trust to borrow the funds from any person, including itself or its affiliates. The trustee may also cause the trust to mortgage its assets to secure payment of the indebtedness. The terms of such indebtedness and security interest, if funds were loaned by the entity serving as trustee or Delaware trustee or an affiliate thereof, would be similar to the terms which such entity would grant

to a similarly situated commercial customer with whom it did not have a fiduciary relationship, and such entity shall be entitled to enforce its rights with respect to any such indebtedness and security interest as if it were not then serving as trustee or Delaware trustee. If the trustee causes the trust to borrow funds, the trust unitholders will not receive distributions until the borrowed funds are repaid.

Each month, the trustee will pay trust obligations and expenses and distribute to the trust unitholders the remaining proceeds received from the Net Profits Interest. The cash held by the trustee as a reserve against future liabilities or for distribution at the next distribution date must be invested in:

- interest bearing obligations of the United States government;
- money market funds that invest only in United States government securities;
- repurchase agreements secured by interest-bearing obligations of the United States government; or
- bank certificates of deposit.

Alternatively, cash held for distribution at the next distribution date may be held in a non-interest bearing account.

The trust may not acquire any asset except the Net Profits Interest, cash and temporary cash investments, and it may not engage in any investment activity except investing cash on hand.

The trust may merge or consolidate with or convert into one or more limited partnerships, general partnerships, corporations, statutory trusts, common law trusts, limited liability companies, associations or unincorporated businesses if such transaction is agreed to by the trustee and by the affirmative vote of the holders of a majority of the trust units present in person or by proxy at a meeting of such holders where a quorum is present and such transaction is permitted under the Delaware Statutory Trust Act and any other applicable law.

Enduro Sponsor may cause the trustee to sell all or any part of the trust estate, including all or any portion of the Net Profits Interest, if approved by the holders of at least 75% of the outstanding trust units. In addition, Enduro Sponsor may, without the consent of the trust unitholders, require the trust to release the Net Profits Interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the Underlying Properties in the prior 12 months, provided that the Net Profits Interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by Enduro Sponsor to a non-affiliate of the relevant Underlying Properties and are conditioned upon an amount equal to the fair value to the trust of such Net Profits Interest being treated as an offset amount against costs and expenses.

Upon dissolution of the trust, the trustee must sell the Net Profits Interest. No trust unitholder approval is required in this event.

The trustee may require any trust unitholder to dispose of his trust units if an administrative or judicial proceeding seeks to cancel or forfeit any of the property in which the trust holds an interest because of the nationality or any other status of that trust unitholder. If a trust unitholder fails to dispose of his trust units, the trustee has the right to purchase them on behalf of the trust and to borrow funds to make that purchase.

The trustee will be required by the NYSE to maintain a website for filings made by the trust with the SEC.

The trustee may agree to modifications of the terms of the conveyance or to settle disputes involving the conveyance without the consent of any trust unitholder. The trustee may not agree to modifications or settle disputes involving the Net Profits Interest part of the conveyance if these actions would change the character of the Net Profits Interest in such a way that the Net Profits Interest

becomes a working interest or that the trust would fail to continue to qualify as a grantor trust for U.S. federal income tax purposes.

#### **Fees and Expenses**

Because the trust does not conduct an active business and the trustee has little power to incur obligations, it is expected that the trust will only incur liabilities for routine administrative expenses, such as the trustee's fees, accounting, engineering, legal, tax advisory and other professional fees and other fees and expenses applicable to public companies. The trust will also be responsible for paying other expenses incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and monthly reports to trust unitholders, tax return and Form 1099 preparation and distribution, NYSE listing fees, independent auditor fees and registrar and transfer agent fees. These general and administrative expenses are anticipated to be approximately \$850,000 for 2011. Enduro Sponsor has agreed to provide certain administrative services to the trust. Enduro Sponsor will not receive any compensation for the services. Enduro Sponsor is obligated to provide these services pursuant to the trust agreement. General and administrative expenses for subsequent years could be greater or less depending on future events that cannot be predicted. Included in the \$850,000 annual estimate is an annual administrative fee of \$200,000 and \$2,000 for the trustee and Delaware trustee, respectively. See "The Trust." The trust will pay, out of the first cash payment received by the trust, the trustee's and Delaware trustee's legal expenses incurred in forming the trust as well as their acceptance fees in the amount of \$10,000 and \$1,500, respectively. These costs will be deducted by the trust before distributions are made to trust unitholders.

Enduro Sponsor has agreed to provide the trust at the closing of this offering with a \$1 million letter of credit to be used by the trust in the event that its cash on hand (including available cash reserves) is not sufficient to pay ordinary course administrative expenses as they become due. Further, if the trust requires more than the \$1 million under the letter of credit to pay administrative expenses, Enduro Sponsor has agreed to loan funds to the trust necessary to pay such expenses. Any funds provided under the letter of credit or loaned by Enduro Sponsor may only be used for the payment of current accounts or other obligations to trade creditors in connection with obtaining goods or services or for the payment of other accrued current liabilities arising in the ordinary course of the trust's business, and may not be used to satisfy trust indebtedness. If the trust draws on the letter of credit or Enduro Sponsor loans funds to the trust, no further distributions will be made to trust unitholders (except in respect of any previously determined monthly cash distribution amount) until such amounts drawn or borrowed are repaid. Any loan made by Enduro Sponsor will be on an unsecured basis, and the terms of such loan will be substantially the same as those which would be obtained in an arm's-length transaction between Enduro Sponsor and an unaffiliated third party.

#### **Fiduciary Responsibility and Liability of the Trustee**

The trustee will not make business or investment decisions affecting the assets of the trust except to the extent it enforces its rights under the conveyance agreement related to the Net Profits Interest described above under "— Duties and Powers of the Trustee" that will be executed in connection with this offering. Therefore, substantially all of the trustee's functions under the trust agreement are expected to be ministerial in nature. See "— Duties and Powers of the Trustee" above. The trust agreement, however, provides that the trustee may:

- charge for its services as trustee;
- retain funds to pay for future expenses and deposit them with one or more banks or financial institutions (which may include the trustee to the extent permitted by law);
- lend funds at commercial rates to the trust to pay the trust's expenses; and
- seek reimbursement from the trust for its out-of-pocket expenses.

In discharging its duty to trust unitholders, the trustee may act in its discretion and will be liable to the trust unitholders only for its own fraud, gross negligence or willful misconduct. The

trustee will not be liable for any act or omission of its agents or employees unless the trustee acted with fraud, gross negligence or willful misconduct in their selection, retention or supervision. The trustee will be indemnified individually or as the trustee for any liability or cost that it incurs in the administration of the trust, except in cases of fraud, gross negligence or willful misconduct. The trustee will have a lien on the assets of the trust as security for this indemnification and its compensation earned as trustee. Trust unitholders will not be liable to the trustee for any indemnification. See "Description of the Trust Units — Liability of Trust Unitholders."

The trustee may consult with counsel, accountants, tax advisors, geologists, engineers and other parties the trustee believes to be qualified as experts on the matters for which advice is sought. The trustee will be protected in relying or reasonably acting upon the opinion of the expert.

Except as expressly set forth in the trust agreement, neither Enduro Sponsor, the trustee, the Delaware trustee nor the other indemnified parties have any duties or liabilities, including fiduciary duties, to the trust or any trust unitholder. The provisions of the trust agreement, to the extent they restrict, eliminate or otherwise modify the duties and liabilities, including fiduciary duties of these persons otherwise existing at law or in equity, are agreed by the trust unitholders to replace such other duties and liabilities of these persons.

#### **Duration of the Trust; Sale of the Net Profits Interest**

The trust will dissolve upon the earliest to occur of the following:

- the trust, upon the approval of the holders of at least 75% of the outstanding trust units, sells the Net Profits Interest;
- the annual cash available for distribution to the trust is less than \$2 million for each of any two consecutive years;
- the holders of at least 75% of the outstanding trust units vote in favor of dissolution; or
- the trust is judicially dissolved.

The trustee would then sell all of the trust's assets, either by private sale or public auction, and, after payment or the making of reasonable provision for payment of all liabilities of the trust, distribute the net proceeds of the sale to the trust unitholders.

#### **Dispute Resolution**

Any dispute, controversy or claim that may arise between Enduro Sponsor and the trustee relating to the trust will be submitted to binding arbitration before a tribunal of three arbitrators.

#### **Compensation of the Trustee and the Delaware Trustee**

The trustee's and the Delaware trustee's compensation will be paid out of the trust's assets. See "— Fees and Expenses."

#### **Miscellaneous**

The principal offices of the trustee are located at 919 Congress Avenue, Suite 500, Austin, Texas 78701, and its telephone number is 1-800-852-1422.

The Delaware trustee and the trustee may resign at any time or be removed with or without cause at any time by the affirmative vote of not less than a majority of the trust units present in person or by proxy at a meeting of such holders where a quorum is present. Any successor must be a bank or trust company meeting certain requirements including having combined capital, surplus and undivided profits of at least \$20,000,000, in the case of the Delaware trustee, and \$100,000,000, in the case of the trustee.

## DESCRIPTION OF THE TRUST UNITS

Each trust unit is a unit of beneficial interest in the trust assets and is entitled to receive cash distributions from the trust on a pro rata basis. Each trust unitholder has the same rights regarding each of his trust units as every other trust unitholder has regarding his units. The trust units will be in book-entry form only and will not be represented by certificates. The trust will have 33,000,000 trust units outstanding upon completion of this offering.

### Distributions and Income Computations

Each month, the trustee will determine the amount of funds available for distribution to the trust unitholders. Available funds are the excess cash, if any, received by the trust from the Net Profits Interest and other sources (such as interest earned on any amounts reserved by the trustee) that month, over the trust's liabilities for that month. Available funds will be reduced by any cash the trustee decides to hold as a reserve against future liabilities. The holders of trust units as of the applicable record date (generally the 15th day of each calendar month) are entitled to monthly distributions payable on or before the 10th business day after the record date. The first distribution to trust unitholders purchasing trust units in this offering will be made on or about October 28, 2011 to trust unitholders owning trust units on or about October 14, 2011.

Unless otherwise advised by counsel or the IRS, the trustee will treat the income and expenses of the trust for each month as belonging to the trust unitholders of record on the monthly record date. Trust unitholders generally will recognize income and expenses for tax purposes in the month the trust receives or pays those amounts, rather than in the month the trust distributes the cash to which such income or expenses (as applicable) relate. Minor variances may occur. For example, the trustee could establish a reserve in one month that would not result in a tax deduction until a later month. See "Federal Income Tax Consequences."

### Transfer of Trust Units

Trust unitholders may transfer their trust units in accordance with the trust agreement. The trustee will not require either the transferor or transferee to pay a service charge for any transfer of a trust unit. The trustee may require payment of any tax or other governmental charge imposed for a transfer. The trustee may treat the owner of any trust unit as shown by its records as the owner of the trust unit. The trustee will not be considered to know about any claim or demand on a trust unit by any party except the record owner. A person who acquires a trust unit after any monthly record date will not be entitled to the distribution relating to that monthly record date. Delaware law will govern all matters affecting the title, ownership or transfer of trust units.

### Periodic Reports

The trustee will file all required trust federal and state income tax and information returns. The trustee will prepare and mail to trust unitholders annual reports that trust unitholders need to correctly report their share of the income and deductions of the trust. The trustee will also cause to be prepared and filed reports required to be filed under the Exchange Act and by the rules of any securities exchange or quotation system on which the trust units are listed or admitted to trading, and will also cause the trust to comply with all of the provisions of the Sarbanes-Oxley Act, including but not limited to, establishing, evaluating and maintaining a system of internal control over financial reporting in compliance with the requirements of Section 404 thereof.

Each trust unitholder and his representatives may examine, for any proper purpose, during reasonable business hours, the records of the trust and the trustee, subject to such restrictions as are set forth in the trust agreement.

### **Liability of Trust Unitholders**

Under the Delaware Statutory Trust Act, trust unitholders will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit under the General Corporation Law of the State of Delaware. No assurance can be given, however, that the courts in jurisdictions outside of Delaware will give effect to such limitation.

### **Voting Rights of Trust Unitholders**

The trustee or trust unitholders owning at least 10% of the outstanding trust units may call meetings of trust unitholders. The trust will be responsible for all costs associated with calling a meeting of trust unitholders unless such meeting is called by the trust unitholders, in which case the trust unitholders will be responsible for all costs associated with calling such meeting of trust unitholders. Meetings must be held in such location as is designated by the trustee in the notice of such meeting. The trustee must send notice of the time and place of the meeting and the matters to be acted upon to all of the trust unitholders at least 20 days and not more than 60 days before the meeting. Trust unitholders representing a majority of trust units outstanding must be present or represented to have a quorum. Each trust unitholder is entitled to one vote for each trust unit owned. Abstentions and broker non-votes shall not be deemed to be a vote cast.

Unless otherwise required by the trust agreement, a matter may be approved or disapproved by the affirmative vote of a majority of the trust units present in person or by proxy at a meeting where there is a quorum. This is true, even if a majority of the total trust units did not approve it. The affirmative vote of the holders of at least 75% of the outstanding trust units is required to:

- dissolve the trust;
- amend the trust agreement (except with respect to certain matters that do not adversely affect the rights of trust unitholders in any material respect);  
or
- approve the sale of all or any material part of the assets of the trust (including the sale of the Net Profits Interest).

In addition, certain amendments to the trust agreement may be made by the trustee without approval of the trust unitholders. See "Description of the Trust Agreement — Creation and Organization of the Trust; Amendments."

### **Comparison of Trust Units and Common Stock**

Trust unitholders have more limited voting rights than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of trust unitholders or for annual or other periodic re-election of the trustee.

You should also be aware of the following ways in which an investment in trust units is different from an investment in common stock of a corporation.

	<u>Trust Units</u>	<u>Common Stock</u>
<i>Voting</i>	The trust agreement provides voting rights to trust unitholders to remove and replace the trustee and to approve or disapprove amendments to the trust agreement and certain major trust transactions.	Unless otherwise provided in the certificate of incorporation, the corporate statutes provide voting rights to stockholders to elect directors and to approve or disapprove amendments to the certificate of incorporation and certain major corporate transactions.
<i>Income Tax</i>	The trust is not subject to income tax; trust unitholders are subject to income tax on their pro rata share of trust income, gain, loss and deduction.	Corporations are taxed on their income and their stockholders are taxed on dividends.
<i>Distributions</i>	Substantially all of the cash receipts of the trust is required to be distributed to trust unitholders.	Unless otherwise provided in the certificate of incorporation, stockholders are entitled to receive dividends solely at the discretion of the board of directors.
<i>Business and Assets</i>	The business of the trust is limited to specific assets with a finite economic life.	Unless otherwise provided in the certificate of incorporation, a corporation conducts an active business for an unlimited term and can reinvest its earnings and raise additional capital to expand.
<i>Fiduciary Duties</i>	The trustee shall not be liable to the trust unitholders for any of its acts or omissions absent its own fraud, gross negligence or willful misconduct.	Officers and directors have a fiduciary duty of loyalty to the corporation and its stockholders and a duty to exercise due care in the management and administration of a corporation's affairs.

## TRUST UNITS ELIGIBLE FOR FUTURE SALE

### General

Prior to this offering, there has been no public market for the trust units. Sales of substantial amounts of the trust units in the open market, or the perception that those sales could occur, could adversely affect prevailing market prices.

Upon completion of this offering, there will be outstanding 33,000,000 trust units. All of the trust units sold in this offering, or 15,180,000 trust units if the underwriters exercise their option to purchase additional trust units in full, will be freely tradable without restriction under the Securities Act of 1933, as amended (the "Securities Act"). All of the trust units outstanding other than the trust units sold in this offering (a total of 19,800,000 trust units, or 17,820,000 trust units if the underwriters exercise their option to purchase additional trust units in full) will be "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be sold other than through registration under the Securities Act or pursuant to an exemption from registration, subject to the restrictions on transfer contained in the lock-up agreements described below and in "Underwriting."

### Lock-Up Agreements

In connection with this offering, Enduro Sponsor, and Enduro Sponsor's officers or managers participating in the directed unit program, have agreed, for a period of 180 days after the date of this prospectus, not to offer, sell, contract to sell or otherwise dispose of or transfer any trust units or any securities convertible into or exchangeable for trust units without the prior written consent of Barclays Capital Inc., subject to specified exceptions. See "Underwriting" for a description of these lock-up arrangements. Upon the expiration of these lock-up agreements, 19,800,000 trust units, or 17,820,000 trust units if the underwriters exercise their option to purchase additional trust units in full, will be eligible for sale in the public market under Rule 144 of the Securities Act, subject to volume limitations and other restrictions contained in Rule 144, or through registration under the Securities Act.

### Rule 144

The trust units sold in the offering will generally be freely transferable without restriction or further registration under the Securities Act, except that any trust units owned by an "affiliate" of the trust, including those held by Enduro Sponsor, may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 or otherwise. Rule 144 permits securities acquired by an affiliate to be sold into the market in an amount that does not exceed, during any three-month period, the greater of:

- 1.0% of the total number of the securities outstanding, or
- the average weekly reported trading volume of the trust units for the four calendar weeks prior to the sale.

Sales under Rule 144 are also subject to specific manners of sale provisions, holding period requirements, notice requirements and the availability of current public information about the trust. A person who is not deemed to have been an affiliate of Enduro Sponsor or the trust at any time during the three months preceding a sale, and who has beneficially owned his trust units for at least six months (provided the trust is in compliance with the current public information requirement) or one year (regardless of whether the trust is in compliance with the current public information requirement), would be entitled to sell trust units under Rule 144 without regard to the rule's public information requirements, volume limitations, manner of sale provisions and notice requirements.



## Registration Rights

The trust intends to enter into a registration rights agreement with Enduro Sponsor in connection with Enduro Sponsor's contribution to the trust of the Net Profits Interest. In the registration rights agreement, the trust will agree, for the benefit of Enduro Sponsor and any transferee of Enduro Sponsor's trust units (the "holders"), to register the trust units they hold. Specifically, the trust will agree:

- subject to the restrictions described above under "— Lock-Up Agreements" and under "Underwriting — Lock-Up Agreements," to use its reasonable best efforts to file a registration statement, including, if so requested, a shelf registration statement, with the SEC as promptly as practicable following receipt of a notice requesting the filing of a registration statement from holders representing a majority of the then outstanding registrable trust units;
- to use its commercially reasonable efforts to cause the registration statement or shelf registration statement to be declared effective under the Securities Act as promptly as practicable after the filing thereof; and
- to use its commercially reasonable efforts to maintain the effectiveness of the registration statement under the Securities Act for 90 days (or for three years if a shelf registration statement is requested) after the effectiveness thereof or until the trust units covered by the registration statement have been sold pursuant to such registration statement, Enduro Sponsor ceases to be an affiliate of the trust for 10 years or until all registrable trust units:
  - have been sold pursuant to Rule 144 under the Securities Act if the transferee thereof does not receive "restricted securities;"
  - have been sold in a private transaction in which the transferor's rights under the registration rights agreement are not assigned to the transferee of the trust units;
  - are held by the trust; or
  - have been sold in a private transaction in which the transferor's rights under the registration rights agreement are assigned to a transferee that is not an affiliate of the trust and two years have passed since such transfer.

The holders will have the right to require the trust to file no more than five registration statements in aggregate.

In connection with the preparation and filing of any registration statement, Enduro Sponsor will bear all costs and expenses incidental to any registration statement, excluding certain internal expenses of the trust, which will be borne by the trust. Any underwriting discounts and commissions will be borne by the seller of the trust units.

## FEDERAL INCOME TAX CONSEQUENCES

### U.S. Federal Income Tax Consequences

This section is a summary of the material U.S. federal income tax considerations that may be relevant to prospective trust unitholders and, unless otherwise noted in the following discussion, is the opinion of Latham & Watkins LLP, counsel to the trust, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury regulations promulgated under the Code (the "Treasury Regulations") and current administrative rulings and court decisions, all of which are subject to change or different interpretation at any time, possibly with retroactive effect. Later changes in these authorities may cause the U.S. federal income tax consequences to vary substantially from the consequences described below.

The following discussion does not comment on all federal income tax matters affecting the trust or trust unitholders. The following discussion is limited to trust unitholders who hold the trust units as "capital assets" (generally, property held for investment). All references to "trust unitholders" (including U.S. trust unitholders and non-U.S. trust unitholders) are to beneficial owners of the trust units. This summary does not address the effect of the U.S. federal estate or gift tax laws or the tax considerations arising under the law of any state (except as provided in the limited summary below under "State Tax Considerations"), local or non-U.S. jurisdiction. Moreover, the discussion has only limited application to trust unitholders subject to special tax treatment such as, without limitation:

- banks, insurance companies or other financial institutions;
- trust unitholders subject to the alternative minimum tax;
- tax-exempt organizations;
- dealers in securities or commodities;
- regulated investment companies;
- real estate investment trusts;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- non-U.S. trust unitholders (as defined below) that are "controlled foreign corporations" or "passive foreign investment companies";
- persons that are S-corporations, partnerships or other pass-through entities;
- persons that own their interest in the trust units through S-corporations, partnerships or other pass-through entities;
- persons that at any time own more than 5% of the aggregate fair market value of the trust units;
- expatriates and certain former citizens or long-term residents of the United States;
- U.S. trust unitholders (as defined below) whose functional currency is not the U.S. dollar;
- persons who hold the trust units as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction; or
- persons deemed to sell the trust units under the constructive sale provisions of the Code.

**Prospective investors are urged to consult their tax advisors as to the particular tax consequences to them of the ownership and disposition of an investment in trust units, including the applicability of any U.S. federal income, federal estate or gift tax, state, local and foreign tax laws, changes in applicable tax laws and any pending or proposed legislation.**

As used herein, the term "U.S. trust unitholder" means a beneficial owner of trust units that for U.S. federal income tax purposes is:

- an individual who is a citizen of the United States or who is a resident of the United States for U.S. federal income tax purposes,
- a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, a state thereof or the District of Columbia,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if it is subject to the primary supervision of a U.S. court and the control of one or more United States persons (as defined for U.S. federal income tax purposes) or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

The term "non-U.S. trust unitholder" means any beneficial owner of a trust unit that is an individual, corporation, estate or trust and that is not a U.S. trust unitholder.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of trust units, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. A trust unitholder that is a partnership, and the partners in such partnership, should consult their own tax advisors about the U.S. federal income tax consequences of purchasing, owning and disposing of trust units.

#### ***Classification and Taxation of the Trust***

In the opinion of Latham & Watkins LLP, for U.S. federal income tax purposes, the trust will be treated as a grantor trust and not as an unincorporated business entity. As a grantor trust, the trust will not be subject to tax at the trust level. Rather, the grantors, who in this case are the trust unitholders, will be considered, for U.S. federal income tax purposes, to own and receive the trust's assets and income and will be directly taxable thereon as though no trust were in existence.

No ruling has been or will be requested from the IRS with respect to the U.S. federal income tax treatment of the trust, including a ruling as to the status of the trust as a grantor trust or as a partnership for U.S. federal income tax purposes. Thus, no assurance can be provided that the opinions and statements set forth in this discussion of U.S. federal income tax consequences would be sustained by a court if contested by the IRS.

The remainder of the discussion below is based on Latham & Watkins LLP's opinion that the trust will be classified as a grantor trust for U.S. federal income tax purposes.

#### ***Reporting Requirements for Widely-Held Fixed Investment Trusts***

Under Treasury Regulations, the trust is classified as a widely-held fixed investment trust. Those Treasury Regulations require the sharing of tax information among trustees and intermediaries that hold a trust interest on behalf of or for the account of a beneficial owner or any representative or agent of a trust interest holder of fixed investment trusts that are classified as widely-held fixed investment trusts. These reporting requirements provide for the dissemination of trust tax information by the trustee to intermediaries who are ultimately responsible for reporting the investor-specific information through Form 1099 to the investors and the IRS. Every trustee or intermediary that is required to file a Form 1099 for a trust unitholder must furnish a written tax information statement that is in support of the amounts as reported on the applicable Form 1099 to the trust unitholder. Any generic tax information provided by the trustee of the trust is intended to be used only to assist trust unitholders in the preparation of their federal and state income tax returns.

### **Direct Taxation of Trust Unitholders**

Because the trust will be treated as a grantor trust for U.S. federal income tax purposes, trust unitholders will be treated for such purposes as owning a direct interest in the assets of the trust, and each trust unitholder will be taxed directly on his pro rata share of the income and gain attributable to the assets of the trust and will be entitled to claim his pro rata share of the deductions and expenses attributable to the assets of the trust (subject to certain limitations discussed below). Information returns will be filed as required by the widely held fixed investment trust rules, reporting to the trust unitholders all items of income, gain, loss, deduction and credit, which will be allocated based on record ownership on the monthly record dates and must be included in the tax returns of the trust unitholders. Income, gain, loss, deduction and credits attributable to the assets of the trust will be taken into account by trust unitholders consistent with their method of accounting and without regard to the taxable year or accounting method employed by the trust.

Following the end of each month, the trustee will determine the amount of funds available as of the end of such month for distribution to the trust unitholders and will make distributions of available funds, if any, to the trust unitholders on or before the 10th business day after the record date, which will generally be on or about the 15th day of each calendar month. In certain circumstances, however, a trust unitholder will not receive a distribution of cash attributable to the income from a month. For example, if the trustee establishes a reserve or borrows money to satisfy liabilities of the trust, income associated with the cash used to establish that reserve or to repay that loan must be reported by the trust unitholder, even though that cash is not distributed to him.

As described above, the trust will allocate items of income, gain, loss, deductions and credits to trust unitholders based on record ownership on the monthly record dates. It is possible that the IRS could disagree with this allocation method and could assert that income and deductions of the trust should be determined and allocated on a daily or prorated basis, which could require adjustments to the tax returns of the unitholders affected by the issue and result in an increase in the administrative expense of the trust in subsequent periods.

The trust estimates that a purchaser of trust units in this offering who owns such trust units through the record date for distributions for the period ending December 31, 2013, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be approximately 30% of the cash distributed with respect to that period. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond the trust's control. Further, the estimates are based on current tax law and tax reporting positions that the trust will adopt and with which the IRS could disagree. Accordingly, the trust cannot assure unitholders that these estimates will prove to be correct. The actual percentage of distributions that will correspond to taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the trust units.

### **Tax Classification of the Net Profits Interest**

For U.S. federal income tax purposes, the Net Profits Interest attributable to proved developed reserves ("PDP NPI") or proved undeveloped reserves ("PUD NPI") will have the tax characteristics of mineral royalty interests to the extent, at the time of its creation, such PDP NPI or PUD NPI is reasonably expected to have an economic life that corresponds substantially to the economic life of the mineral property or properties burdened thereby. Payments out of production that are received in respect of a mineral interest that constitutes a royalty interest for U.S. federal income tax purposes are taxable under current law as ordinary income subject to an allowance for cost or percentage depletion in respect of such income.

Based on the reserve report and representations made by Enduro Sponsor regarding the expected economic life of the Underlying Properties and the expected duration of the Net Profits Interest, the PDP NPI will and the PUD NPI should be treated as continuing, nonoperating economic interests in the nature of royalties payable out of production from the mineral interests they burden.

Consistent with the foregoing, Enduro Sponsor and the trust intend to treat the Net Profits Interest as a mineral royalty interest for U.S. federal income tax purposes. The remainder of this discussion assumes that the Net Profits Interest is treated as a mineral royalty interest. No assurance can be given that the IRS will not assert that such interest should be treated differently. Any such different treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in trust units. Please read "— Tax Consequences to U.S. Trust Unitholders."

The portion of the purchase price of the trust units attributable to the right to receive a distribution based on production from the Underlying Properties for the period commencing May 1, 2011, and ending on the closing date of this offering will be treated as a tax-free return of capital when such distribution is received.

#### **Tax Consequences to U.S. Trust Unitholders**

##### ***Royalty Income and Depletion***

Consistent with the discussion above in "— Tax Classification of the Net Profits Interest," the payments out of production that are received by the trust in respect of the Net Profits Interest constitute ordinary income received in respect of a mineral royalty interest. Trust unitholders should be entitled to deductions for the greater of either cost depletion or (if allowable) percentage depletion with respect to such income. Although the Code requires each trust unitholder to compute his own depletion allowance and maintain records of his share of the adjusted tax basis of the underlying royalty interest for depletion and other purposes, the trust intends to furnish each of the trust unitholders with information relating to this computation for U.S. federal income tax purposes. Each trust unitholder, however, remains responsible for calculating his own depletion allowance and maintaining records of his share of the adjusted tax basis of the underlying property for depletion and other purposes.

Percentage depletion is generally available with respect to trust unitholders who qualify under the independent producer exemption contained in section 613A(c) of the Code. For this purpose, an independent producer is a person not directly or indirectly involved in the retail sale of oil, natural gas or derivative products or the operation of a major refinery. In general, percentage depletion is calculated as an amount equal to 15% (and, in the case of marginal production, potentially a higher percentage) of the trust unitholder's gross income from the depletable property for the taxable year. The percentage depletion deduction with respect to any property is limited to 100% of the taxable income of the trust unitholder from the property for each taxable year, computed without the depletion allowance or certain loss carrybacks. A trust unitholder that qualifies as an independent producer may deduct percentage depletion only to the extent the trust unitholder's average daily production of domestic crude oil, or the natural gas equivalent, does not exceed 1,000 barrels. This depletable amount may be allocated between oil and natural gas production, with 6,000 cubic feet of domestic natural gas production regarded as equivalent to one barrel of crude oil. The 1,000 barrel limitation must be allocated among the independent producer and controlled or related persons and family members in proportion to the respective production by such persons during the period in question.

In addition to the foregoing limitations, the percentage depletion deduction otherwise available is limited to 65% of a trust unitholder's total taxable income from all sources for the year, computed without the depletion allowance and certain loss carrybacks. Any percentage depletion deduction disallowed because of the 65% limitation may be deducted in the following taxable year if the percentage depletion deduction for such year plus the deduction carryover does not exceed 65% of the trust unitholder's total taxable income for that year. The carryover period resulting from the 65% net income limitation is unlimited.

Unlike cost depletion, percentage depletion is not limited to the adjusted tax basis of the property, although, like cost depletion, it reduces the adjusted tax basis, but not below zero.

In addition to the limitations on percentage depletion discussed above, on February 14, 2011, the White House released President Obama's budget proposal for the fiscal year 2012 (the "2012 Budget"). The 2012 Budget proposes to eliminate certain tax preferences applicable to taxpayers engaged in the exploration and production of natural resources. Specifically, the 2012 Budget proposes to repeal the deduction for percentage depletion with respect to oil and natural gas wells, in which case only cost depletion would be available. It is uncertain whether this or any other legislative proposals will ever be enacted and, if so, when it would become effective.

Trust unitholders that do not qualify under the independent producer exemption are generally restricted to depletion deductions based on cost depletion. Cost depletion deductions are calculated by (i) dividing the trust unitholder's allocable share of the adjusted tax basis in the underlying mineral property by the number of mineral units (barrels of oil and thousand cubic feet, or Mcf, of natural gas) remaining as of the beginning of the taxable year and (ii) multiplying the result by the number of mineral units sold within the taxable year. The total amount of deductions based on cost depletion cannot exceed the trust unitholder's share of the total adjusted tax basis in the property.

The foregoing discussion of depletion deductions does not purport to be a complete analysis of the complex legislation and Treasury Regulations relating to the availability and calculation of depletion deductions by the trust unitholders. Further, because depletion is required to be computed separately by each trust unitholder and not by the trust, no assurance can be given, and counsel is unable to express any opinion, with respect to the availability or extent of percentage depletion deductions to the trust unitholders for any taxable year. The trust encourages each prospective trust unitholder to consult his tax advisor to determine whether percentage depletion would be available to him.

#### **Tax Rates**

Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 35% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than 12 months) of individuals is 15%. However, absent new legislation extending the current rates, beginning January 1, 2013, the highest marginal U.S. federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively. Moreover, these rates are subject to change by new legislation at any time.

The recently enacted Health Care and Education Reconciliation Act of 2010 will impose a 3.8% Medicare tax on certain investment income earned by individuals and certain estates and trusts for taxable years beginning after December 31, 2012. For these purposes, investment income would generally include certain income derived from investments such as the trust units and gain realized by a trust unitholder from a sale of trust units. In the case of an individual, the tax will be imposed on the lesser of (i) the trust unitholder's net income from all investments and (ii) the amount by which the trust unitholder's modified adjusted gross income exceeds \$250,000 (if the trust unitholder is married and filing jointly or a surviving spouse), \$125,000 (if the trust unitholder is married and filing separately) or \$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (1) undistributed net investment income, or (2) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

#### **Non-Passive Activity Income and Loss**

The income and losses of the trust will not be taken into account in computing the passive activity losses and income under Code section 469 for a trust unitholder who acquires and holds trust units as an investment.

#### ***Disposition of Trust Units***

For U.S. federal income tax purposes, a sale of trust units will be treated as a sale by the U.S. trust unitholder of his interest in the assets of the trust. Generally, a U.S. trust unitholder will recognize gain or loss on a sale or exchange of trust units equal to the difference between the amount realized and the U.S. trust unitholder's adjusted tax basis for the trust units sold. A U.S. trust unitholder's adjusted tax basis in his trust units will be equal to the U.S. trust unitholder's original purchase price for the trust units, reduced by deductions for depletion claimed by the trust unitholder, but not below zero. Except to the extent of the depletion recapture amount explained below, gain or loss on the sale of trust units by a trust unitholder who is an individual will generally be capital gain, and will be long-term capital gain, which is generally subject to tax at preferential rates, if the trust units have been held for more than twelve months. The deductibility of capital losses is limited. Upon the sale or other taxable disposition of his trust units, a trust unitholder will be treated as having sold his share of the Net Profits Interest and must treat as ordinary income his depletion recapture amount, which is an amount equal to the lesser of the gain on such sale or other taxable disposition or the sum of the prior depletion deductions taken with respect to the trust units, but not in excess of the initial tax basis of the trust units. The IRS could take the position that a portion of the sales proceeds is ordinary income to the extent of any accrued income at the time of the sale that was allocable to the trust units sold even though the income is not distributed to the selling trust unitholder.

#### ***Trust Administrative Expenses***

Expenses of the trust will include administrative expenses of the trustee. Certain miscellaneous itemized deductions may be subject to general limitations on deductibility. Under these rules, administrative expenses attributable to the trust units are miscellaneous itemized deductions that generally will have to be aggregated with an individual unitholder's other miscellaneous itemized deductions to determine the excess over 2% of adjusted gross income. It is anticipated that the amount of such administrative expenses will not be significant in relation to the trust's income.

#### ***Backup Withholding***

Distributions of trust income generally will not be subject to backup withholding unless the trust unitholder is an individual or other noncorporate entity and fails to comply with specified reporting procedures.

#### ***Tax Treatment Upon Sale of the Net Profits Interest***

The sale of the Net Profits Interest by the trust at or shortly after the date of dissolution of the trust will generally give rise to long-term capital gain or loss to the trust unitholders for U.S. federal income tax purposes, except that any gain will be taxed at ordinary income rates to the extent of depletion deductions that reduced the trust unitholder's adjusted basis in the Net Profits Interest.

#### ***Tax Consequences to Non-U.S. Trust Unitholders***

The following is a summary of certain material U.S. federal income tax consequences that will apply to you if you are a non-U.S. trust unitholder. Non-U.S. trust unitholders should consult their independent tax advisors to determine the U.S. federal, state, local and foreign tax consequences that may be relevant to them.

#### ***Payments with Respect to the Trust Units***

A non-U.S. trust unitholder will be subject to federal withholding tax on his share of gross royalty income from the Net Profits Interest. The withholding tax will apply at a 30% rate, or lower applicable treaty rate, to the gross royalty income received by the non-U.S. trust unitholder without the benefit of any deductions.

***Sale or Exchange of Trust Units***

The Net Profits Interest will be treated as a "United States real property interest" for U.S. federal income tax purposes. However, as long as the trust units are traded on an established securities exchange, gain realized on the sale or other taxable disposition of a trust unit by a non-U.S. trust unitholder will be subject to federal income tax only if:

- the gain is otherwise effectively connected with business conducted by the non-U.S. trust unitholder in the United States (and, in the case of an applicable tax treaty, is attributable to a permanent establishment or fixed base maintained in the United States by the non-U.S. trust unitholder);
- the non-U.S. trust unitholder is an individual who is present in the United States for at least 183 days in the year of the sale or other taxable disposition; or
- the non-U.S. trust unitholder owns currently, or owned at certain earlier times, directly, or by applying certain attribution rules, more than 5% of the trust units.

Gain realized by a non-U.S. trust unitholder upon the sale or other taxable disposition by the trust of all or any part of the Net Profits Interest would be subject to federal income tax, and distributions to the non-U.S. trust unitholder will be subject to withholding of U.S. tax (currently at the rate of 35%) to the extent distributions are attributable to such gains.

**Tax Consequences to Tax Exempt Organizations**

Employee benefit plans and most other organizations exempt from U.S. federal income tax including IRAs and other retirement plans are subject to U.S. federal income tax on unrelated business taxable income. Because the trust's income is not expected to be unrelated business taxable income, such a tax-exempt organization is not expected to be taxed on income generated by ownership of trust units so long as neither the property held by the trust nor the trust units are treated as debt-financed property within the meaning of Section 514(b) of the Code. In general, trust property would be debt-financed if the trust incurs debt to acquire the property or otherwise incurs or maintains a debt that would not have been incurred or maintained if the property had not been acquired and a trust unit would be debt-financed if the trust unitholder incurs debt to acquire the trust unit or otherwise incurs or maintains a debt that would not have been incurred or maintained if the trust unit had not been acquired.

PROSPECTIVE INVESTORS IN TRUST UNITS ARE STRONGLY ENCOURAGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST UNITS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.



## STATE TAX CONSIDERATIONS

The following is a brief summary of certain information regarding state income taxes and other state tax matters affecting individuals who are trust unitholders. No opinion of counsel has been requested or received with respect to the state tax consequences of an investment in trust units. The trust is not providing any tax advice with respect to the state tax consequences applicable to any particular purchaser of trust units. Accordingly, prospective investors are urged to consult their tax advisors with respect to these matters.

The trust will own net profits interests burdening specified oil and natural gas properties located in the states of Louisiana, New Mexico and Texas. Louisiana and New Mexico currently impose a personal income tax on individuals, but Texas currently does not.

An individual who is a resident of Louisiana or New Mexico will generally be subject to income tax in his or her state of residence on that individual's entire share of the trust's income.

New Mexico imposes income taxes upon residents and nonresidents. In the case of nonresidents, income derived from tangible property within the state is subject to tax. The income tax laws of New Mexico are based on federal income tax laws. Thus, assuming the trust is taxed as a grantor trust for federal income tax purposes, the trust unitholders will be subject to New Mexico income tax on their share of income from New Mexico net profits interests. The withholding requirements with respect to trust units under New Mexico law are uncertain; the trust has taken the position that the trust is not required to withhold income tax in New Mexico on distributions made to an individual resident or nonresident trust unitholder.

Louisiana also imposes income taxes upon residents and nonresidents. In the case of nonresidents, income derived from property within the state is subject to tax. The income tax laws of Louisiana are based on federal income tax laws. Assuming the trust is taxed as a grantor trust for federal income tax purposes, the trust unitholders will be subject to Louisiana income tax on their share of income from Louisiana net profits interests. The trust should not be required to withhold income tax due in Louisiana on distributions made to an individual resident or nonresident trust unitholder.

## ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), regulates pension, profit-sharing and other employee benefit plans to which it applies. ERISA also contains standards for persons who are fiduciaries of those plans. In addition, the Code provides similar requirements and standards which are applicable to qualified plans, which include these types of plans, and to individual retirement accounts, whether or not subject to ERISA.

A fiduciary of an employee benefit plan should carefully consider fiduciary standards under ERISA regarding the plan's particular circumstances before authorizing an investment in trust units. A fiduciary should consider:

- whether the investment satisfies the prudence requirements of Section 404(a)(1)(B) of ERISA;
- whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA; and
- whether the investment is in accordance with the documents and instruments governing the plan as required by Section 404(a)(1)(D) of ERISA.

A fiduciary should also consider whether an investment in trust units might result in direct or indirect nonexempt prohibited transactions under Section 406 of ERISA and Section 4975 of the Code. In deciding whether an investment involves a prohibited transaction, a fiduciary must determine whether there are plan assets in the transaction. The Department of Labor has published final regulations concerning whether or not an employee benefit plan's assets would be deemed to include an interest in the underlying assets of an entity for purposes of the reporting, disclosure and fiduciary responsibility provisions of ERISA and analogous provisions of the Code. These regulations provide that the underlying assets of an entity will not be considered "plan assets" if the equity interests in the entity are a publicly offered security. Enduro Sponsor expects that at the time of the sale of the trust units in this offering, they will be publicly offered securities. Fiduciaries, however, will need to determine whether the acquisition of trust units is a nonexempt prohibited transaction under the general requirements of ERISA Section 406 and Section 4975 of the Code.

The prohibited transaction rules are complex, and persons involved in prohibited transactions are subject to penalties. For that reason, potential employee benefit plan investors should consult with their counsel to determine the consequences under ERISA and the Code of their acquisition and ownership of trust units.

**SELLING TRUST UNITHOLDER**

Immediately prior to the closing of the offering made hereby, Enduro Sponsor will convey, or cause to be conveyed, to the trust the Net Profits Interest in exchange for 33,000,000 trust units. Of those trust units, 13,200,000 are being offered hereby and 1,980,000 are subject to purchase by the underwriters pursuant to their 30-day option to purchase additional trust units. Enduro Sponsor has agreed not to sell any of such trust units for a period of 180 days after the date of this prospectus without the prior written consent of Barclays Capital Inc., acting as representative of the several underwriters. See "Underwriting." Enduro Sponsor is deemed to be an underwriter with respect to the trust units offered hereby.

The following table provides information regarding the selling trust unitholder's ownership of the trust units.

<u>Selling Trust Unitholder</u>	<u>Ownership of Trust Units Before Offering</u>		<u>Number of Trust Units Being Offered</u>	<u>Ownership of Trust Units After Offering<sup>(1)</sup></u>	
	<u>Number</u>	<u>Percentage</u>		<u>Number</u>	<u>Percentage</u>
Enduro Sponsor	33,000,000	100.0%	15,180,000 <sup>(2)</sup>	19,800,000	60%

(1) Assumes the underwriters do not exercise their 30-day option to purchase additional units.

(2) Includes 1,980,000 trust units subject to purchase by the underwriters pursuant to their 30-day option to purchase additional units.

Prior to this offering, there has been no public market for the trust units. Therefore, if Enduro Sponsor disposes of all or a portion of the trust units it has acquired, the effect of such disposal on future market prices, if any, of market sales of such remaining trust units or the availability of trust units for sale cannot be predicted. Nevertheless, sales of substantial amounts of trust units in the public market could adversely affect future market prices.

**UNDERWRITING**

Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., RBC Capital Markets, LLC and Wells Fargo Securities, LLC are acting as the representatives of the underwriters of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from Enduro Sponsor the respective number of trust units shown opposite its name below:

<u>Underwriters</u>	<u>Number of Trust Units</u>
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
RBC Capital Markets, LLC	
Wells Fargo Securities, LLC	
J.P. Morgan Securities LLC	
Robert W. Baird & Co. Incorporated	
Morgan Keegan & Co., Inc.	
Stifel, Nicolaus & Company, Incorporated	
Wunderlich Securities, Inc.	
<b>Total</b>	<b>13,200,000</b>

The underwriting agreement provides that the underwriters' obligation to purchase trust units depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the trust units offered hereby (other than those trust units covered by their option to purchase additional trust units as described below), if any of the trust units are purchased;
- the representations and warranties made by the trust and Enduro Sponsor to the underwriters are true;
- there is no material change in the business of the trust or Enduro Sponsor or the financial markets; and
- the trust and Enduro Sponsor deliver customary closing documents to the underwriters.

Enduro Sponsor is deemed to be an underwriter with respect to the trust units offered hereby.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commissions Enduro Sponsor will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional trust units. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to Enduro Sponsor for the trust units.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per trust unit		
Total		

The representatives of the underwriters have advised Enduro Sponsor that the underwriters propose to offer the trust units directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of \$ per trust unit. After the offering, the representatives may change the offering price and other selling terms.

The offering of the trust units by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Enduro Sponsor will pay Barclays Capital Inc. a structuring fee of 0.5% of the gross proceeds of this offering for evaluation, analysis and structuring of the trust.

The expenses of the offering that are payable by Enduro Sponsor are estimated to be \$4.0 million (excluding underwriting discounts and commissions).

#### **Option to Purchase Additional Trust Units**

Enduro Sponsor has granted the underwriters an option exercisable for 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of 1,980,000 trust units at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than 13,200,000 trust units in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional trust units based on the underwriter's underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting Section.

#### **Lock-Up Agreements**

Enduro Sponsor has agreed that, without the prior written consent of Barclays Capital Inc., they will not directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any trust units (including, without limitation, trust units that may be deemed to be beneficially owned by them in accordance with the rules and regulations of the SEC and trust units that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for trust units or sell or grant options, rights or warrants with respect to any trust units or securities convertible into or exchangeable for trust units (other than the sale of the trust units to the underwriters in this offering), (2) enter into any swap or other derivative transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the trust units, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any trust units or securities convertible, exercisable or exchangeable into trust units or any other securities of the trust or (4) publicly disclose the intention to do any of the foregoing for a period of 180 days after the date of this prospectus.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period the trust issues an earnings release or material news or a material event relating to the trust occurs; or
- prior to the expiration of the 180-day restricted period, the trust announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of a material event, unless such extension is waived in writing by Barclays Capital Inc.

Barclays Capital Inc., in its sole discretion, may release the trust units and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release trust units and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of trust units and other securities for which the release is being requested and

market conditions at the time. Barclays Capital Inc. has informed Enduro Sponsor that it does not presently intend to release any trust units or other securities subject to the lock-up agreements.

As described below under "Directed Unit Program," any participants in the directed unit program will be subject to a 180-day lock up with respect to any trust units sold to them pursuant to that program. This lock up will have similar restrictions and an identical extension provision as the lock-up agreement described above. Any trust units sold in the directed unit program to Enduro Sponsor's directors or officers will be subject to the lock-up agreement described above.

#### **Offering Price Determination**

Prior to this offering, there has been no public market for the trust units. The initial public offering price will be negotiated between the representatives and Enduro Sponsor. In determining the initial public offering price of the trust units, the representatives will consider:

- estimates of distributions to trust unitholders;
- overall quality of the oil and natural gas properties attributable to the Underlying Properties;
- the history and prospects for the energy industry;
- Enduro Sponsor's financial information;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded units of royalty trusts.

#### **Indemnification**

The trust and Enduro Sponsor have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act and liabilities incurred in connection with the directed unit program referred to below, and to contribute to payments that the underwriters may be required to make for these liabilities.

#### **Directed Unit Program**

At Enduro Sponsor's request, the underwriters have reserved for sale at the initial public offering price up to 660,000 trust units offered hereby for officers, managers, employees and certain other persons associated with Enduro Sponsor. The number of trust units available for sale to the general public will be reduced to the extent such persons purchase such reserved trust units. Any reserved trust units not so purchased will be offered by the underwriters to the general public on the same basis as the other trust units offered hereby. Any of Enduro Sponsor's officers or managers participating in this program shall be prohibited from selling, pledging or assigning any trust units sold to them pursuant to this program for a period of 180 days after the date of this prospectus. Individuals (other than Enduro Sponsor's officers and managers) who purchase trust units in the directed unit program will be subject to a 25-day lock-up period. These lock up periods will be extended with respect to the trust's issuance of an earnings release or if a material news or a material event relating to the trust occurs, in the same manner as described above under "— Lock-Up Agreements."

#### **Stabilization, Short Positions and Penalty Bids**

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the trust units, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- A short position involves a sale by the underwriters of trust units in excess of the number of trust units the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of trust units involved in the sales made by the underwriters in excess of the number of trust units they are obligated to purchase is not greater than the number of trust units that they may purchase by exercising their option to purchase additional trust units. In a naked short position, the number of trust units involved is greater than the number of trust units in their option to purchase additional trust units. The underwriters may close out any short position by either exercising their option to purchase additional trust units and/or purchasing trust units in the open market. In determining the source of trust units to close out the short position, the underwriters will consider, among other things, the price of trust units available for purchase in the open market as compared to the price at which they may purchase trust units through their option to purchase additional trust units. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the trust units in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the trust units in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the trust units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the trust units or preventing or retarding a decline in the market price of the trust units. As a result, the price of the trust units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

None of the trust, Enduro Sponsor or any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the trust units. In addition, none of the trust, Enduro Sponsor or any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

#### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with Enduro Sponsor to allocate a specific number of trust units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by the trust, Enduro Sponsor or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

**New York Stock Exchange**

The trust units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "NDRO." In connection with that listing, the underwriters have undertaken to sell the minimum number of trust units to the minimum number of beneficial owners necessary to meet the New York Stock Exchange listing requirements.

**Discretionary Sales**

The underwriters have informed Enduro Sponsor that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of trust units offered by them.

**FINRA Rules**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for Enduro Sponsor and the trust, for which they received or will receive customary fees and expenses.

Because the Financial Industry Regulatory Authority ("FINRA") views the trust units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2310 of the FINRA Conduct Rules. In no event will the maximum amount of compensation to be paid to FINRA members in connection with this offering exceed 10% of the offering proceeds. Investor suitability with respect to the trust units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Enduro Sponsor and the trust. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Additionally, affiliates of RBC Capital Markets, LLC and Wells Fargo Securities, LLC are lenders under Enduro Sponsor's senior secured credit agreement and will receive a substantial portion of the proceeds from this offering pursuant to the repayment of a portion of the borrowings thereunder.



#### LEGAL MATTERS

Richards, Layton & Finger, P.A., as special Delaware counsel to the trust, will give a legal opinion as to the validity of the trust units. Latham & Watkins LLP, Houston, Texas, will give opinions as to certain other matters relating to the offering, including the tax opinion described in the section of this prospectus captioned "Federal Income Tax Consequences." Certain legal matters in connection with the trust units offered hereby will be passed upon for the underwriters by Baker Botts L.L.P., Houston, Texas. Baker Botts L.L.P. performs legal services for Enduro Sponsor and its affiliates from time to time on matters unrelated to this offering.

#### EXPERTS

Certain information appearing in this registration statement regarding the December 31, 2010 estimated quantities of reserves of Enduro Sponsor, the Underlying Properties and the Net Profits Interest owned by the trust, the future net revenues from those reserves and their present value is based on estimates of the reserves and present values prepared by or derived from estimates prepared by Cawley, Gillespie & Associates, Inc., independent petroleum engineers.

The audited financial statements included in this prospectus and registration statement as listed on the index to financial statements on page F-1 and the index to financial statements of Enduro Sponsor on page ENDURO F-1 have been audited by Ernst & Young, LLP, independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

#### WHERE YOU CAN FIND MORE INFORMATION

The trust and Enduro Sponsor have filed with the SEC in Washington, D.C. a registration statement, including all amendments, under the Securities Act relating to the trust units. As permitted by the rules and regulations of the SEC, this prospectus does not contain all of the information contained in the registration statement and the exhibits and schedules to the registration statement. You may read and copy the registration statement at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at the address in the previous sentence. To obtain information on the operation of the public reference room you may call the SEC at (800) SEC-0330. The SEC maintains a web site on the Internet at <http://www.sec.gov>. The trust's and Enduro Sponsor's registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's web site.

The trustee intends to furnish the trust unitholders with annual reports containing the trust's audited consolidated financial statements and to furnish or make available to the trust unitholders quarterly reports containing the trust's unaudited interim financial information for the first three fiscal quarters of each of the trust's fiscal years.

## GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS

In this prospectus the following terms have the meanings specified below.

*Bbl* — One stock tank barrel of 42 U.S. gallons liquid volume, used herein in reference to crude oil and other liquid hydrocarbons.

*Boe* — One stock tank barrel of oil equivalent, computed on an approximate energy equivalent basis that one Bbl of crude oil equals six Mcf of natural gas.

*Btu* — A British Thermal Unit, a common unit of energy measurement.

*Completion* — The installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

*Development Well* — A well drilled into a proved oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

*Differential* — The difference between a benchmark price of oil and natural gas, such as the NYMEX crude oil spot, and the wellhead price received.

*Estimated future net revenues* — Also referred to as “estimated future net cash flows.” The result of applying current prices of oil and natural gas to estimated future production from oil and natural gas proved reserves, reduced by estimated future expenditures, based on current costs to be incurred, in developing and producing the proved reserves, excluding overhead.

*Farm-in or farm-out agreement* — An agreement under which the owner of a working interest in an oil or natural gas lease typically assigns the working interest or a portion of the working interest to another party who desires to drill on the leased acreage. Generally, the assignee is required to drill one or more wells in order to earn its interest in the acreage. The assignor usually retains a royalty or reversionary interest in the lease. The interest received by an assignee is a “farm-in” while the interest transferred by the assignor is a “farm-out.”

*Field* — An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

*Gross acres or gross wells* — The total acres or wells, as the case may be, in which a working interest is owned.

*Horizontal well* — A well that starts off being drilled vertically but which is eventually curved to become horizontal (or near horizontal) in order to parallel a particular geologic formation.

*MBbl* — One thousand barrels of crude oil or condensate.

*MBoe* — One thousand barrels of oil equivalent.

*Mcf* — One thousand cubic feet of natural gas.

*MMBoe* — One million barrels of oil equivalent.

*MMBtu* — One million British Thermal Units.

*MMcf* — One million cubic feet of natural gas.

*Net acres or net wells* — The sum of the fractional working interests owned in gross acres or wells, as the case may be.

*Net profits interest* — A nonoperating interest that creates a share in gross production from an operating or working interest in oil and natural gas properties. The share is measured by net profits from the sale of production after deducting costs associated with that production.

*Net revenue interest* — An interest in all oil and natural gas produced and saved from, or attributable to, a particular property, net of all royalties, overriding royalties, net profits interests, carried interests, reversionary interests and any other burdens to which the person's interest is subject.

*Plugging and abandonment* — Activities to remove production equipment and seal off a well at the end of a well's economic life.

*Proved developed reserves* — Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

*Proved reserves* — Under SEC rules for fiscal years ending on or after December 31, 2009, proved reserves are defined as:

Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons, LKH, as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil, HKO, elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Under SEC rules for fiscal years ending prior to December 31, 2009, proved reserves are defined as:

The estimated quantities of crude oil and natural gas, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural

occurrence of hydrocarbons controls the lower proved limit of the reservoir. Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the proved classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based. Estimates of proved reserves do not include the following: (A) Oil that may become available from known reservoirs but is classified separately as indicated additional reserves; (B) crude oil and natural gas, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil and natural gas, that may occur in undrilled prospects; and (D) crude oil and natural gas, that may be recovered from oil shales, coal, gilsonite and other such sources.

*Proved undeveloped reserves* — Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

*PV-10* — The present value of estimated future net revenues using a discount rate of 10% per annum.

*Recompletion* — The completion for production of an existing well bore in another formation from which that well has been previously completed.

*Reservoir* — A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

*Working interest* — The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

*Workover* — Operations on a producing well to restore or increase production.

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**PREDECESSOR UNDERLYING PROPERTIES:**

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The audited financial statements of the Predecessor can be found beginning on page ENDURO F-1.

**PREDECESSOR UNDERLYING PROPERTIES**  
**UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<i>(In thousands)</i>	
Revenues:		
Oil	\$ 335	\$ 433
Natural gas	4,477	6,632
Total revenues	<u>4,812</u>	<u>7,065</u>
Direct operating expenses:		
Lease operating	1,238	1,118
Gathering and processing	386	307
Production and other taxes	243	426
Total direct operating expenses	<u>1,867</u>	<u>1,851</u>
Excess of revenues over direct operating expenses	<u>\$ 2,945</u>	<u>\$ 5,214</u>

The accompanying notes are an integral part of these statements.

**PREDECESSOR UNDERLYING PROPERTIES**

**NOTES TO UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

**1. Basis of Presentation**

On December 1, 2010 (the "Acquisition Date"), Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in East Texas and North Louisiana from Denbury Resources Inc. ("Denbury") for a cash purchase price of approximately \$217.4 million. These assets were acquired by Denbury on March 9, 2010 in connection with Denbury's acquisition of Encore Acquisition Company ("Encore"). The portion of these properties Enduro expects to contribute to Enduro Royalty Trust are collectively referred to herein as the "Predecessor Underlying Properties."

The accompanying unaudited statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Enduro for periods subsequent to the Acquisition Date and of Denbury and Encore for their respective ownership periods prior to the Acquisition Date.

During the periods presented, the Predecessor Underlying Properties were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying unaudited statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the Predecessor Underlying Properties and such amounts may not be representative of future operations.

These unaudited statements of revenues and direct operating expenses do not represent a complete set of financial statements reflecting the financial position, results of operations, shareholders' equity, and cash flows of the Predecessor Underlying Properties. In the opinion of management, the accompanying unaudited statements of revenues and direct operating expenses include all adjustments considered necessary for fair presentation on the basis described above. All adjustments are of a normal recurring nature.

**2. Contingencies**

The activities of the Predecessor Underlying Properties are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a material adverse effect on the operations or financial results of the Predecessor Underlying Properties.

**3. Cash Flow Information**

Capital expenditures relating to the Predecessor Underlying Properties were approximately \$6.1 million and \$1.5 million for the three months ended March 31, 2011 and 2010, respectively. Other cash flow information is not available on a stand-alone basis for the Predecessor Underlying Properties.

**4. Subsequent Events**

Subsequent events have been evaluated through July 1, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.

**Report of Independent Registered Public Accounting Firm**

To the Board of Managers and Members of Enduro Resource Partners LLC:

We have audited the accompanying statements of revenues and direct operating expenses of the Predecessor Underlying Properties, described in Note 1, for the years ended December 31, 2010, 2009 and 2008. These statements are the responsibility of Enduro Resource Partners LLC's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. We were not engaged to perform an audit of the internal controls over financial reporting of the revenues and direct operating expenses of the Predecessor Underlying Properties. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements reflect the revenues and direct operating expenses of the Predecessor Underlying Properties, as described in Note 1, and are not intended to be a complete presentation of the Predecessor Underlying Properties' revenues and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the revenues and direct operating expenses of the Predecessor Underlying Properties for the years ended December 31, 2010, 2009 and 2008 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Fort Worth, Texas  
May 11, 2011



**PREDECESSOR UNDERLYING PROPERTIES  
STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	Year Ended December 31,		
	2010	2009	2008
		<i>(In thousands)</i>	
Revenues:			
Oil	\$ 1,345	\$ 1,685	\$ 3,057
Natural gas	21,112	22,519	54,485
Total revenues	<u>22,457</u>	<u>24,204</u>	<u>57,542</u>
Direct operating expenses:			
Lease operating	4,484	5,365	4,695
Gathering and processing	1,522	1,474	2,471
Production and other taxes	1,373	1,965	2,259
Total direct operating expenses	<u>7,379</u>	<u>8,804</u>	<u>9,425</u>
Excess of revenues over direct operating expenses	<u>\$ 15,078</u>	<u>\$ 15,400</u>	<u>\$ 48,117</u>

The accompanying notes are an integral part of these statements.

**PREDECESSOR UNDERLYING PROPERTIES**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

**1. Basis of Presentation**

On December 1, 2010 (the "Acquisition Date"), Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in East Texas and North Louisiana from Denbury Resources Inc. ("Denbury") for a cash purchase price of approximately \$213.8 million, subject to post-closing adjustments. These assets were acquired by Denbury on March 9, 2010 in connection with Denbury's acquisition of Encore Acquisition Company ("Encore"). The portion of these properties Enduro expects to contribute to Enduro Royalty Trust are collectively referred to herein as the "Predecessor Underlying Properties."

The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Enduro for periods subsequent to the Acquisition Date and of Denbury and Encore for their respective ownership periods prior to the Acquisition Date.

During the periods presented, the Predecessor Underlying Properties were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the Predecessor Underlying Properties and such amounts may not be representative of future operations.

Full separate financial statements prepared in accordance with generally accepted accounting principles are not presented as the information necessary to prepare such statements is neither readily available on an individual property basis nor practicable to obtain in these circumstances. Accordingly, the statements of revenues and direct operating expenses of the Predecessor Underlying Properties are presented in lieu of the financial statements otherwise required under Rules 3-01 and 3-02 of Regulation S-X by the Securities and Exchange Commission ("SEC").

**2. Significant Accounting Policies**

**(a) Use of Estimates**

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the statements of revenues and direct operating expenses. Actual balances and results could be different from those estimates.

**(b) Revenue Recognition**

Oil and natural gas revenues are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibilities of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Revenues are reported net of royalties and other amounts due to third parties.

**(c) Direct Operating Expenses**

Direct operating expenses are recognized when incurred and consist of the direct expenses of operating the Predecessor Underlying Properties. Direct operating expenses include lease operating,

PREDECESSOR UNDERLYING PROPERTIES

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

gathering, processing, and production and other tax expenses. Lease operating expenses include the costs of maintaining and operating property and equipment on producing oil and natural gas leases and include field labor, insurance, maintenance, repairs, utilities and supplies, and well workover and field expenses. Gathering and processing expenses include the costs of oil and/or natural gas taken in-kind for the use of gas processing facilities as well as maintenance, repair, and other operating costs incurred in gathering the production. Production and other taxes consist of severance and ad valorem taxes. Production taxes are recorded at the time transfer of title occurs. Such taxes represent a fixed percentage of production and are calculated and paid to the state governments in accordance with applicable regulations.

**3. Contingencies**

The activities of the Predecessor Underlying Properties are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a materially adverse effect on the operations or financial results of the Predecessor Underlying Properties.

**4. Cash Flow Information**

Capital expenditures relating to the Predecessor Underlying Properties were approximately \$7.8 million, \$16.9 million, and \$53.7 million for the years ended December 31, 2010, 2009, and 2008, respectively. Other cash flow information is not available on a stand-alone basis for the Predecessor Underlying Properties.

**5. Subsequent Events**

Subsequent events have been evaluated through May 11, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.

**6. Supplemental Oil and Natural Gas Disclosures (Unaudited)**

The following unaudited supplemental oil and natural gas disclosures were derived from reserve reports which were prepared by Enduro's, Denbury's and Encore's reserve engineers and are presented in accordance with the Financial Accounting Standards Board ASC Topic 932, *Extractive Activities — Oil and Gas* ("ASC 932"). The unaudited supplemental information reflects the revised oil and natural gas reserve estimation and disclosure requirements of the SEC Modernization of Oil and Gas Reporting rules, which were issued by the SEC in 2008 and were effective December 31, 2009. The following unaudited supplemental information for 2010 and 2009 has been presented in accordance with the revised reserve estimation and disclosure rules, which were not applied retrospectively. Accordingly, the information for 2008 is presented in accordance with the oil and gas disclosure requirements effective during that period.

***Oil and Natural Gas Reserve Quantities***

Proved reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing, and production may cause either upward or downward revisions of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating

PREDECESSOR UNDERLYING PROPERTIES

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

costs. The process of estimating quantities of oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reserve. Consequently, material revisions to existing reserve estimates may occur from time to time.

The following table presents the estimated remaining net proved and proved developed oil and natural gas reserves of the Predecessor Underlying Properties and changes therein, for the periods indicated.

	Oil (MMbbls)	Natural Gas (MMcf)	Total (MBOE)
January 1, 2008	114	38,126	6,468
Revisions of previous estimates	70	26,511	4,489
Production	(33)	(6,449)	(1,108)
December 31, 2008	151	58,188	9,849
Revisions of previous estimates	(16)	2,490	399
Production	(31)	(6,069)	(1,043)
December 31, 2009	104	54,609	9,205
Revisions of previous estimates	(61)	11,128	1,794
Production	(18)	(4,976)	(847)
December 31, 2010	25	60,761	10,152
Proved developed reserves as of:			
December 31, 2008	106	43,480	7,353
December 31, 2009	59	35,497	5,975
December 31, 2010	25	30,294	5,074
Proved undeveloped reserves as of:			
December 31, 2008	45	14,708	2,496
December 31, 2009	45	19,112	3,230
December 31, 2010	—	30,467	5,078

**Standardized Measure of Discounted Future Net Cash Flows**

Estimated discounted future net cash flows and changes therein were determined for the Predecessor Underlying Properties in accordance with ASC 932. Future cash inflows for 2010 and 2009 were computed by applying the average prices of oil and natural gas during the 12-month period to the period-end quantities of those proved reserves (with consideration of price changes only to the extent provided by contractual arrangements). The average prices were determined using the arithmetic average of the prices in effect on the first day of the month for each month within the period. This same 12-month average price was also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. Future cash inflows for 2008 were computed by using the year-end oil and natural gas prices in accordance with the disclosure requirements effective during that period.

PREDECESSOR UNDERLYING PROPERTIES

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

The prices per unit used for the Predecessor Underlying Properties' proved reserves and future net revenues are as follows:

	December 31,		
	2010	2009	2008
Oil (per Bbl)	\$ 79.43	\$ 61.18	\$ 44.60
Natural gas (per Mcf)	\$ 4.37	\$ 3.83	\$ 5.62

Future development and production costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and natural gas reserves based on period-end costs assuming continuation of existing economic conditions. No future income tax expense was computed as taxable income arising from the operations of the properties accrues to the owner. An annual discount rate of 10% was used to reflect the timing of the future net cash flows.

Discounted future cash flow estimates like those shown below are not intended to present, nor should they be interpreted to present, the fair value of the Predecessor Underlying Properties' oil and natural gas properties. Estimates of fair value should also consider probable and possible reserves, anticipated future commodity prices, interest rates, changes in development and production costs, and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

The following table presents the estimates of the standardized measure of discounted future net cash flows from proved reserves of oil and natural gas for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
		<i>(in thousands)</i>	
Future cash inflows	\$ 249,277	\$ 200,931	\$ 311,799
Future production costs	(56,146)	(75,873)	(94,767)
Future development costs	(51,674)	(37,531)	(39,163)
Future net cash flows	141,457	87,527	177,869
10% discount for estimating timing of cash flows	(72,263)	(41,852)	(81,788)
Standardized measure of discounted future net cash flows	<u>\$ 69,194</u>	<u>\$ 45,675</u>	<u>\$ 96,081</u>

## PREDECESSOR UNDERLYING PROPERTIES

## NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

The following table presents the changes in the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
		(In thousands)	
Sales of oil and natural gas produced, net of production costs	\$ (15,078)	\$ (15,400)	\$ (48,117)
Net changes in prices and production costs	25,650	(44,320)	(27,554)
Revisions of previous quantity estimates	17,808	2,930	53,925
Development costs incurred during the period	7,779	16,926	26,841
Accretion of discount	4,567	9,608	9,827
Change in estimated future development costs	(17,147)	(11,963)	(30,633)
Timing and other	(60)	(8,187)	13,527
Net change in standardized measure	23,519	(50,406)	(2,184)
Standardized measure, beginning of year	45,675	96,081	98,265
Standardized measure, end of year	<u>\$ 69,194</u>	<u>\$ 45,675</u>	<u>\$ 96,081</u>

**SAMSON PERMIAN BASIN ASSETS**  
**UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	<u>Three Months Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<i>(In thousands)</i>	
Revenues:		
Oil	\$ 4,351	\$ 4,289
Natural gas	1,213	1,680
Total revenues	<u>5,564</u>	<u>5,969</u>
Direct operating expenses:		
Lease operating	785	919
Gathering and processing	56	56
Production and other taxes	377	441
Total direct operating expenses	<u>1,218</u>	<u>1,416</u>
Excess of revenues over direct operating expenses	<u>\$ 4,346</u>	<u>\$ 4,553</u>

The accompanying notes are an integral part of these statements.

**SAMSON PERMIAN BASIN ASSETS**

**NOTES TO UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

**1. Basis of Presentation**

On January 5, 2011 (the "Acquisition Date"), Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in the Permian Basin in Texas and New Mexico (the "Samson Permian Basin Assets") from Samson Investment Company and related subsidiaries (collectively, "Samson") for a cash purchase price of approximately \$133.8 million, subject to post-closing adjustments.

The accompanying unaudited statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Enduro for periods subsequent to the Acquisition Date and of Samson for periods prior to the Acquisition Date.

During the periods presented, the Samson Permian Basin Assets were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying unaudited statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the Samson Permian Basin Assets and such amounts may not be representative of future operations.

These unaudited statements of revenues and direct operating expenses do not represent a complete set of financial statements reflecting the financial position, results of operations, shareholders' equity, and cash flows of the Samson Permian Basin Assets. In the opinion of management, the accompanying unaudited statements of revenues and direct operating expenses include all adjustments considered necessary for fair presentation on the basis described above. All adjustments are of a normal recurring nature.

**2. Contingencies**

The activities of the Samson Permian Basin Assets are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a materially adverse effect on the operations or financial results of the Samson Permian Basin Assets.

**3. Cash Flow Information**

Capital expenditures relating to the Samson Permian Basin Assets were approximately \$5,000 and \$92,000 for the three months ended March 31, 2011 and 2010, respectively. Other cash flow information is not available on a stand-alone basis for the Samson Permian Basin Assets.

**4. Subsequent Events**

Subsequent events have been evaluated through July 1, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.



**Report of Independent Registered Public Accounting Firm**

To the Board of Managers and Members of Enduro Resource Partners LLC:

We have audited the accompanying statements of revenues and direct operating expenses of the Samson Permian Basin Assets, described in Note 1, for the years ended December 31, 2010, 2009 and 2008. These statements are the responsibility of Enduro Resource Partners LLC's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. We were not engaged to perform an audit of the internal controls over financial reporting of the revenues and direct operating expenses of the Samson Permian Basin Assets. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements reflect the revenues and direct operating expenses of the Samson Permian Basin Assets, as described in Note 1, and are not intended to be a complete presentation of the Samson Permian Basin Assets' revenues and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the revenues and direct operating expenses of the Samson Permian Basin Assets for the years ended December 31, 2010, 2009 and 2008 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Tulsa, Oklahoma  
May 9, 2011

**SAMSON PERMIAN BASIN ASSETS**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	Year Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Revenues:			
Oil	\$ 16,626	\$ 13,174	\$ 23,730
Natural gas	5,650	4,733	9,770
Total revenues	<u>22,276</u>	<u>17,907</u>	<u>33,500</u>
Direct operating expenses:			
Lease operating	3,438	3,783	4,327
Gathering and processing	212	177	178
Production and other taxes	1,702	1,558	2,549
Total direct operating expenses	<u>5,352</u>	<u>5,518</u>	<u>7,054</u>
Excess of revenues over direct operating expenses	<u>\$ 16,924</u>	<u>\$ 12,389</u>	<u>\$ 26,446</u>

The accompanying notes are an integral part of these statements.

**SAMSON PERMIAN BASIN ASSETS**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

**1. Basis of Presentation**

On January 5, 2011 (the "Acquisition Date"), Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in the Permian Basin in Texas and New Mexico (the "Samson Permian Basin Assets") from Samson Investment Company and related subsidiaries (collectively, "Samson") for a cash purchase price of approximately \$133.8 million, subject to post-closing adjustments.

The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Enduro for periods subsequent to the Acquisition Date and of Samson for periods prior to the Acquisition Date.

During the periods presented, the Samson Permian Basin Assets were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the Samson Permian Basin Assets and such amounts may not be representative of future operations.

Full separate financial statements prepared in accordance with generally accepted accounting principles are not presented as the information necessary to prepare such statements is neither readily available on an individual property basis nor practicable to obtain in these circumstances. Accordingly, the statements of revenues and direct operating expenses of the Samson Permian Basin Assets are presented in lieu of the financial statements otherwise required under Rules 3-01 and 3-02 of Regulation S-X by the Securities and Exchange Commission ("SEC").

**2. Significant Accounting Policies**

**(a) Use of Estimates**

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the statements of revenues and direct operating expenses. Actual balances and results could be different from those estimates.

**(b) Revenue Recognition**

Oil and natural gas revenues are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibilities of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Revenues are reported net of royalties and other amounts due to third parties.

**(c) Direct Operating Expenses**

Direct operating expenses are recognized when incurred and consist of the direct expenses of operating the Samson Permian Basin Assets. Direct operating expenses include lease operating, gathering, processing, and production and other tax expenses. Lease operating expenses include the costs of maintaining and operating property and equipment on producing oil and natural gas leases and include field labor, insurance, maintenance, repairs, utilities and supplies, and well workover and

**SAMSON PERMIAN BASIN ASSETS**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)**

field expenses. Gathering and processing expenses include the costs of oil and/or natural gas taken in-kind for the use of gas processing facilities as well as maintenance, repair, and other operating costs incurred in gathering the production. Production and other taxes consist of severance and ad valorem taxes. Production taxes are recorded at the time transfer of title occurs. Such taxes represent a fixed percentage of production and are calculated and paid to the state governments in accordance with applicable regulations.

**3. Contingencies**

The activities of the Samson Permian Basin Assets are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a materially adverse effect on the operations or financial results of the Samson Permian Basin Assets.

**4. Cash Flow Information (Unaudited)**

Capital expenditures relating to the Samson Permian Basin Assets were approximately \$799,000, \$968,000, and \$5,628,000 for the years ended December 31, 2010, 2009, and 2008, respectively. Other cash flow information is not available on a stand-alone basis for the Samson Permian Basin Assets.

**5. Subsequent Events**

Subsequent events have been evaluated through May 9, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.

**6. Supplemental Oil and Natural Gas Disclosures (Unaudited)**

The following unaudited supplemental oil and natural gas disclosures were derived from reserve reports which were prepared by Enduro's reserve engineers and are presented in accordance with the Financial Accounting Standards Board ASC Topic 932, *Extractive Activities — Oil and Gas* ("ASC 932"). The unaudited supplemental information reflects the revised oil and natural gas reserve estimation and disclosure requirements of the SEC Modernization of Oil and Gas Reporting rules, which were issued by the SEC in 2008 and were effective December 31, 2009. The following unaudited supplemental information for 2010 and 2009 has been presented in accordance with the revised reserve estimation and disclosure rules, which were not applied retrospectively. Accordingly, the information for 2008 is presented in accordance with the oil and gas disclosure requirements effective during that period.

***Oil and Natural Gas Reserve Quantities***

Proved reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing, and production may cause either upward or downward revisions of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The process of estimating quantities of oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for

**SAMSON PERMIAN BASIN ASSETS**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)**

each reserve. Consequently, material revisions to existing reserve estimates may occur from time to time.

The following table presents the estimated remaining net proved and proved developed oil and natural gas reserves of the Samson Permian Basin Assets and changes therein, for the periods indicated.

	Oil (MMbbls)	Natural Gas (MMcf)	Total (MBOE)
January 1, 2008	3,835	14,399	6,235
Revisions of previous estimates	(351)	(517)	(437)
Production	(246)	(1,164)	(440)
December 31, 2008	3,238	12,718	5,358
Revisions of previous estimates	139	(150)	114
Production	(233)	(1,110)	(418)
December 31, 2009	3,144	11,458	5,054
Revisions of previous estimates	120	379	183
Production	(216)	(1,056)	(392)
December 31, 2010	<u>3,048</u>	<u>10,781</u>	<u>4,845</u>
Proved developed reserves as of:			
December 31, 2008	3,238	12,718	5,358
December 31, 2009	3,144	11,458	5,054
December 31, 2010	3,048	10,781	4,845

**Standardized Measure of Discounted Future Net Cash Flows**

Estimated discounted future net cash flows and changes therein were determined for the Samson Permian Basin Assets in accordance with ASC 932. Future cash inflows for 2010 and 2009 were computed by applying the average prices of oil and natural gas during the 12-month period to the period-end quantities of those proved reserves (with consideration of price changes only to the extent provided by contractual arrangements). The average prices were determined using the arithmetic average of the prices in effect on the first day of the month for each month within the period. This same 12-month average price was also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. Future cash inflows for 2008 were computed by using the year-end oil and natural gas prices in accordance with the disclosure requirements effective during that period.

The prices per unit used for the Samson Permian Basin Assets' proved reserves and future net revenues are as follows:

	2010	December 31, 2009	2008
Oil (per Bbl)	\$79.43	\$61.18	\$44.60
Natural gas (per Mcf)	\$ 4.37	\$ 3.83	\$ 5.62

Future development and production costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and natural gas reserves based on period-end costs assuming continuation of existing economic conditions. No future income tax expense was

**SAMSON PERMIAN BASIN ASSETS**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)**

computed as taxable income arising from the operations of the properties accrues to the owner. An annual discount rate of 10% was used to reflect the timing of the future net cash flows.

Discounted future cash flow estimates like those shown below are not intended to present, nor should they be interpreted to present, the fair value of the Samson Permian Basin Assets' oil and natural gas properties. Estimates of fair value should also consider probable and possible reserves, anticipated future commodity prices, interest rates, changes in development and production costs, and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

The following table presents the estimates of the standardized measure of discounted future net cash flows from proved reserves of oil and natural gas for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Future cash inflows	\$ 292,253	\$ 239,673	\$ 224,628
Future production costs	(107,372)	(96,804)	(92,314)
Future net cash flows	184,881	142,869	132,314
10% discount for estimating timing of cash flows	(99,927)	(73,986)	(64,551)
Standardized measure of discounted future net cash flows	<u>\$ 84,954</u>	<u>\$ 68,883</u>	<u>\$ 67,763</u>

The following table presents the changes in the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Sales of oil and natural gas produced, net of production costs	\$ (16,924)	\$ (12,389)	\$ (26,446)
Net changes in prices and production costs	25,022	10,094	(83,425)
Revisions of previous quantity estimates	3,361	1,650	(4,972)
Accretion of discount	6,888	6,776	16,207
Timing and other	(2,276)	(5,011)	4,330
Net change in standardized measure	16,071	1,120	(94,306)
Standardized measure, beginning of year	68,883	67,763	162,069
Standardized measure, end of year	<u>\$ 84,954</u>	<u>\$ 68,883</u>	<u>\$ 67,763</u>

**CONOCOPHILLIPS PERMIAN BASIN ASSETS**  
**UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	<u>Three Months Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<i>(in thousands)</i>	
Revenues:		
Oil	\$ 15,464	\$ 12,632
Natural gas	1,572	1,526
Total revenues	<u>17,036</u>	<u>14,158</u>
Direct operating expenses:		
Lease operating	4,162	4,169
Gathering and processing	47	56
Production and other taxes	1,385	1,185
Total direct operating expenses	<u>5,594</u>	<u>5,410</u>
Excess of revenues over direct operating expenses	<u>\$ 11,442</u>	<u>\$ 8,748</u>

The accompanying notes are an integral part of these statements.

CONOCOPHILLIPS PERMIAN BASIN ASSETS

NOTES TO UNAUDITED STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

**1. Basis of Presentation**

On February 28, 2011 (the "Acquisition Date"), Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in the Permian Basin in Texas and New Mexico (the "ConocoPhillips Permian Basin Assets") from ConocoPhillips Company and a related subsidiary (collectively, "ConocoPhillips") for a cash purchase price of approximately \$314.2 million, subject to post-closing adjustments.

The accompanying unaudited statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Enduro for periods subsequent to the Acquisition Date and of ConocoPhillips for periods prior to the Acquisition Date.

During the periods presented, the ConocoPhillips Permian Basin Assets were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying unaudited statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the ConocoPhillips Permian Basin Assets and such amounts may not be representative of future operations.

These unaudited statements of revenues and direct operating expenses do not represent a complete set of financial statements reflecting the financial position, results of operations, shareholders' equity, and cash flows of the ConocoPhillips Permian Basin Assets. In the opinion of management, the accompanying unaudited statements of revenues and direct operating expenses include all adjustments considered necessary for fair presentation on the basis described above. All adjustments are of a normal recurring nature.

**2. Contingencies**

The activities of the ConocoPhillips Permian Basin Assets are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a material adverse effect on the operations or financial results of the ConocoPhillips Permian Basin Assets.

**3. Cash Flow Information**

Capital expenditures relating to the ConocoPhillips Permian Basin Assets were approximately \$6.0 million and \$0.2 million for the three months ended March 31, 2011 and 2010, respectively. Other cash flow information is not available on a stand-alone basis for the ConocoPhillips Permian Basin Assets.

**4. Subsequent Events**

Subsequent events have been evaluated through July 1, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.



**Report of Independent Registered Public Accounting Firm**

To the Board of Managers and Members of Enduro Resource Partners LLC:

We have audited the accompanying statements of revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets, described in Note 1, for the years ended December 31, 2010, 2009 and 2008. These statements are the responsibility of Enduro Resource Partners LLC's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. We were not engaged to perform an audit of the internal control over financial reporting of the revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements reflect the revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets, as described in Note 1, and are not intended to be a complete presentation of the ConocoPhillips Permian Basin Assets' revenues and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets for the years ended December 31, 2010, 2009 and 2008 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Tulsa, Oklahoma  
May 9, 2011

**CONOCOPHILLIPS PERMIAN BASIN ASSETS**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	Year Ended December 31,		
	2010	2009	2008
		<i>(In thousands)</i>	
Revenues:			
Oil	\$ 52,062	\$ 40,450	\$ 80,014
Natural gas	7,025	5,801	11,746
Total revenues	<u>59,087</u>	<u>46,251</u>	<u>91,760</u>
Direct operating expenses:			
Lease operating	16,657	16,674	20,309
Gathering and processing	243	234	386
Production and other taxes	4,994	3,989	6,409
Total direct operating expenses	<u>21,894</u>	<u>20,897</u>	<u>27,104</u>
Excess of revenues over direct operating expenses	<u>\$ 37,193</u>	<u>\$ 25,354</u>	<u>\$ 64,656</u>

The accompanying notes are an integral part of these statements.

CONOCOPHILLIPS PERMIAN BASIN ASSETS

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

**1. Basis of Presentation**

On February 28, 2011, Enduro Resource Partners LLC ("Enduro") completed the acquisition of certain oil and natural gas properties located in the Permian Basin in Texas and New Mexico (the "ConocoPhillips Permian Basin Assets") from ConocoPhillips Company and a related subsidiary (collectively, "ConocoPhillips") for a cash purchase price of approximately \$314.2 million, subject to post-closing adjustments.

The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of ConocoPhillips.

During the periods presented, the ConocoPhillips Permian Basin Assets were not accounted for as a separate division and therefore certain costs such as depletion, depreciation, and amortization, accretion of asset retirement obligations, general and administrative expenses, interest, income taxes, and other expenses of an indirect nature were not allocated to the individual properties. Any attempt to allocate such indirect expenses would require significant and judgmental allocations, which would be arbitrary and would not be indicative of the performance of the properties had they been owned by Enduro. As a result of the exclusion of these various expenses, the accompanying statements of revenues and direct operating expenses are not indicative of the financial condition or results of operations of the ConocoPhillips Permian Basin Assets and such amounts may not be representative of future operations.

Full separate financial statements prepared in accordance with generally accepted accounting principles are not presented as the information necessary to prepare such statements is neither readily available on an individual property basis nor practicable to obtain in these circumstances. Accordingly, the statements of revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets are presented in lieu of the financial statements otherwise required under Rules 3-01 and 3-02 of Regulation S-X by the Securities and Exchange Commission ("SEC").

**2. Significant Accounting Policies**

**(a) Use of Estimates**

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the statements of revenues and direct operating expenses. Actual balances and results could be different from those estimates.

**(b) Revenue Recognition**

Oil and natural gas revenues are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibilities of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Revenues are reported net of royalties and other amounts due to third parties.

**(c) Direct Operating Expenses**

Direct operating expenses are recognized when incurred and consist of the direct expenses of operating the ConocoPhillips Permian Basin Assets. Direct operating expenses include lease operating, gathering, processing, and production and other tax expenses. Lease operating expenses include the costs of maintaining and operating property and equipment on producing oil and natural gas leases and include field labor, insurance, maintenance, repairs, utilities and supplies, and well workover and field expenses. Gathering and processing expenses include the costs of oil and/or natural gas taken in-

CONOCOPHILLIPS PERMIAN BASIN ASSETS

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

kind for the use of gas processing facilities as well as maintenance, repair, and other operating costs incurred in gathering the production. Production and other taxes consist of severance and ad valorem taxes. Production taxes are recorded at the time transfer of title occurs. Such taxes represent a fixed percentage of production and are calculated and paid to the state governments in accordance with applicable regulations.

**3. Contingencies**

The activities of the ConocoPhillips Permian Basin Assets are subject to potential claims and litigation in the normal course of operations. Enduro's management does not believe that any liability resulting from any pending or threatened litigation will have a materially adverse effect on the operations or financial results of the ConocoPhillips Permian Basin Assets.

**4. Cash Flow Information (Unaudited)**

Capital expenditures relating to the ConocoPhillips Permian Basin Assets were approximately \$28.5 million, \$0.6 million, and \$6.3 million for the years ended December 31, 2010, 2009, and 2008, respectively. Other cash flow information is not available on a stand-alone basis for the ConocoPhillips Permian Basin Assets.

**5. Subsequent Events**

Subsequent events have been evaluated through May 9, 2011, the date the statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition or disclosure in this report have been included. No subsequent events requiring recognition or disclosure have occurred.

**6. Supplemental Oil and Natural Gas Disclosures (Unaudited)**

The following unaudited supplemental oil and natural gas disclosures were derived from reserve reports which were prepared by Enduro's reserve engineers and are presented in accordance with the Financial Accounting Standards Board ASC Topic 932, *Extractive Activities — Oil and Gas* ("ASC 932"). The unaudited supplemental information reflects the revised oil and natural gas reserve estimation and disclosure requirements of the SEC Modernization of Oil and Gas Reporting rules, which were issued by the SEC in 2008 and were effective December 31, 2009. The following unaudited supplemental information for 2010 and 2009 has been presented in accordance with the revised reserve estimation and disclosure rules, which were not applied retrospectively. Accordingly, the information for 2008 is presented in accordance with the oil and gas disclosure requirements effective during that period.

***Oil and Natural Gas Reserve Quantities***

Proved reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing, and production may cause either upward or downward revisions of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The process of estimating quantities of oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reserve. Consequently, material revisions to existing reserve estimates may occur from time to time.

CONOCOPHILLIPS PERMIAN BASIN ASSETS

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

The following table presents the estimated remaining net proved and proved developed oil and natural gas reserves of the ConocoPhillips Permian Basin Assets and changes therein, for the periods indicated.

	Oil (MMbbls)	Natural Gas (MMcf)	Total (MBOE)
January 1, 2008	12,228	14,484	14,642
Revisions of previous estimates	(4,093)	(2,263)	(4,470)
Production	(805)	(1,255)	(1,014)
December 31, 2008	7,330	10,966	9,158
Revisions of previous estimates	2,343	365	2,404
Production	(752)	(1,276)	(965)
December 31, 2009	8,921	10,055	10,597
Revisions of previous estimates	1,477	1,784	1,774
Production	(705)	(1,139)	(895)
December 31, 2010	9,693	10,700	11,476
Proved developed reserves as of:			
December 31, 2008	7,330	10,966	9,158
December 31, 2009	8,921	10,055	10,597
December 31, 2010	9,314	9,407	10,882
Proved undeveloped reserves as of:			
December 31, 2008	—	—	—
December 31, 2009	—	—	—
December 31, 2010	379	1,293	594

**Standardized Measure of Discounted Future Net Cash Flows**

Estimated discounted future net cash flows and changes therein were determined for the ConocoPhillips Permian Basin Assets in accordance with ASC 932. Future cash inflows for 2010 and 2009 were computed by applying the average prices of oil and natural gas during the 12-month period to the period-end quantities of those proved reserves (with consideration of price changes only to the extent provided by contractual arrangements). The average prices were determined using the arithmetic average of the prices in effect on the first day of the month for each month within the period. This same 12-month average price was also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. Future cash inflows for 2008 were computed by using the year-end oil and natural gas prices in accordance with the disclosure requirements effective during that period.

The prices per unit used for the ConocoPhillips Permian Basin Assets' proved reserves and future net revenues are as follows:

	December 31,		
	2010	2009	2008
Oil (per Bbl)	\$79.43	\$61.18	\$44.60
Natural gas (per Mcf)	\$ 4.37	\$ 3.83	\$ 5.62

Future development and production costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and natural gas reserves based on period-end

CONOCOPHILLIPS PERMIAN BASIN ASSETS

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES — (Continued)

costs assuming continuation of existing economic conditions. No future income tax expense was computed as taxable income arising from the operations of the properties accrues to the owner. An annual discount rate of 10% was used to reflect the timing of the future net cash flows.

Discounted future cash flow estimates like those shown below are not intended to present, nor should they be interpreted to present, the fair value of the ConocoPhillips Permian Basin Assets' oil and natural gas properties. Estimates of fair value should also consider probable and possible reserves, anticipated future commodity prices, interest rates, changes in development and production costs, and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

The following table presents the estimates of the standardized measure of discounted future net cash flows from proved reserves of oil and natural gas for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Future cash inflows	\$ 788,822	\$ 562,323	\$ 378,542
Future production costs	(407,974)	(331,913)	(228,540)
Future development costs	(6,000)	—	—
Future net cash flows	374,848	230,410	150,002
10% discount for estimating timing of cash flows	(179,827)	(103,004)	(61,428)
Standardized measure of discounted future net cash flows	<u>\$ 195,021</u>	<u>\$ 127,406</u>	<u>\$ 88,574</u>

The following table presents the changes in the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves for the periods indicated.

	Year Ended December 31,		
	2010	2009	2008
	<i>(In thousands)</i>		
Extensions and discoveries, net of future development costs	\$ 11,065	\$ —	\$ —
Sales of oil and natural gas produced, net of production costs	(37,193)	(25,354)	(64,656)
Net changes in prices and production costs	69,967	31,046	(206,394)
Revisions of previous quantity estimates	21,549	30,869	(36,796)
Accretion of discount	12,741	8,857	36,168
Change in estimated future development costs	(5,721)	—	—
Timing and other	(4,793)	(6,586)	(1,427)
Net change in standardized measure	67,615	38,832	(273,105)
Standardized measure, beginning of year	127,406	88,574	361,679
Standardized measure, end of year	<u>\$ 195,021</u>	<u>\$ 127,406</u>	<u>\$ 88,574</u>

**UNAUDITED PRO FORMA COMBINED STATEMENTS OF REVENUES  
AND DIRECT OPERATING EXPENSES OF THE UNDERLYING PROPERTIES**

**Introduction**

The following unaudited pro forma combined statements of revenues and direct operating expenses represent the historical revenues and direct operating expenses of the Predecessor Underlying Properties, as adjusted to give effect to the acquisition of certain properties by Enduro Sponsor located in the Permian Basin in Texas and New Mexico from Samson Investment Company (the "Samson Permian Basin Assets") and the acquisition of certain oil and natural gas properties located in the Permian Basin in Texas and New Mexico from ConocoPhillips Company (the "ConocoPhillips Permian Basin Assets") as if such acquisitions had occurred on January 1, 2009.

These unaudited pro forma combined statements of revenues and direct operating expenses are for informational purposes only. They do not purport to present the results of the combined historical revenues and direct operating expenses of the Underlying Properties that would have actually occurred had the acquisitions of the Samson Permian Basin Assets and the ConocoPhillips Permian Basin Assets occurred on January 1, 2009.

The unaudited pro forma combined statements of historical revenues and direct operating expenses should be read in conjunction with "Discussion and Analysis of Pro Forma Combined Historical Results of the Underlying Properties," the audited statements of revenues and direct operating expenses of the Predecessor Underlying Properties, the audited statements of revenues and direct operating expenses of the Samson Permian Basin Assets, and the audited statements of revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets included in this prospectus and elsewhere in the registration statement.

UNAUDITED PRO FORMA COMBINED STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF THE UNDERLYING PROPERTIES

THREE MONTHS ENDED MARCH 31, 2011

	Predecessor Underlying Properties	Samson Permian Basin Assets	ConocoPhillips Permian Basin Assets	Total Underlying Properties
	<i>(In thousands)</i>			
Revenues:				
Oil	\$ 335	\$ 4,351	\$ 15,464	\$ 20,150
Natural gas	4,477	1,213	1,572	7,262
Total revenues	<u>4,812</u>	<u>5,564</u>	<u>17,036</u>	<u>27,412</u>
Direct operating expenses:				
Lease operating	1,238	785	4,162	6,185
Gathering and processing	386	56	47	489
Production and other taxes	243	377	1,385	2,005
Total direct operating expenses	<u>1,867</u>	<u>1,218</u>	<u>5,594</u>	<u>8,679</u>
Excess of revenues over direct operating expenses	<u>\$ 2,945</u>	<u>\$ 4,346</u>	<u>\$ 11,442</u>	<u>\$ 18,733</u>



**UNAUDITED PRO FORMA COMBINED STATEMENT OF REVENUES  
AND DIRECT OPERATING EXPENSES OF THE UNDERLYING PROPERTIES**

**YEAR ENDED DECEMBER 31, 2010**

	<u>Predecessor Underlying Properties</u>	<u>Samson Permian Basin Assets</u>	<u>ConocoPhillips Permian Basin Assets</u>	<u>Total Underlying Properties</u>
	<i>(In thousands)</i>			
Revenues:				
Oil	\$ 1,345	\$ 16,626	\$ 52,062	\$ 70,033
Natural gas	<u>21,112</u>	<u>5,650</u>	<u>7,025</u>	<u>33,787</u>
Total revenues	<u>22,457</u>	<u>22,276</u>	<u>59,087</u>	<u>103,820</u>
Direct operating expenses:				
Lease operating	4,484	3,438	16,657	24,579
Gathering and processing	1,522	212	243	1,977
Production and other taxes	<u>1,373</u>	<u>1,702</u>	<u>4,994</u>	<u>8,069</u>
Total direct operating expenses	<u>7,379</u>	<u>5,352</u>	<u>21,894</u>	<u>34,625</u>
Excess of revenues over direct operating expenses	<u>\$ 15,078</u>	<u>\$ 16,924</u>	<u>\$ 37,193</u>	<u>\$ 69,195</u>

**UNAUDITED PRO FORMA COMBINED STATEMENT OF REVENUES  
AND DIRECT OPERATING EXPENSES OF THE UNDERLYING PROPERTIES**

**YEAR ENDED DECEMBER 31, 2009**

	<u>Predecessor Underlying Properties</u>	<u>Samson Permian Basin Assets</u>	<u>ConocoPhillips Permian Basin Assets</u>	<u>Total Underlying Properties</u>
	<i>(In thousands)</i>			
Revenues:				
Oil	\$ 1,685	\$ 13,174	\$ 40,450	\$ 55,309
Natural gas	<u>22,519</u>	<u>4,733</u>	<u>5,801</u>	<u>33,053</u>
Total revenues	<u>24,204</u>	<u>17,907</u>	<u>46,251</u>	<u>88,362</u>
Direct operating expenses:				
Lease operating	5,365	3,783	16,674	25,822
Gathering and processing	1,474	177	234	1,885
Production and other taxes	<u>1,965</u>	<u>1,558</u>	<u>3,989</u>	<u>7,512</u>
Total direct operating expenses	<u>8,804</u>	<u>5,518</u>	<u>20,897</u>	<u>35,219</u>
Excess of revenues over direct operating expenses	<u>\$ 15,400</u>	<u>\$ 12,389</u>	<u>\$ 25,354</u>	<u>\$ 53,143</u>

**Report of Independent Registered Public Accounting Firm**

To the Unitholder of Enduro Royalty Trust:

We have audited the accompanying statement of assets and trust corpus of Enduro Royalty Trust (the "Trust") as of May 12, 2011. This financial statement is the responsibility of the management of Enduro Resource Partners LLC. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets and trust corpus is free of material misstatement. We were not engaged to perform an audit of the internal controls over financial reporting of the Trust. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of assets and trust corpus, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the statement of assets and trust corpus referred to above presents fairly, in all material respects, the financial position of the Trust as of May 12, 2011, on the basis of accounting described in Note 2.

/s/ Ernst & Young LLP

Fort Worth, Texas  
May 12, 2011

**ENDURO ROYALTY TRUST**  
**STATEMENT OF ASSETS AND TRUST CORPUS**

	<u>May 12, 2011</u>
<b>ASSETS</b>	
Cash	\$ <u>10</u>
<b>TRUST CORPUS</b>	
Trust Corpus	\$ <u>10</u>

The accompanying notes are an integral part of this financial statement.

**ENDURO ROYALTY TRUST**  
**NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS**

**1. Organization of the Trust**

Enduro Royalty Trust (the "Trust") is a Delaware statutory trust formed on May 3, 2011 under the Delaware Statutory Trust Act pursuant to a Trust Agreement (the "Trust Agreement") among Enduro Resource Partners LLC ("Enduro"), as trustor, The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), and Wilmington Trust Company, as Delaware Trustee (the "Delaware Trustee").

The Trust was created to acquire and hold a net profits interest (the "Net Profits Interest") for the benefit of the Trust unitholders pursuant to an agreement between Enduro, the Trustee, and the Delaware Trustee. In connection with the closing of the initial public offering of trust units, Enduro intends to convey, or cause to be conveyed, the Net Profits Interest to the Trust in exchange for trust units. The Net Profits Interest represents an interest in underlying properties consisting of Enduro's interests in specified oil and natural gas properties located in Texas, Louisiana and New Mexico (the "Underlying Properties").

The Net Profits Interest is passive in nature and neither the Trust nor the Trustee has any control over, or responsibility for, costs relating to the operation of the Underlying Properties. The Net Profits Interest entitles the Trust to receive 80% of the net profits from the sale of oil and natural gas production of the Underlying Properties.

The Trustee can authorize the Trust to borrow money to pay trust administrative or incidental expenses that exceed cash held by the Trust. The Trustee may authorize the Trust to borrow from the Trustee as a lender provided the terms of the loan are fair to the trust unitholder and similar to the terms it would grant to a similarly situated commercial customer with whom it did not have a fiduciary relationship. The Trustee may also deposit funds awaiting distribution in an account with itself, if the interest paid to the Trust at least equals amounts paid by the Trustee on similar deposits, and make other short-term investments with the funds distributed to the Trust.

**2. Trust Significant Accounting Policies**

**(a) Basis of Accounting**

The Trust uses the modified cash basis of accounting to report Trust receipts of the Net Profits Interest and payments of expenses incurred. The Net Profits Interest represents the right to receive revenues (oil and natural gas sales), less direct operating expenses (lease operating expenses and production and property taxes) and development expenses of the Underlying Properties plus any payments made or net of payments received in connection with the settlement of certain hedge contracts, multiplied by 80%. Cash distributions of the Trust will be made based on the amount of cash received by the Trust pursuant to terms of the conveyance creating the Net Profits Interest.

The financial statements of the Trust, as prepared on a modified cash basis, reflect the Trust's assets, liabilities, Trust corpus, earnings and distributions as follows:

- (i) Income from Net Profits Interest is recorded when distributions are received by the Trust;
- (ii) Distributions to Trust unitholders are recorded when paid by the Trust;
- (iii) Trust general and administrative expenses (which includes the Trustee's fees as well as accounting, engineering, legal, and other professional fees) are recorded when paid; and

**ENDURO ROYALTY TRUST**  
**NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS — (Continued)**

(iv) Cash reserves for Trust expenses may be established by the Trustee for certain expenditures that would not be recorded as contingent liabilities under accounting principles generally accepted in the United States of America ("GAAP").

Amortization of the investment in Net Profits Interest is calculated on a unit-of-production basis and is charged directly to Trust corpus. Such amortization does not affect cash earnings of the Trust.

Investment in the Net Profits Interest is periodically assessed to determine whether its aggregate value has been impaired below its total capitalized cost based on the Underlying Properties. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

While these statements differ from financial statements prepared in accordance with GAAP, the modified cash basis of reporting revenues, expenses, and distributions is considered to be the most meaningful because monthly distributions to the Trust unitholders are based on net cash receipts. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by Staff Accounting Bulletin Topic 12:E, *Financial Statements of Royalty Trusts*.

To date, the Net Profits Interest has not been conveyed by Enduro to the Trust. Thus, there have been no receipts from the Net Profits Interest and no administrative expenses been incurred.

**(b) Use of Estimates**

The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Income Taxes**

Tax counsel to the Trust advised the Trust at the time of formation that for U.S. federal income tax purposes, the Trust will be treated as a grantor trust and will not be subject to tax at the trust level. Trust unitholders will be treated for such purposes as owning a direct interest in the assets of the Trust, and each trust unitholder will be taxed directly on his pro rata share of the income and gain attributable to the assets of the Trust and will be entitled to claim his pro rata share of the deductions and expenses attributable to the assets of the Trust.

**4. Distributions to Unitholders**

Each month, the Trustee determines the amount of funds available for distribution to the Trust unitholders. Available funds are the excess cash, if any, received by the Trust from the Net Profits Interest and other sources (such as interest earned on any amounts reserved by the Trustee) that month, over the Trust's liabilities for that month, subject to adjustments for changes made by the Trustee during the month in any cash reserves established for future liabilities of the Trust. Distributions are made to the holders of trust units as of the applicable record date (generally the 15th day of each calendar month) and are payable on or before the 10th business day after the record date. To date, there have been no distributions.

**ENDURO ROYALTY TRUST**  
**UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

**Introduction**

The following unaudited pro forma statement of assets and trust corpus and unaudited pro forma statements of distributable income for the Trust have been prepared to illustrate the conveyance of the Net Profits Interest in the Underlying Properties by Enduro Sponsor to the Trust. The unaudited pro forma statement of assets and trust corpus presents the beginning statement of assets and trust corpus of the Trust as of May 12, 2011, as adjusted to give effect to the Net Profits Interest conveyance as if it had occurred on May 12, 2011. The unaudited pro forma statements of distributable income for the three months ended March 31, 2011 and for the year ended December 31, 2010 give effect to the Net Profits Interest conveyance as if it occurred on January 1, 2010, reflecting only pro forma adjustments expected to have a continuing impact on the combined results.

These unaudited pro forma financial statements are for informational purposes only. They do not purport to present the results that would have actually occurred had the Net Profits Interest conveyance been completed on the assumed dates or for the periods presented, or which may be realized in the future.

To produce the pro forma financial statements, management of Enduro Sponsor made certain estimates. The accompanying unaudited pro forma statement of assets and trust corpus assumes a May 12, 2011 issuance of 33,000,000 trust units at an assumed public offering price of \$            per unit. The accompanying unaudited pro forma statements of distributable income for the three months ended March 31, 2011 and for the year ended December 31, 2010 have been prepared assuming trust formation and Net Profits Interest conveyance at the beginning of the period presented.

These estimates are based on the most recently available information. To the extent there are significant changes in these amounts, the assumptions and estimates herein could change significantly. The unaudited pro forma statement of assets and trust corpus and unaudited pro forma statements of distributable income should be read in conjunction with the accompanying notes to such unaudited pro forma financial statements and the audited statement of assets and trust corpus of the Trust, including the related notes, included in this prospectus and elsewhere in the registration statement.

ENDURO ROYALTY TRUST  
UNAUDITED PRO FORMA STATEMENT OF ASSETS AND TRUST CORPUS

	<u>Historical</u>	<u>May 12, 2011</u> <u>Adjustments</u> <i>(In thousands)</i>	<u>Pro Forma</u>
<b>ASSETS</b>			
Cash	\$ —	\$ —	\$ —
Investment in Net Profits Interest (See Note 5)	—	825,000	825,000
	<u>\$ —</u>	<u>\$ 825,000</u>	<u>\$ 825,000</u>
<b>TRUST CORPUS</b>			
Trust Units Issued and Outstanding	<u>\$ —</u>	<u>\$ 825,000</u>	<u>\$ 825,000</u>

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



**ENDURO ROYALTY TRUST**  
**UNAUDITED PRO FORMA STATEMENTS OF DISTRIBUTABLE INCOME**

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
	<i>(In thousands)</i>	
<b>Historical Results</b>		
Income from the Net Profits Interest (See Note 4)	\$ 5,302	\$ 25,727
<b>Pro Forma Adjustments</b>		
Less: Trust general and administrative expenses (See Note 5)	213	850
<b>Distributable income</b>	<b>\$ 5,089</b>	<b>\$ 24,877</b>
<b>Distributable income per unit</b>	<b>\$ 0.15</b>	<b>\$ 0.75</b>

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

ENDURO ROYALTY TRUST

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

**1. Basis of Presentation**

In connection with the closing of the initial public offering of trust units, Enduro Sponsor will convey, or cause to be conveyed, to Enduro Royalty Trust (the "Trust") a net profits interest (the "Net Profits Interest") in certain oil and natural gas producing properties located in Texas, Louisiana, and New Mexico (the "Underlying Properties"). The Net Profits Interest entitles the Trust to receive 80% of the net profits attributable to Enduro Sponsors' interest from the sale of oil and natural gas production from the Underlying Properties.

The unaudited pro forma statement of assets and trust corpus presents the beginning statement of assets and trust corpus of the Trust as of May 12, 2011, as adjusted to give effect to the Net Profits Interest conveyance as if it had occurred on May 12, 2011. The unaudited pro forma statements of distributable income for the three months ended March 31, 2011 and for the year ended December 31, 2010 give effect to the Net Profits Interest conveyance as if it occurred on January 1, 2010, reflecting only pro forma adjustments expected to have a continuing impact on the combined results.

The Trust was formed on May 3, 2011 under Delaware law to acquire and hold the Net Profits Interest for the benefit of the Trust unitholders. The initial contribution to the Trust was \$10. The Net Profits Interest is passive in nature and neither the Trust nor The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") will have any control over, or responsibility for, costs relating to the operation of the Underlying Properties.

The unaudited pro forma financial statements should be read in conjunction with the Statement of Assets and Trust Corpus for the Trust and the Unaudited Pro Forma Combined Statements of Revenues and Direct Operating Expenses.

**2. Trust Accounting Policies**

These Unaudited Pro Forma Financial Statements were prepared using the accrual basis information from the historical revenues and direct operating expenses for each of the Predecessor Underlying Properties, the Samson Permian Basin Assets, and the ConocoPhillips Permian Basin Assets. The Trust uses the modified cash basis of accounting to report Trust receipts of the Net Profits Interest and payments of expenses incurred. Actual cash receipts may vary due to timing delays of actual cash receipts from the property operators or purchasers. The actual cash distributions of the Trust will be made based on the terms of the conveyance creating the Trust's Net Profits Interest which is on a modified cash basis of accounting.

Investment in the Net Profits Interest is recorded initially at its fair value and periodically assessed to determine whether its aggregate value has been impaired below its total capitalized cost on the Underlying Properties. The Trust will provide a write-down to its investment in the Net Profits Interest to the extent that total capitalized costs, less accumulated depletion, depreciation, and amortization, exceed undiscounted future net revenues attributable to the Trust's interests in the proved oil and natural gas reserves of the Underlying Properties.

Enduro Sponsor believes that the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to this transaction.

These unaudited pro forma financial statements should be read in conjunction with the Unaudited Pro Forma Combined Statements of Revenues and Direct Operating Expenses and related notes for the periods presented.

**ENDURO ROYALTY TRUST**  
**NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS — (Continued)**

**3. Income Taxes**

The Trust is a Delaware statutory trust and is not required to pay federal or state income taxes. Accordingly, no provision for Federal or state income taxes has been made.

**4. Income from Net Profits Interest**

The table below outlines the calculation of Trust income from the Net Profits Interest derived from the excess of revenues over direct operating expenses of the Underlying Properties for the three months ended March 31, 2011 and for the year ended December 31, 2010.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Pro forma excess of revenues over direct operating expenses of the Underlying Properties	\$ 18,733	\$ 69,195
Development costs <sup>(a)</sup>	(12,105)	(37,036)
Excess of revenues over direct operating expenses and development costs	6,628	32,159
Multiplied by Net Profits Interest	80%	80%
Trust Income from Net Profits Interest	<u>\$ 5,302</u>	<u>\$ 25,727</u>

(a) Per the terms of the net profits interest, development costs are to be deducted when calculating the distributable income to the Trust.

**5. Pro Forma Adjustments**

The Net Profits Interest is recorded at its fair value and is calculated as follows as of May 12, 2011:

Gross cash proceeds from the sale of trust units	\$ 330,000
Trust units held by Enduro Sponsor	495,000
Fair value of investment in Net Profits Interest	<u>\$ 825,000</u>

Estimated annual trust administrative expenses are \$850,000 (\$212,500 quarterly). Administrative expenses for subsequent years could be greater or less depending on future events that cannot be predicted. The Trust's general and administrative expenses include annual fees to Trustees, legal fees, accounting fees, engineering fees, printing costs, and other expenses properly chargeable to the Trust.

**INFORMATION ABOUT  
ENDURO RESOURCE PARTNERS LLC  
(ENDURO SPONSOR)**  
**The trust units are not interests in or obligations of  
Enduro Sponsor**

ENDURO-1

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### Business and Properties of Enduro Sponsor

Enduro Sponsor is a privately-held Delaware limited liability company engaged in the production and development of oil and natural gas from properties located in Texas, Louisiana and New Mexico. Enduro Sponsor was formed on March 3, 2010.

The Underlying Properties were acquired in three separate transactions and are located in two different geographic regions: the Permian Basin and East Texas/North Louisiana. Enduro Sponsor's oil and natural gas properties in the East Texas/North Louisiana region were acquired from Denbury Resources Inc. in December 2010, and Enduro Sponsor's oil and natural gas properties in the Permian Basin of Texas and New Mexico were acquired from Samson Investment Company and ConocoPhillips Company in January 2011 and February 2011, respectively. After giving pro forma effect to the conveyance of the Net Profits Interest to the trust, the offering of the trust units contemplated by this prospectus and the application of the net proceeds as described in "Use of Proceeds," as of March 31, 2011, Enduro Sponsor would have had total assets of \$662.8 million and total liabilities of \$107.7 million. For an explanation of the pro forma adjustments, please read "Financial Statements of Enduro Sponsor — Unaudited Pro Forma Financial Statements — Introduction."

As of December 31, 2010, Enduro Sponsor held interests in approximately 4,866 gross (919 net) producing wells, and its proved reserves were approximately 31.8 MMBoe. As of December 31, 2010, all of the total proved reserves attributable to the Underlying Properties, based on PV-10 value, were operated by Third Party Operators, other than the Stockman Field in East Texas which is primarily operated by Enduro Sponsor. Petrohawk, EXCO Resources and Enduro Sponsor operate the acreage in the East Texas/North Louisiana region. Apache and Occidental are the two largest operators of Enduro Sponsor's acreage in the Permian Basin region. These Third Party Operators have many years of experience in maximizing production response from mature oil and natural gas fields.

**The trust units do not represent interests in, or obligations of, Enduro Sponsor.**

### Management of Enduro Sponsor

Set forth in the table below are the names, ages and titles of the managers and executive officers of Enduro Sponsor.

<u>Name</u>	<u>Age</u>	<u>Title</u>
Jon S. Brumley	40	President and Chief Executive Officer
John W. Arms	44	Executive Vice President and Chief Operating Officer
Kimberly A. Weimer	32	Vice President and Chief Financial Officer
Bill R. Pardue	38	Director, Engineering and Operations
David J. Grahek	57	Director, Geology
David Leuschen	60	Manager
Pierre F. Lapeyre, Jr.	48	Manager
N. John Lancaster	43	Manager
I. Jon Brumley	72	Manager

Jon S. Brumley co-founded Enduro Sponsor and has been the President and Chief Executive Officer of Enduro Sponsor and a member of the Enduro Sponsor Board since March 2010. Mr. Brumley is responsible for the coordination and supervision of exploration and production and the acquisition of Enduro Sponsor's oil and natural gas reserves. Mr. Brumley was the Chief Executive Officer of EAC from January 2006 until March 2010 when it was sold to Denbury Resources Inc., a publicly traded exploration and production company. At EAC, Mr. Brumley also served as President from August 2002 until March 2010, a director on the Board of Directors from April 1999 until May 2001 and from November 2001 until March 2010 and Executive Vice President of Business Development and Corporate Secretary from April 1998 until August 2002. Mr. Brumley also served as President and Chief Executive Officer of Encore GP LLC, the managing member of Encore Energy, a publicly traded master

limited partnership whose general partner was owned by EAC from February 2007 until March 2010. Prior to joining EAC, Mr. Brumley held management positions at MESA Petroleum and Pioneer Natural Resources Company. Mr. Brumley received a Bachelor of Business Administrations in Marketing from the University of Texas.

*John W. Arms* co-founded Enduro Sponsor and has been the Executive Vice President and Chief Operating Officer and a member of the Enduro Sponsor Board since March 2010. Mr. Arms is responsible for the coordination and supervision of acquisitions and the engineering, enhancement and exploitation of Enduro Sponsor's existing properties as well as the engineering analysis and evaluation of its future reserve acquisitions. Prior to joining Enduro Sponsor, Mr. Arms served as Senior Vice President of Acquisitions at EAC and Encore Energy from February 2007 until its acquisition by Denbury Resources Inc. in March 2010. At EAC, Mr. Arms also served as Vice President of Business Development from September 2001 until February 2007 and as Manager of Acquisitions and in various other petroleum engineering positions from November 1998 until September 2001. Prior to joining EAC, Mr. Arms held various positions of responsibility at XTO Energy and ARCO Oil and Gas Company. Mr. Arms received his Bachelor of Science in Petroleum Engineering from the Colorado School of Mines.

*Kimberly A. Weimer* has been the Vice President and Chief Financial Officer of Enduro Sponsor since April 2010. Prior to joining Enduro Sponsor, Ms. Weimer served as the Director of Investor Relations of EAC from October 2008 until its acquisition by Denbury Resources Inc. in March 2010. From May 2007 until October 2008, she was the Senior Manager of Financial Reporting at EAC responsible for all aspects of SEC reporting for Encore Energy Partners LP. During this timeframe, Encore Energy Partners completed its initial public offering and was listed on the New York Stock Exchange, completed two follow-on equity offerings and purchased over \$500 million in assets. Prior to joining EAC in 2007, Ms. Weimer worked in public accounting, beginning her career at Arthur Andersen. From May 2005 to May 2007, Ms. Weimer served as an Audit Manager at Cherry, Bekaert & Holland. Ms. Weimer received a Bachelor of Science in Accounting and Finance from Louisiana State University. She is a Certified Public Accountant.

*Bill R. Pardue* has been the Director, Engineering and Operations of Enduro Sponsor since May 2010. Prior to joining Enduro Sponsor, Mr. Pardue served as the Asset Manager of Encore Energy from May 2007 to May 2010. Mr. Pardue also served as the Engineering Manager for EAC from June 2005 until May 2007 in the Permian and Mid-Continent regions. At EAC, Mr. Pardue also worked in various petroleum engineering positions from November 2000 until May 2005. Prior to joining EAC, Mr. Pardue worked as a production and reservoir engineer for Meridian Oil/Burlington Resources from 1996 until 2000. Mr. Pardue received a Bachelor of Science in Petroleum Engineering from Texas Tech University and a Master of Business Administration from Texas Christian University. Mr. Pardue is also a registered professional engineer in the state of Texas.

*David J. Grahek* has been the Director, Geology of Enduro Sponsor since June 2010. Prior to joining Enduro Sponsor, Mr. Grahek served as Geologic Advisor of EAC from June 2005 until its acquisition by Denbury Resources, Inc., in March 2010. Prior to joining EAC, Mr. Grahek held various positions of responsibility with G&G Exploration Inc. and Union Pacific Resources Company. Mr. Grahek has over 35 years of petroleum geology experience. Mr. Grahek received his Bachelor of Science in Geology from the University of Southern Colorado and completed post graduate work at the Colorado School of Mines.

*David Leuschen* has been a member of the Enduro Sponsor Board since March 2010. Mr. Leuschen is a founder and Senior Managing Director of Riverstone. Prior to co-founding Riverstone, Mr. Leuschen was a Partner and Managing Director at Goldman, Sachs & Co. and founder and head of the Goldman, Sachs & Co. Global Energy & Power Group. Mr. Leuschen joined Goldman, Sachs & Co. in 1977 and became head of the Global Energy & Power Group in 1985 and a Partner in 1986. He remained with Goldman, Sachs & Co. until leaving to found Riverstone. Mr. Leuschen has served as a director of Cambridge Energy Research Associates, Cross Timbers Oil Company (predecessor to XTO

Energy), J. Aron Resources, Mega Energy, Inc. and Natural Meats Montana. He currently serves on the boards of directors of Legend Natural Gas, Dynamic Industries, Dynamic Offshore Resources, Canera Resources and Titan Operating. He is also president of Switchback Ranch LLC and has served on a number of non-profit boards of directors. Mr. Leuschen received his Bachelor of Arts from Dartmouth and his Master of Business Administration from Dartmouth's Amos Tuck School of Business.

*Pierre F. Lapeyre, Jr.* has been a member of the Enduro Sponsor Board since March 2010. Mr. Lapeyre is a founder and Senior Managing Director of Riverstone. Prior to co-founding Riverstone, Mr. Lapeyre was a Managing Director at Goldman, Sachs & Co. in its Global Energy & Power Group. Mr. Lapeyre joined Goldman, Sachs & Co. in 1986 and spent his 14-year investment banking career focused on energy and power, particularly the midstream/pipeline and oil service sectors. Mr. Lapeyre's responsibilities included client coverage and leading the execution of a wide variety of mergers and acquisitions, initial public offerings, strategic advisory and capital markets financings for clients across all sectors of the industry. Mr. Lapeyre serves on the boards of directors of Legend Natural Gas, Titan Specialties, Dynamic Industries, Titan Operating, Three Rivers, Dynamic Offshore Resources and Quorum Technologies. Mr. Lapeyre received his Bachelor of Science in Finance and Economics from the University of Kentucky and his Master of Business Administration from the University of North Carolina at Chapel Hill.

*N. John Lancaster* has been a member of the Enduro Sponsor Board since March 2010. Mr. Lancaster is a Partner and Managing Director of Riverstone. Mr. Lancaster joined Riverstone in 2000 and is responsible for the sourcing and management of investments across the energy industry, with a particular emphasis on the oilfield service and exploration and production sectors. Prior to joining Riverstone, Mr. Lancaster was a Director with The Beacon Group, LLC, a privately held firm specializing in principal investing and strategic advisory services in the energy and other industries. Mr. Lancaster began his career at Bankers Trust and later at CS First Boston, spending time as an investment banker and equity research analyst focused on the oil service and unregulated gas transmission sectors of the energy industry. Mr. Lancaster serves on the boards of directors of Cobalt International Energy Inc., Titan Specialties, Dynamic Industries, Dynamic Offshore Resources, Cuadrilla Resources, Hudson Products, Liberty Resources, and Barra Energia. Mr. Lancaster received his Bachelor of Business Administration from the University of Texas, where he serves on the McCombs School of Business Advisory Council, and his Master of Business Administration from Harvard Business School.

*I. Jon Brumley* has been a member of the Enduro Sponsor Board since March 2010. Mr. Brumley served as the Chairman of the Board of Directors of Encore GP LLC from February 2007 to March 2010. Mr. Brumley also served as the Chairman of the Board of Directors of EAC since its inception in April 1998 until March 2010, the Chief Executive Officer from its inception until December 2005 and President from its inception until August 2002. Beginning in August 1996, Mr. Brumley served as Chairman and Chief Executive Officer of MESA Petroleum until MESA's merger in August 1997 with Parker & Parsley to form Pioneer Natural Resources Company. He served as Chairman and Chief Executive Officer of Pioneer until joining EAC in 1998. Mr. Brumley received a Bachelor of Business Administration from the University of Texas and a Master of Business Administration from the University of Pennsylvania Wharton School of Business.

#### **Compensation Discussion and Analysis**

The trust was formed in May 2011 and does not have any executive officers, directors or employees. The trust has not paid or accrued any obligations with respect to management compensation or benefits for directors and executive officers. This Compensation Discussion and Analysis provides an overview and analysis of the elements of the compensation program for 2010 for the following individuals who were executive officers of Enduro Sponsor and who are referred to

collectively as the named executive officers of Enduro Sponsor in this Compensation Discussion and Analysis:

- Jon S. Brumley, President and Chief Executive Officer of Enduro Sponsor,
- John W. Arms, Executive Vice President and Chief Operating Officer of Enduro Sponsor,
- Kimberly A. Weimer, Vice President and Chief Financial Officer of Enduro Sponsor,
- Bill R. Pardue, Director, Engineering and Operations of Enduro Sponsor, and
- David J. Grahek, Director, Geology of Enduro Sponsor.

The above named executive officers of Enduro Sponsor have not and will not receive any direct compensation from the trust.

**Overview**

Enduro Sponsor's compensation program for the named executive officers for 2010 was determined by the Enduro Sponsor Board in connection with Enduro Sponsor's formation in early 2010 with the following primary objectives:

- attract and retain the highest quality executive officers in Enduro Sponsor's industry;
- provide incentives that will reward the named executive officers as a group for Enduro Sponsor's performance; and
- provide incentives that will reward the named executive officers for their individual performance and contributions to Enduro Sponsor's success.

The Enduro Sponsor Board felt that these objectives were best met by providing a mix of cash and equity-based compensation to the named executive officers, as described below.

**Setting Executive Compensation**

The Enduro Sponsor Board determines all elements of compensation for the named executive officers, including base salaries and the size, timing and allocation of any cash or equity-based incentive awards payable to the named executive officers. The Enduro Sponsor Board makes these determinations based upon recommendations from Enduro Sponsor's chief executive officer (with respect to named executive officers other than the chief executive officer) and the Enduro Sponsor Board's subjective evaluation, based upon the judgment and industry experience of its members, of each named executive officer's position, responsibilities and individual performance.

**Elements of Compensation**

For 2010, compensation for the named executive officers consisted of base salary, discretionary cash bonuses and long-term equity-based compensation awards.

**Base Salary.** Base salaries are paid to the named executive officers to recognize the scope and performance of duties and to encourage retention by providing a guaranteed income stream. The Enduro Sponsor Board established base salaries for the named executive officers based on various factors, including the recommendation of Enduro Sponsor's chief executive officer (with respect to named executive officers other than the chief executive officer) and the Enduro Sponsor Board's determination, based upon the judgment and industry experience of its members, of amounts it considered necessary to (i) attract and retain high quality executives, (ii) reflect the responsibilities of the named executive officers and (iii) recognize demonstrated proficiency and performance of the named executive officers.



Based upon the foregoing considerations, the Enduro Sponsor Board determined to establish 2010 base salaries for the named executive officers in the following amounts:

<u>Name and Principal Position</u>	<u>2010 Base Salary</u>
Jon S. Brumley President and Chief Executive Officer	\$ 325,000
John W. Arms Executive Vice President and Chief Operating Officer	\$ 325,000
Kimberly A. Weimer Vice President and Chief Financial Officer	\$ 165,000
Bill R. Pardue Director, Engineering and Operations	\$ 165,000
David J. Grahek Director, Geology	\$ 165,000

The base salaries were determined for Mr. Brumley, Mr. Arms and Ms. Weimer at the time of Enduro Sponsor's formation in early 2010 and for Mr. Pardue and Mr. Grahek at the time of their commencement of employment with Enduro Sponsor in May 2010 and July 2010, respectively. None of Enduro Sponsor's named executive officers received any base salary increases during 2010.

*Discretionary Cash Bonus Awards.* A significant portion of the compensation for the named executive officers consists of an annual discretionary cash bonus award. Discretionary cash bonus awards are paid to link a substantial portion of compensation to annual performance and thereby encourage the named executive officers to create value for Enduro Sponsor's members.

Cash bonus awards are based upon the Enduro Sponsor Board's evaluation of company and individual performance without reference to specific goals, targets or levels of achievement. Whether any bonuses are paid, and the relative amounts of any such payments made, to the named executive officers is determined in the sole discretion of the Enduro Sponsor Board, taking into account the Enduro Sponsor Board's subjective evaluation of company and individual performance based upon such factors as Enduro Sponsor's success throughout the applicable year and the Enduro Sponsor Board's view of a named executive officer's scope of duties and ability to influence, and contribute to, Enduro Sponsor's success throughout the applicable year.

When determining whether to award cash bonuses for 2010, and the relative amounts of any such awards, the Enduro Sponsor Board primarily considered the efforts of the named executive officers that culminated in Enduro Sponsor's successful acquisition of the Predecessor Properties in December 2010 from Denbury Resources Inc. and the efforts of the named executive officers during 2010 in connection with the transactions by which Enduro Sponsor acquired the Acquired Properties in January 2011 and February 2011 from Samson Investment Company and ConocoPhillips Company, respectively. In light of these achievements, and based upon the foregoing considerations, the Enduro Sponsor Board determined to award bonuses for 2010 to each of the named executive officers in the amounts set forth in the Bonus column of the Summary Compensation Table below.

*Long-Term Equity-Based Compensation Awards.* The named executive officers received equity-based compensation awards, in the form of Class B units of Enduro Sponsor, at the time they began employment with Enduro Sponsor in 2010. The Class B units represent profits interests in Enduro Sponsor and entitle the named executive officers to share in distributions by Enduro Sponsor above specified levels. For this reason and because on the date of grant Enduro Sponsor did not have operations or oil and natural gas assets, Enduro Sponsor determined that the fair value of the Class B units on the grant date was nominal.

The Class B units were granted subject to certain time-based forfeiture restrictions, which generally lapse at such times as described in "— Potential Payments upon Termination or Change-in-Control" below. The Enduro Sponsor Board believes that the grants of Class B units to the

named executive officers encourages performance over the long term and provides the named executive officers with meaningful incentives to increase value to the members over time.

***Additional Benefits***

During 2010, Enduro Sponsor did not sponsor or maintain any employee benefit plans, and no named executive officer received any employee benefits or perquisites in 2010. Beginning in January 2011, Enduro Sponsor established certain retirement, health and welfare benefit plans in which the named executive officers are eligible to participate. The Enduro Sponsor Board believes the employee benefits that Enduro Sponsor began providing to the named executive officers in 2011 conform to industry standards and help to maintain the compensation of the named executive officers at competitive levels.

***Employment and Severance Arrangements***

The Enduro Sponsor Board considers the maintenance of a sound management team to be essential to protecting and enhancing the best interests of Enduro Sponsor and its members. To that end, the Enduro Sponsor Board recognizes that the uncertainty which may exist among the named executive officers with respect to their "at-will" employment may result in their departure or distraction to the detriment of Enduro Sponsor and its members. Accordingly, the Enduro Sponsor Board has determined that severance arrangements are appropriate to encourage the continued attention and dedication of certain named executive officers and to allow them to focus on the value to members of strategic alternatives without concern for the impact on their continued employment. Enduro Sponsor has entered into an employment agreement with each of Mr. Brumley, Mr. Arms, Ms. Weimer and Mr. Pardue that provides for severance benefits upon certain terminations of employment. The employment agreements, as described below, are substantially identical for each of the applicable named executive officers.

The employment agreements have initial terms of three years and are extended automatically for successive twelve-month periods thereafter unless either party delivers a written notice of non-renewal not less than sixty days prior to the expiration of the then-current employment term. The employment agreements provide that upon termination of a named executive officer's employment either by Enduro Sponsor for convenience or due to the named executive officer's resignation for good reason, subject to the timely execution of a general release of claims, the named executive officer is entitled to receive an amount equal to one times the named executive officer's annual base salary plus one times the named executive officer's annual bonus for the year prior to the year in which the termination occurs (or the named executive officer's 2010 target bonus if the termination occurs in 2010). The severance amount is payable 50% in a lump-sum on the 60th day following the termination of employment and 50% in equal installments thereafter for one year, in accordance with Enduro Sponsor's regular payroll practices.

As used in the employment agreements, a termination for "convenience" means an involuntary termination for any reason or no reason at all, other than a termination for "cause." "Cause" is defined in the employment agreements to mean a named executive officer's (i) having engaged in conduct that is or is reasonably expected to be materially injurious to Enduro Sponsor or its affiliates; (ii) material breach of the employment agreement; (iii) having been convicted of, or having entered a plea bargain or settlement admitting guilt for, any felony or engaging in fraudulent or criminal activity relating to the scope of the named executive officer's employment (whether or not prosecuted); (iv) having been the subject of any order, judicial or administrative, obtained or issued by the Securities and Exchange Commission for any securities violation involving fraud on the part of the named executive officer; (v) material violation of Enduro Sponsor's business conduct policies or any restrictive covenants with Enduro Sponsor; (vi) gross negligence or material misconduct in the performance of duties and services required of the named executive officer; or (vii) continuing and repeated failure to perform the duties as reasonably requested by Enduro Sponsor and within the reasonable scope of the named executive officer's duties, other than as a result of incapacity.

"Good reason" is defined in the employment agreements to mean a termination of employment by a named executive officer after (i) any material reduction in the named executive officer's position or job responsibilities, (ii) the assignment of duties materially inconsistent with the named executive officer's position or job responsibilities in the 90 days preceding the assignment, (iii) a material reduction in the named executive officer's base salary, (iv) the relocation of the named executive officer's principal place of employment more than 50 miles from its prior location, or (v) any other material breach by Enduro Sponsor of any agreement with the named executive officer.

Mr. Grahek is not party to an employment agreement with Enduro Sponsor and would not be entitled to any severance benefits upon a termination of employment.

#### **Summary Compensation Table for 2010**

The following table sets forth certain information with respect to the compensation paid to the named executive officers for 2010.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary<sup>(1)</sup></b>	<b>Bonus<sup>(2)</sup></b>	<b>Unit Awards<sup>(3)</sup></b>	<b>Total</b>
Jon S. Brumley President and Chief Executive Officer	2010	\$ 236,528	\$ 162,500	—	\$ 399,028
John W. Arms Executive Vice President and Chief Operating Officer	2010	\$ 236,528	\$ 162,500	—	\$ 399,028
Kimberly A. Weimer Vice President and Chief Financial Officer	2010	\$ 120,083	\$ 82,500	—	\$ 202,583
Bill R. Pardue Director, Engineering and Operations	2010	\$ 103,125	\$ 57,750	—	\$ 160,875
David J. Grahek Director, Geology	2010	\$ 72,558	\$ 57,750	—	\$ 130,308

- (1) Amounts shown represent the base salary amounts paid to the named executive officers for service to Enduro Sponsor in 2010 and reflect the partial year of service following the named executive officers' commencement of service with Enduro Sponsor in 2010. For each named executive officer's annualized base salary amount, refer to the discussion above in "— Elements of Compensation — Base Salary."
- (2) Represents the discretionary cash bonus awards paid for 2010. For a discussion of the determination of these amounts, see "— Elements of Compensation — Discretionary Cash Bonus Awards."
- (3) The named executive officers each received an award of Class B units in the amounts set forth in the Grants of Plan-Based Awards for 2010 table below upon commencing employment. The grant date fair value of these awards was nominal and a value of \$0 was assigned for purposes of the above table.

**Grants of Plan-Based Awards for 2010**

The following table provides information regarding plan-based awards granted to the named executive officers for 2010.

Name	Grant Date	All Other Unit Awards: Number of Units	Grant Date Fair Value of Units Awards <sup>(1)</sup>
Jon S. Brumley	4/9/2010	32,500	—
John W. Arms	4/9/2010	32,500	—
Kimberly A. Weimer	4/9/2010	5,000	—
Bill R. Pardue	5/17/2010	5,000	—
David J. Grahek	7/23/2010	5,000	—

(1) The Class B units had a nominal value as of the grant date.

**Outstanding Equity Awards at December 31, 2010**

The following table provides information regarding the Class B units in Enduro Sponsor held by the named executive officers as of December 31, 2010.

Name	Unit Awards	
	Number of Class B Units That Have Not Vested <sup>(1)</sup>	Market Value of Class B Units That Have Not Vested <sup>(2)</sup>
Jon S. Brumley	32,500	—
John W. Arms	32,500	—
Kimberly A. Weimer	5,000	—
Bill R. Pardue	5,000	—
David J. Grahek	5,000	—

- (1) Represents the number of Class B units of Enduro Sponsor that remained subject to a risk of forfeiture as of December 31, 2010. The risk of forfeiture with respect to Class B units held by the named executive officers generally lapses only at such times as described in "— Potential Payments upon Termination or Change-in-Control."
- (2) As described in footnote 3 to the Summary Compensation Table for 2010 and in "— Elements of Compensation — Long-Term Equity-Based Compensation Awards," above, Class B units represent profits interests in Enduro Sponsor and entitle the named executive officers to share in distributions by Enduro Sponsor once the holders of Class A units of Enduro Sponsor have received distributions equal to their contributed capital amounts. Enduro Sponsor estimates that the value of the Class B units as of December 31, 2010 was nominal, assuming a liquidation of Enduro Sponsor's assets and the distribution of all proceeds to Enduro Sponsor's members.

**Options Exercised and Units Vested**

None of the named executive officers became vested in unit awards during 2010.

**Pension Benefits for 2010**

The named executive officers do not participate in any pension plans and did not receive or accrue any pension benefits during 2010.

**Nonqualified Deferred Compensation**

The named executive officers do not participate in any nonqualified deferred compensation plans and did not receive any nonqualified deferred compensation during 2010.

**Potential Payments upon Termination or Change-in-Control**

Enduro Sponsor has entered into an employment agreement with each of Mr. Brumley, Mr. Arms, Ms. Weimer and Mr. Pardue that provides for severance benefits upon certain terminations of employment. Mr. Grahek is not party to an employment agreement with Enduro Sponsor and would not be entitled to any severance benefits upon a termination of employment. Please see “— Employment and Severance Arrangements.” Except as otherwise described below with regard to the Class B units, none of the named executive officers is entitled to any payments or benefits as a result of a change in control with respect to Enduro Sponsor. Assuming a termination of employment effective as of December 31, 2010 by Enduro Sponsor for convenience or due to a named executive officer’s resignation for good reason, the named executive officers (other than Mr. Grahek) would have received the following severance payments and benefits:

Name	Payment Type	Termination for Convenience or Due to Resignation for Good Reason (\$) <sup>(1)</sup>
Jon S. Brumley	Salary	325,000
	Bonus	162,500
	<b>Total</b>	<b>\$ 487,500</b>
John W. Arms	Salary	325,000
	Bonus	162,500
	<b>Total</b>	<b>\$ 487,500</b>
Kimberly A. Weimer	Salary	165,000
	Bonus	82,500
	<b>Total</b>	<b>\$ 247,500</b>
Bill R. Pardue	Salary	165,000
	Bonus	57,750
	<b>Total</b>	<b>\$ 222,750</b>

(1) The employment agreements between Enduro Sponsor and the applicable named executive officers provide that the named executive officers would be entitled to receive one times their target annual bonuses for 2010 in the event of a termination of employment during 2010 by Enduro Sponsor for convenience or resignation by the named executive officer for good reason. No target bonuses were communicated to the named executive officers for 2010. The amounts shown as “bonus” in this column equal the actual bonus amounts paid to the named executive officers for 2010.

The Class B units held by the named executive officers are subject to forfeiture in the event of certain terminations of employment with Enduro Sponsor. The forfeiture restrictions lapse based upon the passage of time or the occurrence of certain events, depending upon the circumstances of the applicable termination of employment. Generally, the forfeiture restrictions will lapse in the following amounts in the following scenarios:

*Resignation for Good Reason or Termination Without Cause or Due to Death or Disability.* If a named executive officer’s employment is terminated by Enduro Sponsor without cause, by the named executive officer for good reason or due to the death or disability of the named executive officer, the forfeiture restriction will lapse (i) with respect to one-third of the named executive officer’s Class B units if the termination occurs after the one-year anniversary of the date of grant of the Class B units but before the two-year anniversary of such date; (ii) with respect to two-thirds of the named executive officer’s Class B units if the termination occurs after the two-year anniversary of the date of grant of the Class B units but before the three-year anniversary of such date and (iii) with respect to all of the named executive officer’s Class B units if the termination occurs after the three-year anniversary of the date of grant of the Class B units.

**Resignation Without Good Reason.** The forfeiture restrictions will lapse with respect to all of a named executive officer's Class B units if the named executive officer resigns without good reason after (i) the occurrence of a "trigger event" (as described below) or the time at which the holders of Class A units of Enduro Sponsor have contributed, and had returned, their full capital commitments and (ii) at least 18 months have elapsed since the named executive officer began employment with Enduro Sponsor. The forfeiture restrictions will lapse with respect to one-third of a named executive officer's Class B units if the named executive officer resigns without good reason (i) after the third anniversary of the date of grant of the Class B units, (ii) before the occurrence of a trigger event and (iii) before the time at which the holders of Class A units of Enduro Sponsor have contributed, and had returned, their full capital commitments.

**Termination for Cause.** If the named executive officer's employment is terminated for cause the forfeiture restrictions will not lapse with respect to any of the named executive officer's Class B units, and all such units will be forfeited.

Cause and good reason in this context have the same meanings as in the named executive officers' employment agreements, except that, with respect to Mr. Grahek, good reason does not include a relocation of his principal place of employment. A "trigger event" means the consummation of (i) a change in control, (ii) a public offering of Enduro Sponsor or one of its subsidiaries in which (a) at least 30% of the outstanding equity securities of Enduro Sponsor or at least 40% of the outstanding equity securities of one of Enduro Sponsor's subsidiaries is sold in the offering and (b) the market value of the securities sold in the offering, if distributed to the holders of Class A units of Enduro Sponsor, would be at least equal to their contributed and unreturned capital amounts or (iii) any other event determined by the Enduro Sponsor Board to constitute a trigger event. "Change in control" means (i) the acquisition by a person or group of more than 50% of the total combined voting power of Enduro Sponsor's outstanding securities or (ii) the consummation of a merger, consolidation, reorganization or business combination involving Enduro Sponsor, the sale of a substantial majority of all of Enduro Sponsor's assets or the acquisition of assets or stock of another entity, in each case, other than a transaction which results in Enduro Sponsor's voting securities before such transaction continuing to represent or being converted into a majority of the voting securities of the surviving entity.

Assuming the named executive officers had terminated employment with Enduro Sponsor as of December 31, 2010, or a change in control had occurred as of such date, none of the forfeiture restrictions with respect to the Class B units held by the named executive officers would have lapsed under any termination scenario.

#### **Director Compensation For 2010**

Enduro Sponsor does not pay cash compensation to any of the members of the Enduro Sponsor Board. Officers, employees and paid consultants or advisors of Enduro Sponsor or its principal unitholders who also serve as members of the Enduro Sponsor Board do not receive additional compensation of any kind for their service as directors. In 2010, Enduro Sponsor granted 5,000 Class B units in Enduro Sponsor to Mr. I. Jon Brumley in connection with Enduro Sponsor's formation and Mr. I. Jon Brumley's commencement of service on the Enduro Sponsor Board. The Class B units granted to Mr. I. Jon Brumley in 2010 had a nominal grant date fair value.

#### **Litigation**

Enduro Sponsor is not a party to any material legal action.

#### **Indemnification**

Subject to specified limitations, each member, manager and officer will not be liable, responsible or accountable in damages or otherwise to Enduro Sponsor or its members for, and Enduro Sponsor will indemnify and hold harmless each member, manager and officer from, any costs,

expenses, losses or damages (including attorneys' fees and expenses, court costs, judgments and amounts paid in settlement) incurred by reason of such person being a member, manager or officer of Enduro Sponsor.

**Selected Historical and Unaudited Pro Forma Financial Data of Enduro Sponsor**

The selected historical audited financial data presented below should be read in conjunction with the accompanying financial statements and related notes included elsewhere in this prospectus. The selected historical audited financial data of the Predecessor as of December 31, 2009 and 2010 and for each of the years in the three-year period ended December 31, 2010 have been derived from the Predecessor's audited financial statements. Operations of the Predecessor Properties are deemed to be the "predecessor" of Enduro Sponsor and recorded transactions are shown separately based on the ownership of the Predecessor Properties. EAC owned the Predecessor Properties prior to March 9, 2010, at which time Denbury Resources Inc. acquired the properties in connection with its acquisition of EAC. Enduro Sponsor then acquired the Predecessor Properties on December 1, 2010. Accordingly, the audited financial statements of the Predecessor as of and for three years ended December 31, 2010 are presented for (i) "Predecessor-EAC" for the years ended December 31, 2008 and 2009 and for the period from January 1, 2010 through March 8, 2010; (ii) "Predecessor-DNR" for the period from March 9, 2010 through November 30, 2010 and (iii) "Enduro Sponsor" for the period from Enduro Sponsor's inception (March 3, 2010) through December 31, 2010.

The selected historical unaudited financial data of Enduro Sponsor as of March 31, 2011 and 2010 and for the three-month period ended March 31, 2011 and 2010 have been derived from Enduro Sponsor's unaudited interim financial statements. The unaudited financial statements were prepared on a basis consistent with the audited statements and, in the opinion of Enduro Sponsor's management, include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of Enduro Sponsor for the periods presented.

The selected unaudited pro forma financial data for the three months ended March 31, 2011 and for the year ended December 31, 2010 set forth in the following table has been derived from the unaudited pro forma financial statements of Enduro Sponsor included in this prospectus beginning on page ENDURO F-1. The pro forma adjustments have been prepared as if the acquisition of the Acquired Properties and, with respect to the pro forma as adjusted information, the conveyance of the Net Profits Interest, the offer and sale of the trust units and application of the net proceeds therefrom, had taken place (i) on March 31, 2011, in the case of the pro forma balance sheet information as of March 31, 2011, and (ii) as of January 1, 2010, in the case of the pro forma statements of earnings for the three months ended March 31, 2011 and for the year ended December 31, 2010.

	Enduro Sponsor Pro Forma for the Acquisition of the Acquired Properties	Enduro Sponsor Pro Forma as Adjusted for the Offering (including the Conveyance of the Net Profits Interest)	Enduro Sponsor Pro Forma for the Acquisition of the Acquired Properties	Enduro Sponsor Pro Forma as Adjusted for the Offering (including the Conveyance of the Net Profits Interest)	Enduro Sponsor		Enduro Sponsor	Predecessor — DMR	Predecessor — EAC		
	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2010	Three Months Ended March 31, 2011	March 31, 2010 (Inception) Through March 31, 2010	Inception Through December 31, 2010	March 9, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues											
Oil	\$ 20,202	\$ 19,643	\$ 70,161	\$ 63,219	\$ 10,236	\$ —	\$ 106	\$ 1,036	\$ 331	\$ 1,909	\$ 3,295
Natural Gas	12,774	12,212	62,420	59,071	11,899	—	3,486	35,503	10,756	31,998	59,075
Marketing	817	812	5,131	5,131	817	—	358	3,671	1,077	—	—
Total revenues	\$ 33,793	\$ 31,672	\$ 137,712	\$ 127,421	\$ 22,952	\$ —	\$ 3,972	\$ 40,210	\$ 12,164	\$ 33,907	\$ 62,370
Expenses											
Lease operating	\$ 6,827	\$ 6,827	\$ 27,019	\$ 27,019	\$ 4,007	\$ —	\$ 507	\$ 5,285	\$ 1,142	\$ 7,608	\$ 6,343
Production, ad valorem, and severance taxes	2,330	2,330	9,417	9,417	1,447	—	170	2,003	548	2,565	2,442
Gathering and transportation	935	935	3,845	3,845	784	—	206	2,755	439	2,138	2,577
Depletion, depreciation, and amortization	14,783	11,157	64,723	49,341	10,830	—	1,973	21,754	7,949	33,665	50,716
Exploration expense	—	—	10,188	10,188	—	—	372	9,957	231	8,688	723
Marketing	3,506	3,506	5,000	5,000	795	—	386	3,586	1,060	—	—
General and administrative	—	—	11,742	11,742	3,043	77	3,826	1,254	2,481	5,045	4,001
Merger-related transaction costs	—	—	—	—	—	—	—	6,922	16,136	—	—
Derivative fair value loss	11,449	11,449	4,977	4,977	11,449	—	4,977	—	—	—	—
Other operating	1,033	1,033	960	960	896	—	318	25	—	31	28
Total expenses	\$ 41,569	\$ 37,932	\$ 137,991	\$ 122,508	\$ 33,961	\$ 77	\$ 12,642	\$ 53,542	\$ 29,965	\$ 59,760	\$ 42,830
Operating income (loss)	\$ (7,776)	\$ (6,260)	\$ (1,279)	\$ (4,914)	\$ (10,909)	\$ (77)	\$ (8,670)	\$ (13,332)	\$ (17,801)	\$ (25,853)	\$ (19,540)
Interest expense, net	\$ (1,818)	\$ (375)	\$ (8,466)	\$ (1,995)	\$ (1,200)	\$ —	\$ (148)	\$ (6,183)	\$ —	\$ —	\$ —
Deferred income tax benefit	\$ 34	\$ 34	\$ —	\$ 34	\$ 34	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net income (loss)	\$ (9,559)	\$ (6,601)	\$ (8,645)	\$ (2,917)	\$ (11,495)	\$ (77)	\$ (8,222)	\$ (19,515)	\$ (17,801)	\$ (25,853)	\$ (19,540)

**Management's Discussion and Analysis of Financial Condition and Results of Operations of Enduro Sponsor**

You should read the following discussion of the financial condition and results of operations of Enduro Sponsor in conjunction with the historical consolidated financial statements and related notes included elsewhere in this prospectus.

For purposes of the following discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations of Enduro Sponsor," all references herein to "Enduro Sponsor" are intended to mean the Predecessor without giving effect to the acquisition of the Acquired Properties. For more information about the presentation of the Predecessor financial statements, please see "Financial Statements of Enduro Sponsor — Enduro Resource Partners LLC Predecessor."

**Factors that Significantly Affect Enduro Sponsor's Results**

Enduro Sponsor's revenue, cash flow from operations and future growth depend substantially on factors beyond its control, such as economic, political and regulatory developments and competition from producers of alternative sources of energy. Oil and natural gas prices have historically been volatile and may fluctuate widely in the future. Sustained periods of low prices for oil or natural gas could materially and adversely affect Enduro Sponsor's financial position, results of operations and ability to access capital, as well as the quantities of oil and natural gas that it can economically produce.

Like all businesses engaged in the exploration and production of oil and natural gas, Enduro Sponsor faces the challenge of natural production declines. As initial reservoir pressures are depleted, oil and natural gas production from a given well decreases. Thus, an oil and gas exploration and production company depletes part of its asset base with each unit of oil or natural gas it produces. The operators of the Underlying Properties attempt to reduce this natural decline by undertaking field



development programs and by implementing secondary recovery techniques. Their ability to make development expenditures to maintain production from existing reserves and to add reserves through development drilling is dependent on their capital resources and can be limited by many factors.

**Results of Operations**

**Comparison of the Quarters Ended March 31, 2011 and 2010**

Results of operations of Enduro Sponsor for the quarter ended March 31, 2011 include oil and natural gas properties since their relevant acquisition date, and therefore, results of the Denbury, Samson and ConocoPhillips acquisitions are included as of January 1, 2011, January 5, 2011 and February 28, 2011, respectively. Enduro Sponsor's results of operations from March 9, 2010 (Inception) through March 31, 2010 do not include any oil and natural gas activities, as Enduro Sponsor did not acquire any oil and natural gas assets until December 1, 2010.

The following table shows a summary of Enduro Sponsor's financial data for the periods indicated (in thousands):

	Three Months Ended March 31, 2011	March 3, 2010 (Inception) Through March 31, 2010
	(Unaudited)	
Revenues		
Oil	\$ 10,236	\$ —
Natural Gas	11,899	—
Marketing	817	—
<b>Total revenues</b>	<b>\$ 22,952</b>	<b>\$ —</b>
Expenses		
Lease operating	\$ 4,007	\$ —
Production, ad valorem, and severance taxes	1,447	—
Gathering and transportation	794	—
Depletion, depreciation, and amortization	10,830	—
Marketing	795	—
General and administrative	3,043	77
Derivative fair value loss	11,449	—
Other operating	896	—
<b>Total expenses</b>	<b>\$ 33,261</b>	<b>\$ 77</b>
Operating loss	(10,309)	(77)
Interest expense, net	(1,220)	—
Deferred income tax benefit	34	—
<b>Net loss</b>	<b>\$ (11,495)</b>	<b>\$ (77)</b>
Sales volumes:		
Oil (MBbls)	114	—
Natural gas (MMcf)	2,849	—
Total sales (MBoe)	589	—
Average sales prices:		
Oil (per Bbl)	\$ 89.79	\$ —
Natural gas (per Mcf)	\$ 4.18	\$ —
Average costs per Boe:		
Lease operating	\$ 6.80	\$ —
Gathering and transportation	\$ 1.35	\$ —
Production and other taxes	\$ 2.46	\$ —

Enduro Sponsor's oil and natural gas revenues fluctuate based on commodity spot markets and changes in production volumes of oil and natural gas sold during a given period. Oil revenues for the three months ended March 31, 2011 were \$10.2 million, or \$89.79 per barrel, while there were no oil revenues or oil produced during the period from March 3, 2010 through March 31, 2010.

Natural gas revenues for the three months ended March 31, 2011 represent the \$4.18 per Mcf received for 2,849 Mmcf natural gas produced during the period related to the Denbury, Samson and ConocoPhillips acquisitions.

Marketing revenues in the period ended March 31, 2011 represent the revenue received for natural gas sold to midstream companies but produced by others. Marketing revenues fluctuate based on volumes produced and prices received, similar to natural gas revenues.

Lease operating expenses were \$4.0 million in the first quarter of 2011, or \$6.80 per Boe.

Production, ad valorem, and severance taxes were \$1.4 million during the three months ended March 31, 2011 and relate to monthly production taxes paid to Louisiana, Texas and New Mexico for oil and natural gas produced as well as ad valorem taxes that were incurred based on property values.

Gathering and transportation expenses were \$0.8 million and relate to costs charged by operators for compression, gathering and transportation services related to oil and natural gas produced.

Depletion, depreciation, and amortization expense was \$10.8 million in the first quarter of 2011 due to production volumes primarily relating to Enduro Sponsor's acquisition of the Denbury assets.

Marketing expense was \$0.8 million in the first quarter of 2011. These expenses were associated with production purchased at the wellhead related to the Denbury assets acquired in December 2010.

General and administrative expense increased to \$3.0 million from \$0.1 million in the period from March 3, 2010 through March 31, 2011. This increase resulted from the increased staffing related to managing assets acquired in December 2010, January 2011 and February 2011.

Derivative fair value loss of \$11.4 million represents unrealized losses in fair values of commodity contracts of \$11.8 million offset by \$0.4 million in hedge settlements received. Enduro Sponsor entered into several oil and natural gas derivative contracts during the three months ended March 31, 2011 in connection with the acquisition of the ConocoPhillips Permian Basin assets. There were no such derivative instruments in place during the period from March 3, 2010 through March 31, 2010.

Interest expense was \$1.2 million in the first quarter of 2011 due to Enduro Sponsor borrowing \$233 million under its revolving credit facility (not including debt issuance cost of \$3.4 million). The funds from these borrowings were used to purchase the Denbury East Texas/North Louisiana assets in December 2010. During the period from March 3, 2010 through March 31, 2010, there were no outstanding interest bearing loans.

#### ***Comparison of the Years Ended December 31, 2010 and 2009***

Operations of the Predecessor Properties are deemed to be the "predecessor" of Enduro Sponsor and recorded transactions are shown separately based on the ownership of the Predecessor Properties. EAC owned the Predecessor Properties prior to March 9, 2010, at which time Denbury Resources Inc. acquired the properties in connection with its acquisition of EAC. Enduro Sponsor then acquired the Predecessor Properties on December 1, 2010. Accordingly, the audited financial statements of the Predecessor as of and for the year ended December 31, 2010 are presented for (i) "Predecessor-EAC" for the period from January 1, 2010 through March 8, 2010, (ii) "Predecessor-DNR" for the period from March 9, 2010 through November 30, 2010 and (iii) "Enduro Sponsor" for the period from Enduro Sponsor's inception (March 3, 2010) through December 31, 2010.

The following table shows a summary of Enduro Sponsor's financial data for the periods indicated (in thousands):

	Enduro Sponsor	Predecessor - DNR	Predecessor - EAC	
	Inception Through December 31, 2010	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009
<b>Revenue</b>				
Oil	\$ 106	\$ 1,036	\$ 331	\$ 1,909
Natural gas	3,486	35,503	10,756	31,998
Marketing	383	3,671	1,077	—
<b>Total Revenues</b>	<b>\$ 3,975</b>	<b>\$ 40,210</b>	<b>\$ 12,164</b>	<b>\$ 33,907</b>
<b>Expenses</b>				
Lease operating	\$ 507	\$ 5,285	\$ 1,142	\$ 7,608
Production, ad valorem and severance taxes	170	2,003	548	2,565
Gathering and transportation	206	2,755	429	2,138
Depletion, depreciation, and amortization	1,973	21,754	7,949	33,665
Exploration expense	—	9,957	231	8,688
Marketing	372	3,588	1,060	—
General and administrative	3,826	1,254	2,481	5,045
Merger related transaction costs	—	6,922	16,136	—
Derivative fair value loss	4,977	—	—	—
Other operating	18	24	9	51
<b>Total expenses</b>	<b>\$ 12,049</b>	<b>\$ 53,542</b>	<b>\$ 29,985</b>	<b>\$ 59,760</b>
<b>Operating income (loss)</b>	<b>\$ (8,074)</b>	<b>\$ (13,332)</b>	<b>\$ (17,821)</b>	<b>\$ (25,853)</b>
Interest expense, net	\$ (148)	\$ (6,183)	\$ —	\$ —
<b>Net income (loss)</b>	<b>\$ (8,222)</b>	<b>\$ (19,515)</b>	<b>\$ (17,821)</b>	<b>\$ (25,853)</b>
<b>Production Volumes</b>				
Oil (MBbls)	1	14	5	35
Natural Gas (MMcf)	853	8,944	1,941	8,569
Total (MBoe)	143	1,505	329	1,463
<b>Average sales prices:</b>				
Oil (\$/Bbl)	\$ 106.00	\$ 74.00	\$ 66.20	\$ 54.54
Natural gas (\$/Mcf)	\$ 4.09	\$ 3.97	\$ 5.54	\$ 3.73
<b>Average costs per Boe:</b>				
Lease operating	\$ 3.55	\$ 3.51	\$ 3.47	\$ 5.20
Production, ad valorem and severance taxes	\$ 1.19	\$ 1.33	\$ 1.67	\$ 1.75
Gathering and transportation	\$ 1.44	\$ 1.83	\$ 1.30	\$ 1.46
Depletion, depreciation, and amortization	\$ 13.80	\$ 14.45	\$ 24.16	\$ 23.01

Enduro Sponsor's oil and natural gas revenues fluctuate based on the commodity spot market and changes in production volumes of oil and natural gas sold during a given period. Oil revenues were lower for all periods presented in 2010 than in 2009 mainly due to a decline in volume sold slightly offset by an increase in the average prices per barrel of oil received, which were \$106 in the

period from December 1, 2010 through December 31, 2010, \$74.00 in the period from March 9, 2010 through November 30, 2010 and \$66.20 for the period from January 1, 2010 through March 8, 2010, as compared to \$54.54 during 2009.

Natural gas revenues increased by 36%, to \$49.7 million, during all 2010 periods presented due to increased production volume and an increase in average prices received. Approximately \$11.8 million of this increase was attributable to higher volumes sold while approximately \$6.0 million of this increase was due to a \$.50 per Mcf increase in the average realized natural gas price.

Marketing revenues relate to production purchased at the wellhead and sold to midstream companies. There were no marketing revenues in 2009 since the transaction relates to production of wells drilled in 2009. The price received is recorded in marketing revenue and the price paid to purchase commodities is recorded in marketing expense.

Lease operating expense decreased as ownership of the wells changed hands. Lease operations expense was \$5.20 per Boe during 2009 while it was \$3.55 in December 2010, \$3.51 from March 9, 2010 through November 30, 2010 and \$3.47 from January 1, 2010 through March 8, 2010. Lease operating expense decreased by \$0.7 million, of which \$3.3 million was due to lower rate, offset by a \$2.6 million increase due to higher production volume.

Gathering and transportation expense increased by \$1.3 million when comparing all periods presented in 2010 to the year ended December 31, 2009. This increase was mainly due to an increase in volumes of oil and natural gas and an increase in gathering fee per Mcf.

Depletion, depreciation, and amortization expense recognized was lower during all periods presented in 2010 than in 2009 due to a decline in depletion, depreciation, and amortization expense per barrel (DD&A rate) offset by an increase in production volumes. The DD&A rate is a function of the amount paid for the underlying assets and reserves recognized. The DD&A rate was \$13.80 for the period from December 1, 2010 through December 31, 2010, \$14.45 for March 9, 2010 through November 30, 2010 and \$24.16 from January 1, 2010 through March 8, 2010, and it was \$23.01 per Bbl during 2009.

Exploration expense in 2009 primarily related to expense recognized for three unproductive exploratory wells drilled, while exploration expense from January 1, 2010 through March 8, 2010 related to acreage costs ratably amortized. From March 9, 2010 to November 30, 2010 the amortization of unproved properties increased due to the fair value step up in the basis of the unproved properties recognized during purchase price allocation of Denbury's merger with EAC.

General and administrative expense relates to office personnel and corporate costs incurred. The predecessor amounts were allocated while Enduro's general and administrative expenses are recognized based on actual invoices received and services performed from March 3, 2010 through December 31, 2010. These costs were generally higher in 2010 as a result of Denbury's merger with EAC and the acquisition of the Denbury properties.

Merger related costs relate to Denbury's merger with EAC. EAC's severance and transaction costs were allocated to the East Texas/North Louisiana properties based on relative production volumes.

Derivative fair value loss represents the change in fair value of Enduro Sponsor's commodity contracts from October 2010 through December 31, 2010.

Interest expense recognized in the period from March 8, 2010 through November 30, 2010 represents interest on debt attributed to Denbury's merger with EAC.

**Comparison of the Years Ended December 31, 2009 and 2008**

The following table shows a summary of Enduro Sponsor's financial data for the periods indicated (in thousands):

	Predecessor - EAC	
	Year Ended December 31,	
	2009	2008
<b>Revenue</b>		
Oil	\$ 1,909	\$ 3,295
Natural gas	31,998	59,075
Total Revenues	\$ 33,907	\$ 62,370
<b>Expenses</b>		
Lease operating	\$ 7,608	\$ 6,343
Production, ad valorem and severance taxes	2,565	2,442
Gathering and transportation	2,138	2,577
Depletion, depreciation, and amortization	33,665	26,716
Exploration expense	8,688	723
General and administrative	5,045	4,001
Other operating	51	28
Total expenses	\$ 59,760	\$ 42,830
Net income (loss)	\$ (25,853)	\$ 19,540
<b>Production Volumes</b>		
Oil (MBbls)	35	36
Natural Gas (MMcf)	8,569	6,946
Total (MBoe)	1,463	1,193
<b>Average realized prices</b>		
Oil (\$/Bbl)	\$ 54.54	\$ 91.53
Natural gas (\$/Mcf)	\$ 3.73	\$ 8.50
<b>Selected Expenses (per Boe):</b>		
Lease operating	\$ 5.20	\$ 5.32
Production, ad valorem and severance taxes	\$ 1.75	\$ 2.05
Gathering and transportation	\$ 1.46	\$ 2.16
Depletion, depreciation, and amortization	\$ 23.01	\$ 22.39

Enduro Sponsor's oil and natural gas revenues fluctuate based on the commodity spot market prices and production volumes sold during the period. Oil revenues realized during 2009 were lower than in 2008 due to a decline in prices received. Average prices received during the year ended December 31, 2009 were \$54.54 per barrel while they were \$91.53 in the year ended December 31, 2008.

Natural gas revenues decreased 45.8%, or \$27.1 million, due to a decrease in average prices received offset by an increase in production. The higher volumes increased natural gas revenue by approximately \$6.0 million while the \$4.77 per Mcf decrease in average realized oil price decreased natural gas revenues by approximately \$33.1 million and was primarily due to a lower average NYMEX price.

Lease operating expense increased mainly due to higher production volume, offset by a \$0.12 per Boe decrease in lease operating expense.

Gathering and transportation expense decreased by \$0.4 million in the year ended December 31, 2009 when compared to the year ended December 1, 2008. This decrease was mainly due to a decrease in gathering fee per Mcf slightly offset by an increase in production.

Depletion, depreciation, and amortization expense recognized increased during 2010 due to an increase in depletion, depreciation, and amortization expense per barrel and an increase in production volumes.

Exploration expense in 2009 primarily related to expenses recognized related to three unproductive exploratory wells drilled while exploration expense recognized for the year ended December 31, 2008 related to acreage costs ratably amortized.

General and administrative expenses remained relatively flat on a per boe basis.

#### ***Liquidity and Capital Resources***

Enduro Sponsor's primary sources of capital and liquidity have been proceeds from members' contributions, borrowings under its revolving credit facility and cash flow from operations. To date, primary uses of capital have been to acquire and develop oil and natural gas properties located in Texas, Louisiana and New Mexico. Enduro Sponsor continually monitors its capital resources available to meet its future financial obligations and planned development expenditures.

Enduro Sponsor's outstanding indebtedness increased to \$233 million by March 31, 2011. Historically, Enduro Sponsor has not had any indebtedness and, therefore, did not have interest expense. In order to fund a portion of the purchase price for the Denbury assets in December 2010, the Samson assets in January 2011 and the ConocoPhillips assets in February 2011, Enduro Sponsor borrowed \$233 million under the revolving credit facility (excluding \$3.4 million of debt issuance costs). As of March 31, 2011, the revolving credit facility bore interest at a rate of 2.5% to 3.1% per annum. The Company's weighted average of total indebtedness in the first quarter of 2011 was 3.0%. Enduro Sponsor plans to use a portion of the net proceeds from this offering to repay some of the outstanding borrowings under the revolving credit facility. In addition, any additional borrowings will increase interest expense during the period they are outstanding.

#### ***Cash Flows from Operating Activities***

Enduro Sponsor's net cash used in operating activities was \$13.1 million for the period from Inception (March 3, 2010) through December 31, 2010 and net cash used in operating activities was \$11.6 million for the first quarter 2011. Oil and natural gas production is the primary source of cash provided by operating activities. Payments made for the operation of oil and natural gas properties and for general corporate purposes are the primary uses of cash for operating activities.

Enduro Sponsor's cash flow from operations is subject to many variables, the most significant of which are oil and natural gas prices. Oil and natural gas prices are determined primarily by prevailing market conditions, which are dependent on regional and worldwide economic activity, weather and other factors beyond its control. Enduro Sponsor's future cash flow from operations will depend on its ability to maintain and increase production through its development program, as well as the prices of oil and natural gas. See "Quantitative and Qualitative Disclosure about Market Risk — Commodity Price Risk."

#### ***Cash Flows from Investing Activities***

Enduro Sponsor's development expenditures were \$2.6 million for the period of December 1, 2010 through December 31, 2010. During the three months ended March 31, 2011 Enduro Sponsor paid \$1.6 million for development activities and \$401.0 million for acquisition of oil and natural gas assets.

Enduro Sponsor currently anticipates that its development budget, which predominantly consists of workover drilling and development drilling, will be \$52 million for 2011. The amount and timing of its development expenditures is largely discretionary and within its control. Enduro Sponsor routinely monitors and adjusts its development expenditures in response to changes in oil and natural gas prices, development expenses, industry conditions and internally generated cash flow. Future cash flows are subject to a number of variables, including the level of production and prices. There can be no assurance that operations and other capital resources will provide cash in sufficient amounts to maintain planned levels of development expenditures.

*Cash Flows from Financing Activities*

In December 2010, Enduro Sponsor entered into a five-year senior secured credit agreement with a bank syndicate comprised of Bank of America, N.A. and other lenders. The Credit Agreement matures in December 2015. The Credit Agreement provides for revolving credit loans to be made to Enduro Sponsor from time to time and letters of credit to be issued to Enduro Sponsor. The aggregate amount of loan commitments of the lenders under the Credit Agreement is \$500 million. Availability under the Credit Agreement is subject to a borrowing base of \$250 million as of February 28, 2011, which is redetermined semi-annually in May and November and upon requested special redeterminations. The borrowing base is adjusted at the banks' discretion and is based in part upon external factors over which Enduro Sponsor has no control. As of June 30, 2011, there was \$231 million in outstanding borrowings and \$19 million of borrowing capacity under the Credit Agreement.

Enduro Sponsor incurs a commitment fee of 0.5% on the unused portion of the credit facility.

Loans under the Credit Agreement are subject to varying rates of interest based on (i) the total outstanding borrowings in relation to the borrowing base and (ii) whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans bear interest at the Eurodollar rate plus the applicable margin of 1.75% to 2.75% based on the ratio of outstanding borrowings to the borrowing base, and base rate loans bear interest at the base rate plus the applicable margin of 0.75% to 1.75% based on the ratio of outstanding borrowings to the borrowing base. The "Eurodollar rate" for any interest period (either one, two, three or six months, as selected by Enduro Sponsor or such longer period of up to twelve months as selected by Enduro Sponsor and consented to by the lenders) is the rate per year equal to the London Interbank Offered Rate ("LIBOR"), as published by Reuters or another source designated by Bank of America, N.A. for deposits in dollars for a similar interest period. The "base rate" is calculated as the highest of (i) the annual rate of interest announced by Bank of America, N.A. as its "prime rate," (ii) the federal funds effective rate plus 0.5% and (iii) the Eurodollar Rate (as defined in the Credit Agreement) for a one-month interest period plus 1.0%.

The Credit Agreement is secured by substantially all of the proved oil and natural gas properties of Enduro Sponsor and its subsidiaries.

The Credit Agreement contains several restrictive covenants including, among others:

- a prohibition against incurring debt, subject to permitted exceptions;
- a restriction on creating liens on the assets of Enduro Sponsor, subject to permitted exceptions;
- restrictions on merging and selling assets outside the ordinary course of business;
- a requirement to maintain a ratio of consolidated current assets to current liabilities (as defined in the Credit Agreement) of not less than 1.0 to 1.0; and
- a requirement that Enduro Sponsor maintain a ratio of debt to annualized adjusted EBITDA (as defined in the Credit Agreement) of not more than 4.0 to 1.0, commencing with the quarter ending March 31, 2011.

Additionally, there is a limitation on the aggregate amount of forecasted oil and natural gas production that can be economically hedged with oil or natural gas derivative contracts.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require Bank of America, N.A. to declare all amounts outstanding under the Credit Agreement to be immediately due and payable. At December 31, 2010, Enduro Sponsor was in compliance with all of its debt covenants.

**Contractual Obligations**

A summary of Enduro Sponsor's contractual obligations as of December 31, 2010 is provided in the following table.

	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years <i>(In thousands)</i>	3-5 Years	More Than 5 Years
Long-term debt <sup>(1)</sup>	\$ 52,000	\$ —	\$ —	\$ 52,000	\$ —
Transportation agreement	\$ 22,385	\$ 2,464	\$ 7,398	\$ 7,398	\$ 5,125
Lease agreements	\$ 3,072	\$ 287	\$ 1,593	\$ 1,192	\$ —
Total	\$ 77,457	\$ 2,751	\$ 8,991	\$ 60,590	\$ 5,125

(1) The amounts included in the table above represent principal maturities only. See “— Quantitative and Qualitative Disclosure about Market Risk — Interest rate risk” for information regarding interest payment obligations under long-term debt obligations.

**Off-Balance Sheet Arrangements**

As of December 31, 2010, Enduro Sponsor had no off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

The discussion and analysis of Enduro Sponsor's historical financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires it to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. Enduro Sponsor evaluates its estimates and assumptions on a regular basis. It bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of its financial statements. Enduro Sponsor has provided below an expanded discussion of its more significant accounting policies, estimates and judgments. It believes these accounting policies reflect its more significant estimates and assumptions used in the preparation of its financial statements. Please read the notes to the financial statements of Enduro Sponsor included elsewhere in this prospectus for a discussion of additional accounting policies and estimates made by its management.

*Oil and Natural Gas Properties*

Enduro Sponsor follows the successful efforts method of accounting for its oil and natural gas properties. Under this method, all costs associated with productive and nonproductive development wells are capitalized while nonproductive exploration costs and geological and geophysical



expenditures are expensed. Net capitalized costs of unproven property and exploration well costs are reclassified as proved property and well costs when related proved reserves are found.

Costs associated with drilling exploratory wells are initially capitalized pending determination of whether the well is economically productive or nonproductive. If an exploration well is unsuccessful in finding proved reserves, the capitalized well costs are charged to exploration expense. Enduro Sponsor does not carry the costs of drilling an exploratory well as an asset in its consolidated balance sheet following the completion of drilling unless both of the following conditions are met:

- (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well, and
- (ii) Enduro Sponsor is making sufficient progress in assessing the reserves and the economic and operating viability of the project.

Significant tangible equipment added or replaced that extends the useful or productive life of the property is capitalized. Costs to construct facilities or increase the productive capacity from existing reservoirs are capitalized. Capitalized costs are amortized on a unit-of-production basis over the remaining life of proved developed reserves or total proved reserves, as applicable.

Costs of significant nonproducing properties and exploratory wells in progress of being drilled are excluded from depletion until such time as the related project is completed and proved reserves are established or, if unsuccessful, impairment is determined.

Enduro Sponsor reviews its long-lived assets to be held and used, including proved oil and natural gas properties, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value. Estimates of the sum of expected future cash flows require management to estimate future recoverable proved and risk-adjusted probable and possible reserves, forecasts of future commodity prices, production and capital costs and discount rates. Uncertainties about these future cash flow variables cause impairment estimates to be inherently imprecise.

Unproved oil and natural gas properties are periodically assessed for impairment on a project-by-project basis. The impairment assessment is affected by the results of exploration activities, commodity price outlooks, planned future sales, or expiration of all or a portion of such projects. If the quantity of potential reserves determined by such evaluation is not sufficient to fully recover the cost invested in each project, Enduro Sponsor will recognize an impairment loss at the time such determination is made.

#### *Oil and Natural Gas Reserve Quantities*

Enduro Sponsor's estimate of proved reserves is based on the quantities of oil and natural gas that engineering and geological analyses demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters. Cawley Gillespie prepares a reserve and economic evaluation of all of Enduro Sponsor's properties on a well-by-well basis.

Reserves and their relation to estimated future net cash flows impact Enduro Sponsor's depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. Enduro Sponsor prepares its reserve estimates, and the projected cash flows derived from these reserve estimates, in accordance with SEC guidelines. The independent engineering firm described above adheres to the same guidelines when preparing their reserve reports. The accuracy of its reserve estimates is a function of many factors, including the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions and the judgments of the individuals preparing the estimates.

Enduro Sponsor's proved reserve estimates are a function of many assumptions, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil and natural gas eventually recovered.

*Revenue Recognition*

Sales of oil and natural gas are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured and the sales price is fixed or determinable.

Enduro Sponsor sells oil and natural gas on a monthly basis. Virtually all of Enduro Sponsor's contract pricing provisions are tied to a market index. To the extent actual volumes and prices of oil and natural gas are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded as "Accounts receivable — trade" in the Consolidated Balance Sheet.

Enduro Sponsor uses the sales method of accounting for oil and natural gas revenues, recognizing revenues based on the oil and natural gas delivered rather than its working interest share of oil and natural gas produced.

Enduro Sponsor had no material imbalances as of December 31, 2010.

Marketing revenues derived from sales of oil or natural gas purchased from third parties are recognized when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. As Enduro Sponsor takes title to the oil and natural gas and has risks and rewards of ownership, these transactions are presented gross in marketing revenue and marketing expense in the Consolidated Statement of Operations, unless they meet the criteria for netting.

*Derivatives*

Enduro Sponsor uses derivative financial instruments to reduce exposure to commodity price fluctuations. These transactions are primarily in the form of swap contracts, put options and collars with large financial institutions, all of which are lenders underwriting Enduro Sponsor's revolving credit facility.

Derivative instruments are recorded at fair value and included on the Consolidated Balance Sheet as assets or liabilities. Enduro Sponsor has not designated its derivative contracts as hedges for accounting purposes; therefore, all changes in fair value of the contracts are recorded in "Derivative fair value loss" in the Consolidated Statement of Operations.

*Asset Retirement Obligations*

Enduro Sponsor records a liability for the fair value of an asset retirement obligation in the period in which it is incurred. For oil and natural gas properties, this is the period in which the property is acquired or a new well is drilled. Asset retirement obligations are capitalized as part of the carrying values of the long-lived assets.

Asset retirement obligations are recorded at the present value of expected future net cash flows and are discounted using Enduro Sponsor's credit adjusted risk free rate and then accreted until settled or sold, at which time the liability is reversed. Estimates are based on average plugging and abandonment well costs and estimated remaining field life based on reserve estimates.

### **Recently Issued Accounting Pronouncements**

The following discussion provides information about new accounting pronouncements:

In December 2008, the SEC released the final rule on "Modernization of Oil and Gas Reporting" (the "Reserve Ruling"). The Reserve Ruling revises oil and gas reporting disclosures. The Reserve Ruling also permits the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserves volumes. The Reserve Ruling will also allow companies to disclose their probable and possible reserves to investors. In addition, the new disclosure requirements require companies to: (i) report the independence and qualifications of its reserves preparer or auditor, (ii) file reports when a third party is relied upon to prepare reserves estimates or conduct a reserves audit and (iii) report oil and gas reserves using an average price based upon the prior 12-month period rather than a year-end price. The Reserve Ruling became effective for fiscal years ending on or after December 31, 2009. During December 2009, the FASB issued Accounting Standards Update No. 2010-03, "Extractive Activities — Oil and Gas (Topic 932)," ("ASU 2010-03") to conform generally accepted accounting principles to the Reserve Ruling. The Company adopted the provisions of the Reserve Ruling and the provisions of ASU 2010-03 on December 3, 2009.

In September 2006, the FASB issued guidance to define fair value, establish a framework for measuring fair value and to enhance disclosures about fair value measures required under other accounting pronouncements. In January 2010, the FASB issued guidance to (i) require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, (ii) require separate disclosure of purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), (iii) clarify the level of disaggregation for fair value measurements of assets and liabilities and (iv) clarify disclosures about inputs and valuation techniques used to measure fair values for both recurring and nonrecurring fair value measurements. The implementation did not have a material effect on the financial condition or results of operations of Enduro Sponsor's financial statements.

### **Quantitative and Qualitative Disclosure about Market Risk**

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about Enduro Sponsor's potential exposure to market risks. The term "market risk" refers to the risk of loss arising from adverse changes in oil and natural gas prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how Enduro Sponsor views and manages its ongoing market risk exposures. All of its market risk sensitive instruments were entered into for purposes other than speculative trading.

#### *Commodity Price Risk*

Enduro Sponsor's major market risk exposure is in the pricing applicable to its oil and natural gas production. Realized pricing is primarily driven by the spot market prices applicable to its oil production and the prevailing price for natural gas. Pricing for oil and natural gas production has been volatile and unpredictable for several years, and Enduro Sponsor expects this volatility to continue in the future. The prices it receives for oil and natural gas production depend on many factors outside of its control.

The following table sets forth the volumes involved in Enduro Sponsor's natural gas commodity derivative contracts and the weighted-average contractual prices per Mcf as of March 31, 2011:

Period	Daily Put Volumes (Mcf)	Average Price (\$/Mcf)	Daily Swap Volumes (Mcf)	Average Price (\$/Mcf)	Fair Value March 31, 2011 (In thousands)
April 2011 — December 2011	14,000	\$ 4.20	10,000	\$ 4.30	\$ 976
January 2012 — December 2012	14,000	\$ 4.90	10,000	\$ 4.57	\$ 2,072
January 2013 — December 2013	12,000	\$ 4.90	8,000	\$ 5.00	\$ 2,031
					<u>\$ 5,079</u>

The following tables set forth the volumes involved in Enduro Sponsor's oil commodity derivative contracts and the weighted-average NYMEX prices per Bbl as of March 31, 2011:

Period	Daily Put Volumes (Bbls)	Average Put Price (\$/Bbl)	Daily Collar Volumes (Bbls)	Average Collar Put Price (\$/Bbl)	Average Collar Cap Price (\$/Bbl)	Daily Swap Volumes (Bbls)	Average Price (\$/Bbl)	Fair Value March 31, 2011 (In thousands)
April 2011 — December 2011	500	\$ 92.00	180	\$ 80.00	\$ 94.60	350	\$ 90.22	\$ (2,130)
January 2012 — December 2012	500	\$ 92.00	170	\$ 81.00	\$ 95.85	350	\$ 92.40	\$ (1,484)
January 2013 — December 2013	—	\$ —	160	\$ 82.00	\$ 95.60	350	\$ 92.71	\$ (2,001)
								<u>\$ (5,615)</u>

The following table sets forth the volumes involved in Enduro Sponsor's three-way oil commodity derivative collars and the weighted-average NYMEX prices per Bbl as of March 31, 2011:

Period	Daily Volumes (Bbls)	Average Sub-Floor Price (\$/Bbl)	Average Floor Price (\$/Bbl)	Average Cap Price (\$/Bbl)	Fair Value March 31, 2011 (In thousands)
April 2011 — December 2011	500	\$ 67.50	\$ 90.00	\$ 110.00	\$ (660)
January 2012 — December 2012	500	\$ 67.50	\$ 90.00	\$ 110.00	\$ (1,149)
January 2013 — December 2013	500	\$ 67.50	\$ 90.00	\$ 110.00	\$ (1,030)
					<u>\$ (2,839)</u>

*Interest Rate Risk*

As of June 30, 2011, Enduro Sponsor had debt outstanding under its revolving credit facility of \$231 million. The weighted average annual interest rate under the bank credit facility for the quarter ended June 30, 2011 was 3.3%. If prevailing market interest rates had been 1% higher (or 4.4%), and all other factors affecting Enduro Sponsor's debt remained the same, interest expense on an annual basis would have increased by \$2.4 million.

**Description of the Enduro Sponsor Operating Agreement**

The following is a summary of the material provisions of the Amended & Restated Operating Agreement of Enduro Resource Partners LLC (the "Operating Agreement").

**Organization and Duration**

Enduro Sponsor was organized as a Delaware limited liability company on March 3, 2010 and will remain in existence until terminated in accordance with the Operating Agreement. See "— Dissolution."

**Business**

The Operating Agreement provides that Enduro Sponsor was organized to (1) engage in the exploration for, and the development and production of, oil and natural gas; the development, ownership and operation of oil and gas infrastructure; and acquiring leases and other real property in that connection and (2) engage in any other business or activity that is necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to the purposes set forth in clause (1) above, as determined by the board of managers of Enduro Sponsor in its discretion.

**Membership Interests; Transferability**

The equity interests in Enduro Sponsor represent limited liability company interests. The interests cannot be sold, transferred, assigned or otherwise disposed of except in compliance applicable federal and state securities laws.

**Distributions of Available Cash**

Enduro Sponsor will distribute to its sole member all cash available for distribution, after giving effect to the obligation of Enduro Sponsor to pay the Net Profits Interest, at such times as may be determined by the sole member in its discretion.

**Management of Enduro Sponsor**

The Operating Agreement provides that the board of managers of Enduro Sponsor generally has the complete and exclusive authority to manage, direct and control the business, affairs and properties of Enduro Sponsor.

**Limited Liability**

The sole member of Enduro Sponsor is not liable for any obligations or liabilities of Enduro Sponsor unless expressly assumed in writing. Moreover, Enduro Sponsor has agreed to indemnify and hold harmless the sole member and its managers, members, officers and employees (the "indemnitees") from and against any and all losses, liabilities, expenses and other obligations arising from proceedings in which an indemnitee is involved by reason of the sole member being the member of Enduro Sponsor or the managers, officers or employees of the sole member serving in such capacity, as long as (1) the indemnitee acted in good faith, (2) there has not been a final, non-appealable judgment by a court of competent jurisdiction determining that the indemnitee engaged in fraud, intentional misconduct, knowing and willful breach of its obligations under the Operating Agreement or bad faith or (3) in the case of a criminal matter, the indemnitee had reasonable cause to believe that its conduct was lawful. Any indemnification shall be satisfied solely out of property of Enduro Sponsor, and the sole member and its members are not subject to personal liability. The right to indemnification shall include the right to have Enduro Sponsor pay, in advance of the final disposition of the proceeding, the expenses incurred by the indemnitee who is defending a proceeding, as long as the indemnitee undertakes to repay those advances if it is determined or adjudicated to be ineligible for indemnification.

**Amendment of the Operating Agreement**

The Operating Agreement may be amended only by an instrument in writing duly approved by the sole member.

**Dissolution**

Enduro Sponsor will continue as a limited liability company until its existence is terminated in accordance with the Operating Agreement. Enduro Sponsor will dissolve upon (1) the approval of the sole member to dissolve Enduro Sponsor, as long as the approval and dissolution would not constitute an event of default under the terms of any agreement of Enduro Sponsor or (2) the occurrence of an

event that would cause the dissolution of Enduro Sponsor under the Delaware Limited Liability Company Act.

***Liquidation and Termination***

Upon dissolution of Enduro Sponsor, a liquidator or liquidating committee approved by the general partner, which may include the sole member or any of its officers, will wind up the affairs and make a final distribution. The liquidator will continue to operate the properties of Enduro Sponsor with all of the power and authority of the sole member necessary or appropriate to liquidate the assets of Enduro Sponsor and apply the proceeds of the liquidation as described in the Operating Agreement. Upon written request of the sole member, the liquidator shall sell Enduro Sponsor's leases and other properties and assets that otherwise would be distributable to the sole member at the best cash price available and distribute that cash (after deducting all expenses reasonably relating to such sale) to the sole member.

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**Report of Independent Registered Public Accounting Firm**

The Board of Managers and Members  
Enduro Resource Partners LLC

We have audited the accompanying carve out balance sheets of Enduro Resource Partners LLC Predecessor (the Company) as of November 30, 2010 and December 31, 2009, and the related carve out statements of operations, owner's net equity, and cash flows for the years ended December 31, 2008 and 2009, the periods from January 1, 2010 to March 8, 2010 and March 9, 2010 to November 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enduro Resource Partners LLC Predecessor at November 30, 2010 and December 31, 2009, and the results of its operations and its cash flows for the years ended December 31, 2008 and 2009, and for the periods from January 1, 2010 to March 8, 2010 and March 9, 2010 to November 30, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Company has changed its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements effective December 31, 2009.

/s/ Ernst & Young LLP

Fort Worth, Texas  
May 12, 2011

ENDURO F-2

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**ENDURO RESOURCE PARTNERS LLC PREDECESSOR  
CARVE OUT BALANCE SHEETS**

<i>(In thousands)</i>	<u>Predecessor- DNR November 30, 2010</u>	<u>Predecessor- EAC December 31, 2009</u>
<b>ASSETS</b>		
Current assets:		
Accounts receivable	\$ 8,287	\$ 11,771
Prepaid drilling costs	1,345	3,778
Total current assets	<u>9,632</u>	<u>15,549</u>
Oil and natural gas properties — successful efforts method:		
Proved properties	220,237	368,461
Unproved properties	199,130	20,792
Accumulated depletion, depreciation, and amortization	<u>(31,707)</u>	<u>(103,722)</u>
Total oil and natural gas properties, net	<u>387,660</u>	<u>285,531</u>
Other property and equipment, net	22	47
Total assets	<u>\$ 397,314</u>	<u>\$ 301,127</u>
<b>LIABILITIES AND OWNER'S NET EQUITY</b>		
Current liabilities:		
Accrued lease operating expense	\$ 1,260	\$ 1,205
Production, ad valorem, and severance taxes payable	929	739
Accrued development capital	19,253	15,684
Other	554	656
Total current liabilities	<u>21,996</u>	<u>18,284</u>
Asset retirement obligations	587	1,404
Total liabilities	<u>22,583</u>	<u>19,688</u>
Commitments and contingencies		
Owner's net equity	<u>374,731</u>	<u>281,439</u>
Total liabilities and owners' net equity	<u>\$ 397,314</u>	<u>\$ 301,127</u>

The accompanying notes are an integral part of these carve out financial statements.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR  
CARVE OUT STATEMENTS OF OPERATIONS**

	Predecessor- DNR	Predecessor-EAC		
	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
<i>(In thousands)</i>				
<b>Revenues:</b>				
Oil	\$ 1,036	\$ 331	\$ 1,909	\$ 3,295
Natural gas	35,503	10,756	31,998	59,075
Marketing	3,671	1,077	—	—
<b>Total revenues</b>	<b>40,210</b>	<b>12,164</b>	<b>33,907</b>	<b>62,370</b>
<b>Expenses:</b>				
Lease operating	5,285	1,142	7,608	6,343
Production, ad valorem, and severance taxes	2,003	548	2,565	2,442
Gathering and transportation	2,755	429	2,138	2,577
Depletion, depreciation, and amortization	21,754	7,949	33,665	26,716
Exploration expense	9,957	231	8,688	723
Marketing	3,588	1,060	—	—
General and administrative	1,254	2,481	5,045	4,001
Merger-related transaction costs	6,922	16,136	—	—
Other operating	24	9	51	28
<b>Total expenses</b>	<b>53,542</b>	<b>29,985</b>	<b>59,760</b>	<b>42,830</b>
<b>Operating income (loss)</b>	<b>(13,332)</b>	<b>(17,821)</b>	<b>(25,853)</b>	<b>19,540</b>
Interest expense	(6,183)	—	—	—
<b>Net income (loss)</b>	<b>\$ (19,515)</b>	<b>\$ (17,821)</b>	<b>\$ (25,853)</b>	<b>\$ 19,540</b>

The accompanying notes are an integral part of these carve out financial statements.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**CARVE OUT STATEMENTS OF OWNER'S NET EQUITY**

*(In thousands)*

	<u>Owner's Net Equity</u>
<b>Predecessor — EAC</b>	
Balance at January 1, 2008	\$ 105,278
Net income	19,540
Net contributions from owner	109,615
Balance at December 31, 2008	234,433
Net loss	(25,853)
Net contributions from owner	72,859
Balance at December 31, 2009	281,439
Net loss	(17,821)
Net contributions from owner	26,455
Balance at March 8, 2010	\$ 290,073
<b>Predecessor — DNR</b>	
Balance at March 9, 2010	\$ —
Net loss	(19,515)
Net contributions from owner	394,246
Balance at November 30, 2010	\$ 374,731

The accompanying notes are an integral part of these carve out financial statements.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**CARVE OUT STATEMENTS OF CASH FLOWS**

	Predecessor - DNR	Predecessor - EAC		
	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
<i>(In thousands)</i>				
Cash flows from operating activities:				
Net income (loss)	\$ (19,515)	\$ (17,821)	\$ (25,853)	\$ 19,540
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depletion, depreciation, and amortization	21,754	7,949	33,665	26,716
Other non-cash items	9,981	240	8,739	751
Changes in operating assets and liabilities:				
Accounts receivable	5,415	(1,931)	1,897	(5,699)
Prepaid drilling costs	4,658	(2,225)	3,084	(6,862)
Accrued expenses	1,403	(1,259)	1,043	582
Net cash provided by (used in) operating activities	<u>23,696</u>	<u>(15,047)</u>	<u>22,575</u>	<u>35,028</u>
Cash flows from investing activities:				
Development of oil and natural gas properties	(57,060)	(11,408)	(93,620)	(73,616)
Acquisition of oil and natural gas properties	(360,882)	—	(1,814)	(71,027)
Net cash used in investing activities	<u>(417,942)</u>	<u>(11,408)</u>	<u>(95,434)</u>	<u>(144,643)</u>
Cash flows from financing activities:				
Net contributions from owner	394,246	26,455	72,859	109,615
Net cash provided by financing activities	<u>394,246</u>	<u>26,455</u>	<u>72,859</u>	<u>109,615</u>
Net increase in cash and cash equivalents	—	—	—	—
Cash and cash equivalents, beginning of period	—	—	—	—
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these carve out financial statements.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS**

**1. Organization and Nature of Operations**

Enduro Resource Partners LLC (together with its subsidiaries, "Enduro" or the "Company"), a Delaware limited liability company formed on March 3, 2010 ("Inception"), is engaged in the acquisition, exploration, development, and production of oil and natural gas from properties located in Texas and Louisiana.

On December 1, 2010, Enduro completed the acquisition of oil and natural gas properties in East Texas and North Louisiana from Denbury Resources, Inc. ("Denbury" or "DNR"). These properties (the "Predecessor Properties") were acquired by Denbury on March 9, 2010 in connection with Denbury's acquisition of Encore Acquisition Company ("Encore" or "EAC"), under which Encore was merged with and into Denbury (the "Merger").

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying carve out financial statements and related notes thereto represent the carve out financial position, results of operations, cash flows, and changes in owner's net equity of the Predecessor Properties. As noted above, the Predecessor Properties were acquired by Denbury in March 2010 in connection with the Merger. Because the Merger was accounted for as the acquisition of a business, whereby the purchase price was allocated to identifiable assets and liabilities recorded at fair value, the accompanying carve out financial statements are presented on a different basis for the periods prior to and subsequent to the Merger and are not comparable. Historical financial information of the Predecessor Properties prior to the Merger is referred to as "Predecessor-EAC" and subsequent to the Merger is referred to as "Predecessor-DNR."

The accompanying carve out financial statements have been prepared in accordance with Regulation S-X, Article 3 "*General instructions as to financial statements*" and Staff Accounting Bulletin ("SAB") Topic 1-B "*Allocations of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity.*" Certain expenses incurred by Encore and Denbury are only indirectly attributable to the ownership of the Predecessor Properties as both companies owned interests in numerous other oil and natural gas properties. As a result, certain assumptions and estimates were made in order to allocate a reasonable share of such expenses to Enduro Resource Partners LLC Predecessor, so that the accompanying carve out financial statements reflect substantially all the costs of doing business. The allocations and related estimates and assumptions are described more fully below.

***Allocation of Costs***

The accompanying carve out financial statements have been prepared in accordance with SAB Topic 1-B. These rules require allocations of costs for salaries and benefits, depreciation, rent, accounting and legal services, and other general and administrative expenses. General and administrative expenses prior to March 9, 2010 were allocated to Enduro Resource Partners LLC Predecessor based on the Predecessor Properties' share of EAC's total production. In management's estimation, the allocation methodologies used are reasonable and result in an allocation of the cost of doing business borne by EAC on behalf of Enduro Resource Partners LLC Predecessor; however, these allocations may not be indicative of the cost of future operations or the amount of future allocations. General and administrative expenses subsequent to March 9, 2010 were allocated to Enduro Resource Partners LLC Predecessor based on the Predecessor Properties' share of DNR's wholly owned subsidiary, Encore Operating, L.P.'s, total production and an allocation of specifically identifiable costs recognized by Denbury in relation to the Merger. General and administrative expenses for the period

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

from January 1 through March 8, 2010 included allocated legal fees and other transaction costs related to EAC's preparation for the Merger, which were allocated based on the Predecessor Properties' share of Encore Operating, L.P.'s volumes.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each reporting period. Management believes its estimates and assumptions are reasonable. Such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from those estimates.

Significant estimates made in preparing these consolidated financial statements include, among other things, the estimated quantities of proved oil and natural gas reserves used to calculate depletion of oil and natural gas properties; the estimated present value of future net cash flows used in evaluations of impairment and purchase price allocations; accruals related to oil and natural gas sales volumes and revenues, capital expenditures and lease operating expenses; and the timing and amount of future abandonment costs used in calculating asset retirement obligations. Changes in the assumptions utilized could have a significant impact on reported results in future periods.

***Cash and Cash Equivalents***

Encore and Denbury provided cash as needed to support the operations of the Predecessor Properties and collected cash from sales of production. Consequently, the accompanying Carve Out Balance Sheets of Enduro Resource Partners LLC Predecessor do not include any cash balances. Cash received or paid by EAC and DNR on behalf of the Enduro Resource Partners LLC Predecessor is reflected as net contributions from owner on the accompanying Carve Out Statements of Owner's Net Equity.

***Accounts Receivable***

Enduro Resource Partners LLC Predecessor's accounts receivable is comprised of invoiced and accrued amounts from oil and natural gas sales. Outstanding accounts receivable balances are reviewed based on the specific facts and circumstances of each outstanding amount and general economic conditions. Neither EAC or DNR had any allowance for doubtful accounts specifically identified for the Predecessor Properties.

***Oil and Natural Gas Properties***

Encore followed the successful efforts method of accounting for its oil and natural gas properties while Denbury follows the full cost method of accounting. However, for the period of time Denbury held the Predecessor Properties, transactions continued to be recorded individually by property, and were maintained for internal purposes in a manner similar to the successful efforts method of accounting. As the Predecessor Properties were held by Denbury for a brief period of time, and as Enduro also follows the successful efforts of accounting, for comparability purposes, Enduro converted the financial results for the Predecessor Properties during the period of time they were owned by Denbury to reflect financial results under the successful efforts method of accounting. Enduro Management believes this presentation is more meaningful to the financial statement users. Under this method, all costs associated with productive and nonproductive development wells are capitalized while nonproductive exploration costs and geological and geophysical expenditures are

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

expensed. Net capitalized costs of unproven property and exploration well costs are reclassified as proved property and well costs when related proved reserves are found.

Costs associated with drilling exploratory wells are initially capitalized pending determination of whether the well is economically productive or nonproductive. If an exploration well is unsuccessful in finding proved reserves, the capitalized well costs are charged to exploration expense. Enduro Resource Partners LLC Predecessor did not carry the costs of drilling an exploratory well as an asset in its consolidated balance sheet following the completion of drilling unless both of the following conditions were met:

(i) The well found a sufficient quantity of reserves to justify its completion as a producing well, and

(ii) The Enduro Resource Partners LLC Predecessor was making sufficient progress in assessing the reserves and the economic and operating viability of the project.

Significant tangible equipment added or replaced that extends the useful or productive life of the property is capitalized. Costs to construct facilities or increase the productive capacity from existing reservoirs are capitalized. Capitalized costs are amortized on a unit-of-production basis over the remaining life of proved developed reserves or total proved reserves, as applicable.

Costs of significant nonproducing properties and exploratory wells in progress of being drilled are excluded from depletion until such time as the related project is completed and proved reserves are established or, if unsuccessful, impairment is determined.

Long-lived assets to be held and used, including proved oil and natural gas properties, are reviewed whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value. Estimates of the sum of expected future cash flows require management to estimate future recoverable proved and risk-adjusted probable and possible reserves, forecasts of future commodity prices, production and capital costs, and discount rates. Uncertainties about these future cash flow variables cause impairment estimates to be inherently imprecise.

Unproved oil and natural gas properties are periodically assessed for impairment on a project-by-project basis. The impairment assessment is affected by the results of exploration activities, commodity price outlooks, planned future sales, or expiration of all or a portion of such projects. If the quantity of potential reserves determined by such evaluation is not sufficient to fully recover the cost invested in each project, Enduro Resource Partners LLC Predecessor will recognize an impairment loss at the time such determination is made.

***Other Property and Equipment***

Other property and equipment is carried at cost and consists of transportation equipment used in field operations. Depreciation is expensed on a straight-line basis over estimated useful lives, which range from 5 to 6 years. During 2009, approximately \$11,000 was recognized in depreciation expense; for the period from January 1, 2010 through March 8, 2010, approximately \$2,000 was recognized in depreciation expense; and for the period from March 8, 2010 through November 30, 2010, approximately \$4,000 was recorded in depreciation expense. Depreciation expense was not material in 2008.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

***Asset Retirement Obligations***

Liability for the fair value of an asset retirement obligation is recorded in the period in which it is incurred. For oil and natural gas properties, this is the period in which the property is acquired or a new well is drilled. Asset retirement obligations are capitalized as part of the carrying values of the long-lived assets.

Asset retirement obligations are recorded at the present value of expected future net cash flows and are discounted using Encore's and Denbury's credit adjusted risk free rate, respectively, and then accreted until settled or sold, at which time the liability is reversed. Estimates are based on average plugging and abandonment well costs and estimated remaining field life based on reserve estimates.

***Owner's Net Equity***

Since Enduro Resource Partners LLC Predecessor was not a separate legal entity during the period covered by these carve out financial statements, none of EAC's debt is directly attributable to its ownership of the Predecessor Properties, and no formal intercompany financing arrangement existed related to the Predecessor Properties. Therefore, the change in net assets in each year that is not attributable to current period earnings, is reflected as an increase or decrease to owner's net equity for that year. Additionally, as debt cannot be specifically ascribed to the purchase of the Predecessor Properties for the period prior to March 9, 2010, the accompanying Carve Out Statements of Operations do not include any allocation of interest expense incurred by Encore to Enduro Resource Partners LLC Predecessor. However, as Denbury specifically incurred debt related to the Merger, Denbury's debt incurred in the first quarter of 2010 is directly attributable in part to its ownership of the Predecessor Properties, and interest expense was allocated to the Predecessor Properties through owner's net equity.

***Revenue Recognition***

Sales of oil and natural gas are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Enduro Resource Partners LLC Predecessor sells oil and natural gas on a monthly basis. Virtually all of the contract pricing provisions are tied to a market index. To the extent actual volumes and prices of oil and natural gas are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded as "Accounts receivable" in the accompanying Carve Out Balance Sheets.

Enduro Resource Partners LLC Predecessor uses the sales method of accounting for oil and natural gas revenues, recognizing revenues based on the oil and natural gas delivered rather than its working interest share of oil and natural gas produced.

Enduro Resource Partners LLC Predecessor had no material imbalances as of November 30, 2010.

Marketing revenues derived from sales of oil or natural gas purchased from third parties are recognized when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. As the Company takes title to the oil and natural gas and has risks and rewards of ownership, these transactions are presented gross in marketing revenue and marketing expense in the accompanying Consolidated Statement of Operations, unless they meet the criteria for netting as outlined in the *Accounting for Purchases and Sales of*



**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

*Inventory with the Same Counterparty* topic of the Financial Accounting Standards Board Codification ("ASC").

***Income Taxes***

During the periods presented, the operations of Enduro Energy Partners LLC Predecessor were included in various partnership entities, which were classified as a partnership for federal income tax purposes; thus, earnings were not subject to federal income tax. Similarly, most states treat entities classified as partnerships for federal income tax purposes as partnerships for state purposes. As such, income tax liabilities are passed through to the partners.

Texas imposes an entity-level tax on all forms of business regardless of federal entity classification. Enduro Energy Partners LLC Predecessor's Texas tax liability was not material during the periods presented, accordingly, no income tax expense has been recorded in the carve out financial statements.

***Earnings per Share***

Prior to the Merger, the Predecessor Properties were wholly owned by EAC while subsequent to the Merger the Predecessor Properties were wholly owned by DNR. The Predecessor Properties were not a separate legal entity and no shares or units existed. Accordingly, earnings per share has not been presented.

***Segments***

The Company has significant operations in only one industry segment and one geographic operating segment, that being the oil and natural gas exploration and production industry in the United States of America.

***Recently Issued Accounting Pronouncements***

The following discussion provides information about new accounting pronouncements:

In December 2008, the SEC released the final rule on "Modernization of Oil and Gas Reporting" (the "Reserve Ruling"). The Reserve Ruling revises oil and gas reporting disclosures. The Reserve Ruling also permits the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserves volumes. The Reserve Ruling will also allow companies to disclose their probable and possible reserves to investors. In addition, the new disclosure requirements require companies to: (i) report the independence and qualifications of its reserves preparer or auditor, (ii) file reports when a third party is relied upon to prepare reserves estimates or conduct a reserves audit and (iii) report oil and gas reserves using an average price based upon the prior 12-month period rather than a year-end price. The Reserve Ruling became effective for fiscal years ending on or after December 31, 2009. During December 2009, the FASB issued Accounting Standards Update No. 2010-03, "Extractive Activities — Oil and Gas (Topic 932)," ("ASU 2010-03") to conform generally accepted accounting principles to the Reserve Ruling. The Company adopted the provisions of the Reserve Ruling and the provisions of ASU 2010-03 on December 31, 2009.

In September 2006, the FASB issued guidance to define fair value, establish a framework for measuring fair value, and to enhance disclosures about fair value measures required under other accounting pronouncements. In January 2010, the FASB issued guidance to (i) require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, (ii) require separate disclosure of purchases, sales, issuances, and settlements

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), (iii) clarify the level of disaggregation for fair value measurements of assets and liabilities, and (iv) clarify disclosures about inputs and valuation techniques used to measure fair values for both recurring and nonrecurring fair value measurements. The implementation did not have a material effect on the financial condition or results of operations of Enduro Resource Partners LLC Predecessor. See Note 4 for additional information regarding the Predecessor Properties' fair value measurements.

### 3. Acquisition

On March 9, 2010, Denbury merged with Encore with Denbury being the surviving entity. The Predecessor Properties were, therefore, owned by EAC prior to March 8, 2010 and DNR subsequent to the Merger. The transaction was accounted for as the acquisition of a business, thus identifiable assets and liabilities were recorded at fair value. Fair values of the Predecessor Properties were carved out of DNR's fair value allocation which was based on a discounted cash flows model.

Since Denbury funded the Merger partially through borrowings, \$149.1 million of debt was attributed to Enduro Resource Partners LLC Predecessor for the purpose of allocating interest expense to the carve out financial statements based on the relative fair value of the Predecessor Properties to Denbury's allocated fair value of Encore. The carve out purchase price allocation related to the Predecessor Properties are as follows (in thousands):

Proved oil and natural gas properties	\$ 164,154
Unproved properties	199,130
Other equipment	26
Accounts receivable	13,702
Prepaid drilling costs	6,003
Total assets acquired	<u>383,015</u>
Accrued development costs	(20,235)
Asset retirement obligations	(558)
Operating payables	(1,340)
Total liabilities assumed	<u>(22,133)</u>
Fair value of net assets acquired	<u>\$ 360,882</u>

The operations of the properties acquired have been included in the Enduro Resource Partners LLC Predecessor's results of operations since the Merger date.

### 4. Disclosures About Fair Value Measurements

Fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. These two types of inputs are further prioritized into the following fair value input hierarchy:

- Level 1 — Unadjusted quoted prices are available for identical assets or liabilities in active markets.
- Level 2 — Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 — Unobservable inputs for the asset or liability.

The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level of input that is significant to the measurement in its entirety.

Enduro Resource Partners LLC Predecessor has financial instruments consisting primarily of accounts receivable, other current assets, and accounts payable that approximate fair value due to the short maturity of these instruments.

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Allocated properties bought in connection with Denbury's purchase of Encore were recorded at fair value, which was determined using a risk-adjusted discounted cash flow. The fair value of oil and natural gas properties is based on significant inputs not observable in the market. Key assumptions include (i) NYMEX oil and natural gas futures prices, which are observable, (ii) projections of the estimated quantities of oil and natural gas reserves, including those classified as proved, probable, and possible, (iii) projections of future rates of production, (iv) timing and amount of future development and operating costs, (v) projected recovery factors, and (vi) risk-adjusted discount rates.

Asset retirement obligations are recorded at fair value. Unobservable inputs are used in the estimation of asset retirement obligations that include, but are not limited to, costs of labor, costs of materials, the effect of inflation on estimated costs, and the discount rate. Accordingly, asset retirement obligations are considered Level 3 measurements in the fair value hierarchy.

Enduro Resource Partners LLC Predecessor's review of oil and natural gas impairment involves estimation of fair values. Primary assumptions in preparing the estimated discounted future net cash flows to be recovered from oil and natural gas properties are based on (i) proved reserves and risk-adjusted probable and possible reserves, (ii) commodity price outlook, which would be used by purchasers, including assumptions as to inflation of costs and expenses, and (iii) the estimated discount rate that would be used by purchasers to assess the fair value of the assets. There were no impairments recognized through November 30, 2010.

**Concentrations of Credit Risk**

The following purchasers accounted for 10% or greater of the sales of production for the period indicated:

	Predecessor - DNR	Predecessor - EAC		
	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Camterra Resources, Inc.	28%	33%	31%	34%
Chesapeake Operating, Inc.	17%	*	*	*
Petrohawk Energy Corporation	11%	12%	24%	26%
Spark Energy	20%	23%	*	*

\* Less than 10% for the period indicated.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

Loss of any of these purchasers would not have an adverse effect on the ability of Enduro Resource Partners LLC Predecessor to sell its oil and natural gas production. However, it is possible that the loss of any one of these customers could have an adverse effect on the price received for oil and natural gas sales.

**5. Asset Retirement Obligations**

Asset retirement obligations presented in the accompanying Carve Out Balance Sheets relate to the future plugging and abandonment of wells and related facilities. The following table summarizes asset retirement obligations (in thousands):

	Predecessor- DNR	Predecessor - EAC	
	March 9, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009
Beginning asset retirement obligations	\$ —	\$ 1,404	\$ 1,322
Liabilities assumed at acquisition	558	—	—
Wells drilled	5	—	268
Change in estimate	—	(1)	(237)
Accretion of discount	24	9	51
Ending asset retirement obligations	<u>\$ 587</u>	<u>\$ 1,412</u>	<u>\$ 1,404</u>

Above liabilities are recorded in "Asset retirement obligations" on the accompanying Carve Out Balance Sheets. Accretion is included in "Other operating" in the accompanying Carve Out Statement of Operations.

**6. Commitments and Contingencies**

**General**

From time to time, the Enduro Resource Partners LLC Predecessor is a party to litigation or other legal proceedings that is considered to be a part of the ordinary course of business. Enduro Resource Partners LLC Predecessor is not currently involved in any legal proceedings that could be allocable and related to the Predecessor Properties. Liabilities are accrued when it is probable that future costs will be incurred and such costs can be reasonably estimated.

**Lease Agreements**

Enduro Resource Partners LLC Predecessor leases compressors on a month-to-month basis which are used in the field operations of the Predecessor Properties. There are no long-term lease commitments directly attributable to the Predecessor Properties that are non-cancellable.

**Firm Transportation Agreement**

Encore entered into a 10-year firm transportation contract in January 2010 that relates to the Predecessor Properties. The contract has a non-cancellable commitment to transport 22,500 million British thermal units ("MMBtu") per day of natural gas for a minimum transportation fee of \$0.30 per MMBtu. During 2010, no oil and natural gas volumes were transported under this agreement; however, the minimum transportation fee for the daily volumes totaled \$2.3 million from January 1 to November 30, 2010. There were no dedicated reserves to fulfill this commitment.

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

The following table summarizes the remaining non-cancelable future payments under this firm transportation contract as of November 30, 2010 (in thousands):

2010	\$ 209
2011	2,464
2012	2,470
2013	2,464
2014	2,464
2015	2,464
Thereafter	10,059
	<u>\$ 22,594</u>

**7. Subsequent Events**

As discussed above, the Predecessor Properties were owned by Encore prior to March 9, 2010 and by Denbury subsequent to the Merger. On December 1, 2010 Enduro Resource Partners LLC purchased these assets from Denbury for \$213.8 million after preliminary closing adjustments.

**8. Supplemental Oil and Natural Gas Disclosures (Unaudited)**

**Costs Incurred for Oil and Natural Gas Producing Activities**

	Predecessor- DNR	Predecessor-EAC		
	March 9 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
<i>(In thousands)</i>				
Proved acquisitions	\$ 164,154	\$ —	\$ —	\$ 56,186
Unproved acquisitions	199,130	—	1,814	14,841
<b>Total acquisitions</b>	<b>363,284</b>	<b>—</b>	<b>1,814</b>	<b>71,027</b>
Exploratory costs	9,945	11,534	59,092	29,057
Development costs	46,138	4,424	30,742	59,546
<b>Total costs incurred</b>	<b>\$ 419,367</b>	<b>\$ 15,958</b>	<b>\$ 91,648</b>	<b>\$ 159,630</b>

The following unaudited supplemental oil and natural gas disclosures were derived from reserve reports which were prepared by reserve engineers at Enduro Resource Partners LLC, Denbury and Encore and are presented in accordance with the Financial Accounting Standards Board ASC Topic 932, *Extractive Activities — Oil and Gas* ("ASC 932"). The unaudited supplemental information reflects the revised oil and natural gas reserve estimation and disclosure requirements of the SEC Modernization of Oil and Gas Reporting rules, which were issued by the SEC in 2008 and were effective December 31, 2009. The following unaudited supplemental information for 2010 and 2009 has been presented in accordance with the revised reserve estimation and disclosure rules, which were not applied retrospectively. Accordingly, the information for 2008 is presented in accordance with the oil and gas disclosure requirements effective during that period.

**Oil and Natural Gas Reserve Quantities**

Proved reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of proved reserves and in the projection of future rates of production and the timing of

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing, and production may cause either upward or downward revisions of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The process of estimating quantities of oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reserve. Consequently, material revisions to existing reserve estimates may occur from time to time.

The following table presents the estimated remaining net proved and proved developed oil and natural gas reserves of the Predecessor Properties, for the periods indicated. Oil volumes are expressed in thousands of barrels ("MBbls"), gas volumes are expressed in thousands of Mcf ("MMcf") and total volumes are expressed in thousands of barrels of oil equivalent ("MBOE").

	Predecessor- DNR	Predecessor-EAC	
	November 30, 2010	December 31, 2009	December 31, 2008
<b>Proved reserves</b>			
Oil (MBbl)	112	114	151
Natural gas (MMcf)	107,686	108,906	61,239
Combined (MBOE)	18,059	18,265	10,357
<b>Proved developed reserves</b>			
Oil (MBbl)	67	69	106
Natural gas (MMcf)	57,673	53,667	46,378
Combined (MBOE)	9,679	9,014	7,836

The following table provides a rollforward of total proved reserves for the year ended December 31, 2009 and 2008 as well as periods ended March 8, 2010 and November 30, 2010.

	Oil (MBbls)	Natural Gas (MMcf)	Combined (MBOE)
<b>Predecessor — EAC:</b>			
Balance as of January 1, 2008	114	39,495	6,696
Revisions of estimates	73	28,690	4,855
Production	(36)	(6,946)	(1,194)
Balance as of December 31, 2008	151	61,239	10,357
Revisions of estimates	(2)	56,236	9,371
Production	(35)	(8,569)	(1,463)
Balance as of December 31, 2009	114	108,906	18,265
Production	(5)	(1,941)	(329)
Balance as of March 8, 2010	109	106,965	17,936
<b>Predecessor — DNR:</b>			
Balance as of March 9, 2010	—	—	—
Acquisitions	126	116,630	19,564
Production	(14)	(8,944)	(1,505)
Balance as of November 30, 2010	112	107,686	18,059

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

**Standardized Measure of Discounted Future Net Cash Flows**

Estimated discounted future net cash flows and changes therein were determined for the Predecessor Properties in accordance with ASC 932. Future cash inflows for 2009 were computed by applying the average prices of oil and natural gas during the 12-month period to the period-end quantities of those proved reserves (with consideration of price changes only to the extent provided by contractual arrangements). The average prices were determined using the arithmetic average of the prices in effect on the first day of the month for each month within the period which were \$61.18 per Bbl for oil and \$3.83 per Mcf for natural gas. This same 12-month average price was also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. Future cash inflows for 2008 were computed by using the year-end oil and natural gas prices in accordance with the disclosure requirements effective during that period. Prices used for 2008 were \$44.60 per Bbl for oil and \$5.62 per Mcf for natural gas. For 2010 \$78.73 per Bbl and \$4.38 per Mcf were used.

Future development and production costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and natural gas reserves based on period-end costs assuming continuation of existing economic conditions. An annual discount rate of 10% was used to reflect the timing of the future net cash flows.

Discounted future cash flow estimates like those shown below are not intended to present, nor should they be interpreted to present, the fair value of the Predecessor Properties' oil and natural gas properties. Estimates of fair value should also consider probable and possible reserves, anticipated future commodity prices, interest rates, changes in development and production costs, and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

The following tables provide the standardized measure of discounted future cash flows as of as of the dates indicated, as well as a rollforward in total for the period (in thousands):

	Predecessor- DNR	Predecessor - EAC		
	November 30, 2010	March 8, 2010	December 31, 2009	December 31, 2008
Oil and natural gas producing activities:				
Future cash inflows	\$ 433,755	\$ 377,488	\$ 388,575	\$ 333,413
Future production costs	(141,262)	(119,095)	(121,214)	(102,007)
Future development costs	(33,462)	(87,435)	(103,393)	(39,563)
Undiscounted future net cash flows	259,031	170,958	163,968	191,843
10% annual discount factor	(87,408)	(101,132)	(102,162)	(89,016)
Standardized measure of discounted future cash flows	<u>\$ 171,623</u>	<u>\$ 69,826</u>	<u>\$ 61,806</u>	<u>\$ 102,827</u>

**ENDURO RESOURCE PARTNERS LLC PREDECESSOR**  
**NOTES TO CARVE OUT FINANCIAL STATEMENTS — (Continued)**

The following table sets forth an analysis of changes in the Standardized Measure of Discounted Future Net Cash Flows from proved oil and natural gas reserves (in thousands):

	Predecessor- DNR	Predecessor-EAC		
	March 8, 2010 Through November 30, 2010	January 1, 2010 Through March 8, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Oil and natural gas sales, net of production costs	\$ (26,496)	\$ (8,968)	\$ (21,596)	\$ (51,008)
Net change in sales price and production costs	—	—	(46,255)	(18,432)
Revisions of quantity estimates	—	—	44,159	59,189
Previously estimated development costs incurred	56,083	15,958	39,563	28,087
Change in estimated future development costs	—	—	(63,830)	(25,759)
Accretion of discount	9,909	1,030	10,283	9,947
Change in timing and other	—	—	(3,345)	1,335
Purchases of minerals-in-place	132,127	—	—	—
Net change in standardized measure	171,623	8,020	(41,021)	3,359
Standardized measure balance, beginning of period	—	61,806	102,827	99,468
Standardized measure balance, end of period	<u>\$ 171,623</u>	<u>\$ 69,826</u>	<u>\$ 61,806</u>	<u>\$ 102,827</u>



**ENDURO RESOURCE PARTNERS LLC**  
**CONSOLIDATED BALANCE SHEETS**

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	<i>(Unaudited)</i>	
	<i>(In thousands, except unit amounts)</i>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,956	\$ 53,984
Accounts receivable — trade	21,841	7,215
Prepaid expenses	438	223
Derivatives	2,615	3,075
<b>Total current assets</b>	<u>26,850</u>	<u>64,497</u>
Oil and natural gas properties — successful efforts method of accounting:		
Proved properties	677,439	209,723
Unproved properties	35,046	34,569
Accumulated depletion, depreciation, and amortization	(12,759)	(1,946)
<b>Total oil and natural gas properties, net</b>	<u>699,726</u>	<u>242,346</u>
Other property and equipment, net	226	184
Acquisition deposits	—	47,500
Derivatives	5,726	5,655
Other	3,278	1,650
<b>Total assets</b>	<u>\$ 735,806</u>	<u>\$ 361,832</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,629	\$ 786
Accrued liabilities:		
Lease operating	3,541	1,667
Development capital	8,922	10,565
Production taxes, transportation, and marketing	1,367	748
Derivatives	4,882	1,044
Current portion of firm transportation contract liability	2,471	2,464
Oil and natural gas revenues payable	723	1,832
Other	5,736	2,576
<b>Total current liabilities</b>	<u>30,271</u>	<u>21,682</u>
Long-term debt	233,000	52,000
Derivatives	6,834	1,990
Asset retirement obligations, net of current portion	9,599	1,496
Firm transportation contract liability, net of current portion	10,844	10,700
Other	115	25
<b>Total liabilities</b>	<u>290,663</u>	<u>87,893</u>
Commitments and contingencies		
Members' equity:		
Class A, 464,860,000 and 282,160,500 units issued and outstanding, respectively	445,143	273,939
Class B, 96,500 and 96,000 units issued and outstanding, respectively	—	—
<b>Total members' equity</b>	<u>445,143</u>	<u>273,939</u>
<b>Total liabilities and members' equity</b>	<u>\$ 735,806</u>	<u>\$ 361,832</u>

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

**ENDURO RESOURCE PARTNERS LLC**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Three Months Ended</b>	<b>March 3, 2010 (Inception) Through</b>
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	<i>(In thousands, except per unit amounts)</i>	
<b>Revenues:</b>		
Oil	\$ 10,236	\$ —
Natural gas	11,899	—
Marketing	817	—
<b>Total revenues</b>	<b>22,952</b>	<b>—</b>
<b>Expenses:</b>		
Lease operating	4,007	—
Production, ad valorem, and severance taxes	1,447	—
Gathering and transportation	794	—
Depletion, depreciation, and amortization	10,830	—
Marketing	795	—
General and administrative	3,043	77
Derivative fair value loss	11,449	—
Other operating	896	—
<b>Total expenses</b>	<b>33,261</b>	<b>77</b>
<b>Operating loss</b>	<b>(10,309)</b>	<b>(77)</b>
Interest expense, net	(1,220)	—
Loss before income taxes	(11,529)	(77)
Deferred income tax benefit	34	—
<b>Net loss</b>	<b>\$ (11,495)</b>	<b>\$ (77)</b>
<b>Net loss per Class A unit — basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ —</b>
<b>Weighted average units outstanding — Class A:</b>		
Basic	367,417	—
Diluted	367,417	—

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

**ENDURO RESOURCE PARTNERS LLC**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**

	<u>Class A Units</u>	<u>Class B Units</u>	<u>Members'</u>
		<i>(In thousands, except units)</i>	<u>Equity</u>
Balance at December 31, 2010	282,160,500	96,000	\$ 273,939
Contributions from members	182,699,500	—	182,699
Issuance of Class B units	—	500	—
Net loss			(11,495)
Balance at March 31, 2011	<u>464,860,000</u>	<u>96,500</u>	<u>\$ 445,143</u>

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

**ENDURO RESOURCE PARTNERS LLC**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31, 2011	March 3, 2010 (Inception) Through March 31, 2010
<i>(In thousands)</i>		
<b>Cash flows from operating activities:</b>		
Net loss	\$ (11,495)	\$ (77)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depletion, depreciation, and amortization	10,830	—
Unrealized loss on derivatives	11,821	—
Other non-cash items	853	—
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(12,227)	—
Prepaid expenses	1,163	—
Derivative assets	(2,750)	—
Accounts payable and other accrued expenses	(9,794)	77
Net cash used in operating activities	<u>(11,599)</u>	<u>—</u>
<b>Cash flows from investing activities:</b>		
Development of oil and natural gas properties	(1,592)	—
Acquisition of oil and natural gas properties	(400,980)	—
Purchases of other property and equipment	(59)	—
Net cash used in investing activities	<u>(402,631)</u>	<u>—</u>
<b>Cash flows from financing activities:</b>		
Contributions from members	182,699	100
Proceeds from long-term debt borrowings	181,000	—
Payment of deferred loan costs	(1,497)	—
Net cash provided by financing activities	<u>362,202</u>	<u>100</u>
Net increase (decrease) in cash and cash equivalents	(52,028)	100
Cash and cash equivalents, beginning of period	53,984	—
Cash and cash equivalents, end of period	<u>\$ 1,956</u>	<u>\$ 100</u>

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

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Nature of Operations**

Enduro Resource Partners LLC (together with its subsidiaries, "Enduro" or "the Company"), a Delaware limited liability company formed on March 3, 2010 ("Inception"), is engaged in the acquisition, exploration, development, and production of oil and natural gas from properties located in Texas, Louisiana, and New Mexico.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly, in all material respects, the Company's financial position as of March 31, 2011, results of operations and cash flows for the three months ended March 31, 2011 and the Company's financial position as of December 31, 2010, results of operations and cash flows for the period from March 3, 2010 ("Inception") through March 31, 2011. All adjustments are of a normal recurring nature. These interim results are not necessarily indicative of results for an entire year.

Certain amounts and disclosures have been condensed or omitted from these consolidated financial statements pursuant to the rules and regulations of the SEC. Therefore, these consolidated financial statements should be read in conjunction with the Enduro Resource Partners LLC consolidated financial statements and notes thereto included elsewhere in this prospectus.

**2. Acquisitions**

***Denbury Acquisition***

On December 1, 2010, the Company completed an acquisition of oil and natural gas properties in East Texas and North Louisiana from Denbury Resources, Inc. (the "Denbury Acquisition"). These properties constitute all of the Company's oil and gas assets as of December 31, 2010. Prior to December 1, 2010 the Company did not have any significant operations.

Total consideration paid for the properties at closing was \$217.4 million after preliminary closing adjustments. The Company funded the acquisition through member capital contributions and borrowings under its revolving credit facility. The Denbury Acquisition was accounted for as a business and recorded at fair value, which was determined using a risk-adjusted discounted cash flow analysis. The purchase price allocation for the acquisition is preliminary and subject to revision pending finalization of closing adjustments.

## ENDURO RESOURCE PARTNERS LLC

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents a summary of the preliminary fair value of assets acquired and liabilities assumed at the acquisition date (in thousands):

Oil and natural gas properties	\$ 245,245
Other equipment	24
Accounts receivable	4,950
Total assets acquired	<u>250,219</u>
Asset retirement obligations	(2,542)
Firm transportation contract liability	(13,762)
Operating payables	(16,543)
Total liabilities assumed	<u>(32,847)</u>
Fair value of net assets acquired	<u>\$ 217,372</u>

The operations of the properties acquired above have been included in the Company's results of operations since the date of closing. The Company incurred \$0.6 million of expenses in connection with the acquisition.

**Samson Acquisition**

On January 5, 2011, the Company completed an acquisition of oil and natural gas properties located in the Permian Basin of New Mexico and West Texas from Samson Investment Company (the "Samson Acquisition").

Total consideration paid for the properties at closing was \$133.8 million after preliminary closing adjustments. The Company funded the acquisition through member capital contributions and borrowings under its revolving credit facility. The Samson Acquisition was accounted for as a business and recorded at fair value, which was determined using a risk-adjusted discounted cash flow analysis. The purchase price allocation for the acquisition is preliminary and subject to revision pending finalization of closing adjustments.

The following table presents a summary of the preliminary fair value of assets acquired and liabilities assumed at the acquisition date (in thousands):

Oil and natural gas properties	\$ 131,780
Accounts receivable	2,780
Total assets acquired	<u>134,560</u>
Asset retirement obligations	(722)
Total liabilities assumed	<u>(722)</u>
Fair value of net assets acquired	<u>\$ 133,838</u>

The operations of the properties acquired above have been included in the Company's results of operations since the date of closing. The Company incurred \$0.5 million of expenses in connection with the acquisition, which is recorded in "General and administrative" expense in the accompanying Unaudited Consolidated Statements of Operations.

**ConocoPhillips Acquisition**

On February 28, 2011, the Company completed an acquisition of oil and natural gas properties in Texas and New Mexico from ConocoPhillips Company (the "ConocoPhillips Acquisition").

ENDURO RESOURCE PARTNERS LLC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total consideration paid for the properties at closing was \$314.2 million after preliminary closing adjustments. The Company funded the acquisition through member capital contributions and borrowings under its revolving credit facility. The ConocoPhillips Acquisition was accounted for as a business and recorded at fair value, which was determined using a risk-adjusted discounted cash flow analysis. The purchase price allocation for the acquisition is preliminary and subject to revision pending finalization of closing adjustments.

The following table presents a summary of the preliminary fair value of assets acquired and liabilities assumed at the acquisition date (in thousands):

Oil and natural gas properties	\$ 321,520
Asset retirement obligations	(7,357)
Fair value of net assets acquired	<u>\$ 314,163</u>

The operations of the properties acquired above have been included in the Company's results of operations since the date of closing. The Company incurred \$0.4 million of expenses in connection with the acquisition, which is recorded in "General and administrative" expense in the accompanying Unaudited Consolidated Statements of Operations.

**Pro Forma Information**

The following unaudited pro forma combined condensed financial data for the three months ended March 31, 2011 and 2010 assumes the acquisitions occurred on January 1, 2010. The unaudited pro forma combined condensed financial information has been included for comparative purposes only and is not necessarily indicative of the results that might have occurred had the acquisition taken place as of the dates indicated and is not intended to be a projection of future results.

	Three Months Ended March 31,	
	2011	2010
	<i>(In thousands, except per unit amounts)</i>	
Pro forma total revenues	\$ 33,793	\$ 20,127
Pro forma net income (loss)	\$ (9,559)	\$ 1,441
Pro forma net income (loss) per unit:		
Basic	\$ (0.02)	\$ —
Diluted	\$ (0.02)	\$ —

**3. Disclosures About Fair Value Measurements**

Fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. These two types of inputs are further prioritized into the following fair value input hierarchy:

- Level 1 — Unadjusted quoted prices are available for identical assets or liabilities in active markets.
- Level 2 — Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than

ENDURO RESOURCE PARTNERS LLC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 — Unobservable inputs for the asset or liability.

The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level of input that is significant to the measurement in its entirety.

The Company has classified its derivative contracts into one of the three levels based upon the data relied upon to determine the fair value. The fair values are based upon quotes obtained from counterparties to the derivative contracts. The Company reviews other readily available market prices for its derivative contracts as there is an active market for these contracts; however, the Company does not have access to specific valuation models used by the counterparties. Included in these models are discount factors that the Company must estimate in its calculation. The Company's swap contracts are classified as Level 2, while its floors and collars are classified as Level 3.

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2011 (in thousands):

	Fair Value as of March 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Oil and natural gas derivative contracts — assets	\$ 8,341	\$ —	\$ 182	\$ 8,159
Oil and natural gas derivative contracts — liabilities	11,716	—	6,327	5,389

The following table presents the changes in fair values of the Company's financial instruments measured using significant unobservable inputs (Level 3) during the three months ended March 31, 2011 (in thousands):

	Derivative Contracts - Floors and Caps	
	Oil	Natural Gas
Balance at December 31, 2010	\$ 2,997	\$ 4,884
Purchases	—	2,750
Settlements	47	(295)
Unrealized gains (losses) included in earnings	(6,749)	(864)
Balance at March 31, 2011	\$ (3,705)	\$ 6,475



ENDURO RESOURCE PARTNERS LLC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the carrying amounts and fair values of the Company's financial instruments as of the dates indicated (in thousands):

	December 31, 2010		March 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets:</b>				
Natural gas commodity contracts — current asset	\$ 1,639	\$ 1,639	\$ 2,087	\$ 2,087
Oil commodity contracts — current asset	1,436	1,436	528	528
Natural gas commodity contracts — long-term asset	3,386	3,386	4,776	4,776
Oil commodity contracts — long-term asset	2,269	2,269	950	950
<b>Financial liabilities:</b>				
Natural gas commodity contracts — current liabilities	333	333	768	768
Oil commodity contracts — current liabilities	711	711	4,114	4,114
Natural gas commodity contracts — long-term liabilities	1,120	1,120	1,016	1,016
Oil commodity contracts — long-term liabilities	870	870	5,818	5,818
Long-term debt	52,000	52,000	233,000	233,000

The Company has other financial instruments consisting primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable that approximate fair value due to the short maturity of these instruments.

**Long-Term Debt**

The carrying amount of bank debt approximates fair value because these instruments bear interest at variable market rates, which approximates the current market rates as of March 31, 2011 and as of December 31, 2010.

**4. Derivative Financial Instruments**

The Company uses derivative financial instruments to reduce exposure to commodity price fluctuations. Derivative instruments are recorded at fair value and included on the Consolidated Balance Sheets as assets or liabilities. The Company's accounting policy is not to offset fair value amounts even when the terms of International Swap Dealers Association Master Agreements provide with the rights of setoff. The Company has not designated its derivative contracts as hedges for accounting purposes; therefore, all changes in fair value of the contracts are recorded in "Derivative fair value loss" in the accompanying Unaudited Consolidated Statement of Operations.

ENDURO RESOURCE PARTNERS LLC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the volumes involved in the Company's natural gas commodity derivative contracts and the weighted-average contractual prices per thousand cubic feet ("Mcf") as of March 31, 2011:

Period	Daily Put Volumes (Mcf)	Average Put Price (\$/Mcf)	Daily Swap Volumes (Mcf)	Average Swap Price (\$/Mcf)	Fair Value as of March 31, 2011 (In thousands)
April 2011 — December 2011	14,000	\$ 4.20	10,000	\$ 4.30	976
January 2012 — December 2012	14,000	\$ 4.90	10,000	\$ 4.57	2,072
January 2013 — December 2013	12,000	\$ 4.90	8,000	\$ 5.00	2,031
					<u>\$ 5,079</u>

The following tables set forth the volumes involved in the Company's oil commodity derivative contracts and the weighted-average NYMEX prices per barrel ("Bbl") as of March 31, 2011:

Period	Daily Put Volumes (Bbls)	Average Put Price (\$/Bbl)	Daily Collar Volumes (Bbls)	Average Collar Put Price (\$/Bbl)	Average Collar Cap Price (\$/Bbl)	Daily Swap Volumes (Bbls)	Average Swap Price (\$/Bbl)	Fair Value as of March 31, 2011 (In thousands)
April 2011 — December 2011	500	\$ 92.00	180	\$ 80.00	\$ 94.60	350	\$ 90.22	(2,130)
January 2012 — December 2012	500	\$ 92.00	170	\$ 81.00	\$ 95.85	350	\$ 92.40	(1,484)
January 2013 — December 2013	—	\$ —	160	\$ 82.00	\$ 95.60	350	\$ 92.71	(2,001)
								<u>\$ (5,615)</u>

The following table sets forth the volumes involved in the Company's three-way oil commodity derivative collars and the weighted-average NYMEX prices per Bbl as of March 31, 2011:

Period	Daily Volumes (Bbls)	Average Sub-Floor Price (\$/Bbl)	Average Floor Price (\$/Bbl)	Average Cap Price (\$/Bbl)	Fair Value as of March 31, 2011 (In thousands)
March 2011 — December 2011	500	\$ 67.50	\$ 90.00	\$ 110.00	\$ (660)
January 2012 — December 2012	500	\$ 67.50	\$ 90.00	\$ 110.00	(1,149)
January 2013 — December 2013	500	\$ 67.50	\$ 90.00	\$ 110.00	(1,030)
					<u>\$ (2,839)</u>

**5. Long-Term Debt**

In December 2010, the Company entered into a five-year credit agreement with a bank syndicate comprised of Bank of America, N.A. and other lenders (the "Credit Agreement"). The Credit Agreement matures in December 2015.

The Credit Agreement provides for revolving credit loans to be made to the Company from time to time and letters of credit to be issued to the Company. The aggregate amount of loan commitments of the lenders under the Credit Agreement is \$500 million. Availability under the Credit Agreement is subject to a borrowing base, which is redetermined semi-annually in May and November and upon requested special redeterminations. In February 2011, the Company Amended the Credit Agreement to increase the borrowing base from \$95 million to \$250 million. The borrowing base is

ENDURO RESOURCE PARTNERS LLC

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

adjusted at the banks' discretion and is based in part upon external factors over which the Company has no control.

As of March 31, 2011, there were \$233 million in outstanding borrowings and \$17 million of borrowing capacity under the Credit Agreement, while as of December 31, 2010, there were \$52 million in outstanding borrowings and \$43 million of borrowing capacity.

The Company incurs a commitment fee of 0.5% on the unused portion of the Credit Agreement.

Loans under the Credit Agreement are subject to varying rates of interest based on (i) the total outstanding borrowings in relation to the borrowing base and (ii) whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans bear interest at the Eurodollar rate plus the applicable margin of 1.75% to 2.75% based on the ratio of outstanding borrowings to the borrowing base, and base rate loans bear interest at the base rate plus the applicable margin of 0.75% to 1.75% based on the ratio of outstanding borrowings to the borrowing base. The "Eurodollar rate" for any interest period (either one, two, three or six months, as selected by Enduro Sponsor or such longer period of up to twelve months as selected by Enduro Sponsor and consented to by the lenders) is the rate per year equal to the London Interbank Offered Rate ("LIBOR"), as published by Reuters or another source designated by Bank of America, N.A. for deposits in dollars for a similar interest period. The "base rate" is calculated as the highest of (i) the annual rate of interest announced by Bank of America, N.A. as its "prime rate," (ii) the federal funds effective rate plus 0.5%, and (iii) the Eurodollar Rate (as defined in the Credit Agreement) for a one-month interest period plus 1.0%.

The Credit Agreement is secured by substantially all of the proved oil and natural gas properties of the Company and its subsidiaries.

The Credit Agreement contains several restrictive covenants including, among others:

- a prohibition against incurring debt, subject to permitted exceptions;
- a restriction on creating liens on the assets of the Company, subject to permitted exceptions;
- restrictions on merging and selling assets outside the ordinary course of business;
- a requirement to maintain a ratio of consolidated current assets to current liabilities (as defined in the Credit Agreement) of not less than 1.0 to 1.0; and,
- a requirement that the Company maintain a ratio of debt to annualized adjusted EBITDA (as defined in the Credit Agreement) of not more than 4.0 to 1.0, commencing with the quarter ending March 31, 2011.

Additionally, there is a limitation on the aggregate amount of forecasted oil and natural gas production that can be economically hedged with oil or natural gas derivative contracts.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require Bank of America, N.A. to declare all amounts outstanding under the Credit Agreement to be immediately due and payable. As of March 31, 2011, the Company was in compliance with all its debt covenants.

The Company incurred costs of \$3.4 million to obtain the Credit Agreement, which were capitalized and are presented as "Other assets" in the accompanying Consolidated Balance Sheet. These deferred loan costs are amortized over the 60-month life of the revolving credit facility. During the first quarter of 2011, the weighted average interest rate for total indebtedness was 3.0%.

## ENDURO RESOURCE PARTNERS LLC

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**6. Asset Retirement Obligations**

The Company's asset retirement obligations relate to the future plugging and abandonment of wells and related facilities. The following table summarizes the Company's asset retirement obligations for the three months ended March 31, 2011 (in thousands):

Asset retirement obligations — December 31, 2010	\$ 2,560
Liabilities assumed at acquisition	8,079
Accretion of discount	141
Asset retirement obligations — March 31, 2011	<u>\$ 10,780</u>

As of March 31, 2011, \$9.6 million of the Company's asset retirement obligations were long-term and are presented as "Asset retirement obligations, net of current portion" and \$1.2 million were current and included in "Other current liabilities" in the accompanying Consolidated Balance Sheets. Accretion is included in "Other operating" in the accompanying Consolidated Statements of Operations.

**7. Members' Equity**

On April 9, 2010, the Company entered into an Operating Agreement with members of Enduro's management and non-management investors. Under the terms of the Operating Agreement and subsequent amendments, a total of \$465 million in capital was committed to the Company by Enduro's management and the non-management investors.

At December 31, 2010, 282,160,500 Class A units and 96,000 Class B units were issued and outstanding. During the three months ended March 31, 2011, 182,699,500 of Class A and 500 of Class B were issued, respectively.

Class B Units are issued as incentive units and are subject to a forfeiture clause. Class B Units are fully vested as of the date of grant, but are ratably forfeited upon termination of the Class B member's employment or engagement within three years of the date of grant and are subject to certain performance conditions. The incentive units are granted at the Board of Managers' discretion. During 2010, the Company issued 96,000 units, and during the three months ended March 31, 2011, 500 units were issued. None of the 96,500 units issued have been forfeited.

The incentive units are subject to various performance and forfeiture provisions. Management has evaluated the terms of the awards and in particular the effect of the performance features on the potential value of the incentive units and has determined that any compensation expense during 2010 and during the three months ended March 31, 2011 would be nominal. Therefore, no compensation expense has been recognized. Should the performance features indicate that there is a significant value in the future, management will evaluate whether compensation expense should be recognized in the future.

**8. Commitments and Contingencies****General**

The Company is subject to contingent liabilities with respect to existing or potential claims, lawsuits, and other proceedings, including those involving environmental, tax, and other matters, certain of which are discussed more specifically below. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date and the Company's estimates of the outcomes of these matters and its experience in contesting, litigating, and settling other matters. As the scope of the liabilities

## ENDURO RESOURCE PARTNERS LLC

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

becomes better defined, there will be changes in the estimates of future costs, which management currently believes will not have a material effect on the Company's consolidated financial position, results of operations, or liquidity.

The Company regularly maintains cash balances at financial institutions. From time to time, these cash balances exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Litigation**

From time to time, the Company is a party to litigation or other legal proceedings that the Company considers to be a part of the ordinary course of business. The Company is not currently involved in any legal proceedings.

**9. Subsequent Events**

The Company entered into additional oil commodity contracts in the second quarter of 2011. The following tables set forth the volumes involved in the Company's oil commodity derivative contracts and the weighted-average NYMEX prices per barrel ("Bbl") as of June 30, 2011:

Period	Daily Put Volumes (Bbls)	Average Put Price (\$/Bbl)	Daily Volumes (Bbls)	Average Sub-Floor Price (\$/Bbl)	Average Floor Price (\$/Bbl)	Average Cap Price (\$/Bbl)	Daily Swap Volumes (Bbls)	Average Price (\$/Bbl)
2011	500	\$ 92.00	500	\$ 67.50	\$ 90.00	\$ 110.00	530	\$ 102.96
2012	500	\$ 92.00	500	\$ 67.50	\$ 90.00	\$ 110.00	520	\$ 104.10
2013	—	\$ —	500	\$ 67.50	\$ 90.00	\$ 110.00	510	\$ 102.97

On May 3, 2011, the Company formed Enduro Royalty Trust (the "Trust") pursuant to a Trust Agreement among Enduro Resource Partners LLC, as trustor, The Bank of New York Mellon Trust Company, N.A., as trustee, and Wilmington Trust Company, as Delaware trustee. The Trust was created to acquire and hold a net profits interest representing the right to receive 80% of the net profits from the sale of oil and natural gas production from certain properties in Texas, Louisiana and New Mexico held by the Company (the "Net Profits Interest"). The Company will convey, or cause to be conveyed, the Net Profits Interest to the Trust in exchange for all of the outstanding trust units of the Trust. The Company will sell a portion of its trust units in the initial public offering of the Trust's trust units.

**Report of Independent Registered Public Accounting Firm**

The Board of Managers and Members  
Enduro Resource Partners LLC

We have audited the accompanying consolidated balance sheet of Enduro Resource Partners LLC (the Company) as of December 31, 2010, and the related consolidated statements of operations, changes in members' equity, and cash flows for the period from March 3, 2010 (Inception) through December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Enduro Resource Partners LLC at December 31, 2010, and the consolidated results of its operations and its cash flows for the period from March 3, 2010 (Inception) through December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Fort Worth, Texas  
May 13, 2011

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**ENDURO RESOURCE PARTNERS LLC**  
**CONSOLIDATED BALANCE SHEET**

	<b>December 31,</b> <b>2010</b> <i>(In thousands, except unit amounts)</i>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 53,984
Accounts receivable — trade	7,215
Prepaid expenses	223
Derivatives	3,075
Total current assets	<u>64,497</u>
Oil and natural gas properties — successful efforts method of accounting:	
Proved properties	209,723
Unproved properties	34,569
Accumulated depletion, depreciation, and amortization	(1,946)
Total oil and natural gas properties, net	<u>242,346</u>
Other property and equipment, net	184
Acquisition deposits	47,500
Derivatives	5,655
Other	1,650
Total assets	<u>\$ 361,832</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
Current liabilities:	
Accounts payable	\$ 786
Accrued liabilities:	
Lease operating	1,667
Development capital	10,565
Production taxes, transportation, and marketing	748
Derivatives	1,044
Current portion of firm transportation contract liability	2,464
Oil and natural gas revenues payable	1,832
Other	2,576
Total current liabilities	<u>21,682</u>
Long-term debt	52,000
Derivatives	1,990
Asset retirement obligations, net of current portion	1,496
Firm transportation contract liability, net of current portion and other	10,725
Total liabilities	<u>87,893</u>
Commitments and contingencies	
Members' equity:	
Class A, 282,160,500 units issued and outstanding	273,939
Class B, 96,000 units issued and outstanding	—
Total members' equity	<u>273,939</u>
Total liabilities and members' equity	<u>\$ 361,832</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENDURO RESOURCE PARTNERS LLC  
CONSOLIDATED STATEMENT OF OPERATIONS

	March 3, 2010 (Inception) Through December 31, 2010
	<i>(In thousands, except per unit amounts)</i>
Revenues:	
Oil	\$ 106
Natural gas	3,486
Marketing	383
Total revenues	<u>3,975</u>
Expenses:	
Lease operating	507
Production, ad valorem, and severance taxes	170
Gathering and transportation	206
Depletion, depreciation, and amortization	1,973
Marketing	372
General and administrative	3,826
Derivative fair value loss	4,977
Other operating	18
Total expenses	<u>12,049</u>
Operating loss	<u>(8,074)</u>
Interest expense, net	(148)
Net loss	<u>\$ (8,222)</u>
Net loss per Class A unit — basic and diluted	\$ (0.06)
Weighted average units outstanding — Class A:	
Basic	140,780
Diluted	140,780

The accompanying notes are an integral part of these consolidated financial statements.



ENDURO RESOURCE PARTNERS LLC  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	<u>Units</u>	<u>Members'</u> <u>Equity</u>
	<i>(In thousands, except units)</i>	
Balance at March 3, 2010 (Inception)		\$ —
Members' contributions and issuance of Class A units	282,160,500	282,161
Issuance of Class B units	96,000	—
Net loss		(8,222)
Balance at December 31, 2010		<u>\$ 273,939</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ENDURO RESOURCE PARTNERS LLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>March 3, 2010 (Inception) Through December 31, 2010</b> <i>(In thousands)</i>
Cash flows from operating activities:	
Net loss	\$ (8,222)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depletion, depreciation, and amortization	1,973
Unrealized loss on derivatives	4,977
Other non-cash items	45
Changes in operating assets and liabilities:	
Accounts receivable	(4,066)
Prepaid expenses	(223)
Derivative assets	(10,673)
Accounts payable and other accrued expenses	3,112
Net cash used in operating activities	<u>(13,077)</u>
Cash flows from investing activities:	
Acquisition deposits	(47,500)
Acquisition of oil and natural gas properties	(217,736)
Purchases of other property and equipment	(186)
Net cash used in investing activities	<u>(265,422)</u>
Cash flows from financing activities:	
Contributions from members	282,161
Proceeds from long-term debt borrowings	52,000
Payment of deferred loan costs	(1,678)
Net cash provided by financing activities	<u>332,483</u>
Net increase in cash and cash equivalents	53,984
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	<u>\$ 53,984</u>
Supplemental cash flow information:	
Cash paid during the period for interest	\$ 134
Non-cash investing and financing activities:	
Properties acquired, other than for cash	\$ 83

The accompanying notes are an integral part of these consolidated financial statements.

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Nature of Operations**

Enduro Resource Partners LLC (together with its subsidiaries, "Enduro" or "the Company"), a Delaware limited liability company formed on March 3, 2010 ("Inception"), is engaged in the acquisition, exploration, development, and production of oil and natural gas from properties located in Texas and Louisiana.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each reporting period. Management believes its estimates and assumptions are reasonable. Such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from those estimates.

Significant estimates made in preparing these consolidated financial statements include, among other things, the estimated quantities of proved oil and natural gas reserves used to calculate depletion of oil and natural gas properties; the estimated present value of future net cash flows used in evaluations of impairment and purchase price allocation; accruals related to oil and natural gas sales volumes and revenues, capital expenditures and lease operating expenses; and the timing and amount of future abandonment costs used in calculating asset retirement obligations. Changes in the assumptions utilized could have a significant impact on reported results in future periods.

***Cash Equivalents***

Cash and cash equivalents include cash on hand and depository accounts held by banks. The Company considers all highly liquid investments to be cash equivalents if they have original maturities of three months or less.

***Accounts Receivable***

The Company's accounts receivable — trade is comprised of invoiced and accrued amounts from oil and natural gas sales. The Company reviews its outstanding accounts receivable balances based on the specific facts and circumstances of each outstanding amount and general economic conditions. The Company establishes an allowance for doubtful accounts equal to the estimable portion of accounts receivable for which failure to collect is considered probable. At December 31, 2010, the Company did not have an allowance for doubtful accounts balance based on the Company's review of the collectibility of outstanding balances.

***Oil and Natural Gas Properties***

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Under this method, all costs associated with productive and nonproductive development

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

wells are capitalized while nonproductive exploration costs and geological and geophysical expenditures are expensed. Net capitalized costs of unproven property and exploration well costs are reclassified as proved property and well costs when related proved reserves are found.

Costs associated with drilling exploratory wells are initially capitalized pending determination of whether the well is economically productive or nonproductive. If an exploration well is unsuccessful in finding proved reserves, the capitalized well costs are charged to exploration expense. The Company does not carry the costs of drilling an exploratory well as an asset in its consolidated balance sheet following the completion of drilling unless both of the following conditions are met:

- (i) The well has found a sufficient quantity of reserves to justify its completion as a producing well, and
- (ii) The Company is making sufficient progress in assessing the reserves and the economic and operating viability of the project.

Significant tangible equipment added or replaced that extends the useful or productive life of the property is capitalized. Costs to construct facilities or increase the productive capacity from existing reservoirs are capitalized. Capitalized costs are amortized on a unit-of-production basis over the remaining life of proved developed reserves or total proved reserves, as applicable.

Costs of significant nonproducing properties and exploratory wells in progress of being drilled are excluded from depletion until such time as the related project is completed and proved reserves are established or, if unsuccessful, impairment is determined.

The Company reviews its long-lived assets to be held and used, including proved oil and natural gas properties, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value. Estimates of the sum of expected future cash flows require management to estimate future recoverable proved and risk-adjusted probable and possible reserves, forecasts of future commodity prices, production and capital costs, and discount rates. Uncertainties about these future cash flow variables cause impairment estimates to be inherently imprecise.

Unproved oil and natural gas properties are periodically assessed for impairment on a project-by-project basis. The impairment assessment is affected by the results of exploration activities, commodity price outlooks, planned future sales, or expiration of all or a portion of such projects. If the quantity of potential reserves determined by such evaluation is not sufficient to fully recover the cost invested in each project, the Company will recognize an impairment loss at the time such determination is made.

***Other Property and Equipment***

Other property and equipment is carried at cost and consists of fixed assets, including office equipment, furniture and fixtures, and transportation equipment used in field operations. Depreciation is expensed on a straight-line basis over estimated useful lives, which range from 1 to 10 years, depending on its classification. During 2010, the Company recognized approximately \$27,000 in depreciation expense for other property and equipment.

***Asset Retirement Obligations***

The Company records a liability for the fair value of an asset retirement obligation in the period in which it is incurred. For oil and natural gas properties, this is the period in which the property is

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

acquired or a new well is drilled. Asset retirement obligations are capitalized as part of the carrying values of the long-lived assets.

Asset retirement obligations are recorded at the present value of expected future net cash flows and are discounted using the Company's credit adjusted risk free rate and then accreted until settled or sold, at which time the liability is reversed. Estimates are based on average plugging and abandonment well costs and estimated remaining field life based on reserve estimates.

***Revenue Recognition***

Sales of oil and natural gas are recognized when such products have been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable.

The Company sells oil and natural gas on a monthly basis. Virtually all of the Company's contract pricing provisions are tied to a market index. To the extent actual volumes and prices of oil and natural gas are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded as "Accounts receivable — trade" in the accompanying Consolidated Balance Sheet.

The Company uses the sales method of accounting for oil and natural gas revenues, recognizing revenues based on the oil and natural gas delivered rather than its working interest share of oil and natural gas produced.

The Company had no material imbalances as of December 31, 2010.

Marketing revenues derived from sales of oil or natural gas purchased from third parties are recognized when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. As the Company takes title to the oil and natural gas and has risks and rewards of ownership, these transactions are presented gross in marketing revenue and marketing expense in the accompanying Consolidated Statement of Operations, unless they meet the criteria for netting.

***Income Taxes***

The Company is organized as a limited liability company and is classified as a partnership for federal income tax purposes. Due to its partnership classification, the Company is not subject to federal income tax. Similarly, most states treat entities classified as partnerships for federal income tax purposes as partnerships for state purposes. As such, income tax liabilities are passed through to the partners. Texas imposes an entity-level tax on all forms of business regardless of federal entity classification. The Company's current year Texas tax liability was not material. Accordingly, no income tax expense has been recorded in the financial statements.

***Derivatives***

The Company uses derivative financial instruments to reduce exposure to commodity price fluctuations. These transactions are primarily in the form of swap contracts, put options, and collars with large financial institutions, all of which are lenders underwriting the Company's revolving credit facility.

Derivative instruments are recorded at fair value and included on the Consolidated Balance Sheet as assets or liabilities. The Company has not designated its derivative contracts as hedges for

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

accounting purposes; therefore, all changes in fair value of the contracts are recorded in "Derivative fair value loss" in the accompanying Consolidated Statement of Operations.

***Segments***

The Company has significant operations in only one industry segment and one geographic operating segment, that being the oil and natural gas exploration and production industry in the United States of America.

***Recently Issued Accounting Pronouncements***

The following discussion provides information about new accounting pronouncements that were issued by the Financial Accounting Standards Board ("FASB") during 2010:

In September 2006, the FASB issued guidance to define fair value, establish a framework for measuring fair value, and to enhance disclosures about fair value measures required under other accounting pronouncements. In January 2010, the FASB issued guidance to (i) require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, (ii) require separate disclosure of purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), (iii) clarify the level of disaggregation for fair value measurements of assets and liabilities, and (iv) clarify disclosures about inputs and valuation techniques used to measure fair values for both recurring and nonrecurring fair value measurements. The Company adopted this guidance at inception; thus, it did not affect the Company's financial position, results of operations, or liquidity. See Note 4 for additional information regarding the Company's fair value measurements.

**3. Acquisition**

On December 1, 2010, the Company completed an acquisition of oil and natural gas properties in East Texas and North Louisiana from Denbury Resources, Inc. (the "Denbury Acquisition"). These properties constitute all of the Company's oil and gas assets as of December 31, 2010.

Total consideration paid for the properties at closing was \$213.8 million after preliminary closing adjustments. The Company funded the acquisition through member capital contributions and borrowings under its revolving credit facility. The Denbury Acquisition was accounted for as a business and recorded at fair value, which was determined using a risk-adjusted discounted cash flow analysis. The purchase price allocation for the acquisition is preliminary and subject to revision pending finalization of closing adjustments.

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table presents a summary of the preliminary fair value of assets acquired and liabilities assumed at the acquisition date (in thousands):

Oil and natural gas properties	\$ 241,634
Other equipment	24
Accounts receivable	4,950
Total assets acquired	<u>246,608</u>
Asset retirement obligations	(2,542)
Firm transportation contract liability	(13,762)
Operating payables	<u>(16,543)</u>
Total liabilities assumed	<u>(32,847)</u>
Fair value of net assets acquired	<u>\$ 213,761</u>

Operating payables in the above table include suspended revenues payable of \$1.8 million. The operations of the properties acquired above have been included in the Company's results of operations since the date of closing. The Company incurred \$0.4 million of expenses in connection with the acquisition, which is recorded in "General and administrative" expense in the accompanying Consolidated Statement of Operations.

**Unaudited Pro Forma Acquisition Information**

Had the Denbury Acquisition occurred on March 3, 2010, the Company's pro forma revenue and net loss for the period from Inception through December 31, 2010 would have been as follows (in thousands):

Pro forma revenues	\$ 44,186
Pro forma net loss	(3,467)

**4. Disclosures About Fair Value Measurements**

Fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. These two types of inputs are further prioritized into the following fair value input hierarchy:

- Level 1 — Unadjusted quoted prices are available for identical assets or liabilities in active markets.
- Level 2 — Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Unobservable inputs for the asset or liability.

The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level of input that is significant to the measurement in its entirety.

ENDURO RESOURCE PARTNERS LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has classified its derivative contracts into one of the three levels based upon the data relied upon to determine the fair value. The fair values are based upon quotes obtained from counterparties to the derivative contracts. The Company reviews other readily available market prices for its derivative contracts as there is an active market for these contracts; however, the Company does not have access to specific valuation models used by the counterparties. Included in these models are discount factors that the Company must estimate in its calculation. The Company's swap contracts are classified as Level 2, while its floors and collars are classified as Level 3.

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 (in thousands):

	Fair Value at December 31, 2010	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Oil and natural gas derivative contracts — assets	\$8,730	\$ —	\$ 143	\$8,587
Oil and natural gas derivative contracts — liabilities	3,034	—	2,328	706

The following table presents the changes in fair values of the Company's financial instruments measured using significant unobservable inputs (Level 3) during 2010 (in thousands):

	Derivative Contracts — Floors and Caps	
	Oil	Natural Gas
Balance at Inception	\$ —	\$ —
Purchases	4,713	5,960
Unrealized losses included in earnings	(1,716)	(1,076)
Balance at December 31, 2010	\$ 2,997	\$ 4,884

The following table presents the carrying amounts and fair values of the Company's financial instruments as of December 31, 2010 (in thousands):

	Carrying Value	Fair Value
<b>Financial assets:</b>		
Natural gas commodity contracts — current asset	\$ 1,639	\$ 1,639
Oil commodity contracts — current asset	1,436	1,436
Natural gas commodity contracts — long-term asset	3,386	3,386
Oil commodity contracts — long-term asset	2,269	2,269
<b>Financial liabilities:</b>		
Natural gas commodity contracts — current liabilities	333	333
Oil commodity contracts — current liabilities	711	711
Natural gas commodity contracts — long-term liabilities	1,120	1,120
Oil commodity contracts — long-term liabilities	870	870
Long-term debt	52,000	52,000



**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Company has other financial instruments consisting primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable that approximate fair value due to the short maturity of these instruments.

***Long-Term Debt***

The carrying amount of bank debt approximates fair value because these instruments bear interest at variable market rates, which approximates the current market rates as of December 31, 2010.

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

The Denbury Acquisition was recorded at fair value, which was determined using a risk-adjusted discounted cash flow. The fair value of oil and natural gas properties is based on significant inputs not observable in the market. Key assumptions include (i) NYMEX oil and natural gas futures prices, which are observable, (ii) projections of the estimated quantities of oil and natural gas reserves, including those classified as proved, probable, and possible, (iii) projections of future rates of production, (iv) timing and amount of future development and operating costs, (v) projected recovery factors, and (vi) risk-adjusted discount rates.

Asset retirement obligations are recorded at fair value. Unobservable inputs are used in the estimation of asset retirement obligations that include, but are not limited to, costs of labor, costs of materials, the effect of inflation on estimated costs, and the discount rate. Accordingly, asset retirement obligations are considered Level 3 measurements in the fair value hierarchy.

The Company's review of oil and natural gas impairment involves estimation of fair values. The Company's primary assumptions in preparing the estimated discounted future net cash flows to be recovered from oil and natural gas properties are based on (i) proved reserves and risk-adjusted probable and possible reserves, (ii) commodity price outlook, which would be used by purchasers, including assumptions as to inflation of costs and expenses, and (iii) the estimated discount rate that would be used by purchasers to assess the fair value of the assets. Through December 31, 2010, the Company has not recognized any impairments.

***Concentrations of Credit Risk***

At December 31, 2010, the Company's primary concentrations of credit risk are related to its derivative obligations. The Company has entered into International Swap Dealers Association Master Agreements ("ISDA Agreements") with each of its derivative counterparties. The terms of the ISDA Agreements provide the Company and the counterparties with rights of setoff upon the occurrence of defined acts of default by either the Company or a counterparty to a derivative, whereby the party not in default may set off all derivative liabilities owed to the defaulting party against all derivative asset receivables from the defaulting party. The Company's accounting policy is to not offset fair value amounts for derivative instruments.

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Company uses credit and other financial criteria to evaluate the credit standing of, and to select, counterparties to its derivative instruments. Although the Company does not obtain collateral or otherwise secure the fair value of its derivative instruments, associated credit risk is mitigated by the Company's credit risk policies and procedures. The following table provides the Company's derivative assets and liabilities by counterparty as of December 31, 2010 (in thousands):

Counterparty	Assets	Liabilities
Credit Agricole	\$ 929	\$ 1,040
BNP Paribas	2,675	661
Bank of America Merrill Lynch	5,126	1,333
Total	<u>\$ 8,730</u>	<u>\$ 3,034</u>

**5. Derivative Financial Instruments**

The Company uses derivative financial instruments to reduce exposure to commodity price fluctuations.

The following table sets forth the volumes involved in the Company's natural gas commodity derivative contracts and the weighted-average contractual prices per thousand cubic feet ("Mcf") as of December 31, 2010:

Period	Daily Put Volumes (Mcf)	Average Price (\$/Mcf)	Daily Swap Volumes (Mcf)	Average Price (\$/Mcf)	Fair Value at December 31, 2010 (In thousands)
January 2011 — February 2011	12,000	\$ 4.19	10,000	\$ 4.30	\$ 190
March 2011 — December 2011	13,000	\$ 4.18	10,000	\$ 4.30	1,116
January 2012 — December 2012	13,000	\$ 4.92	10,000	\$ 4.57	1,875
January 2013 — December 2013	2,000	\$ 4.95	5,000	\$ 5.10	391
					<u>\$ 3,572</u>

The following tables set forth the volumes involved in the Company's oil commodity derivative contracts and the weighted-average NYMEX prices per barrel ("Bbl") as of December 31, 2010:

Period	Daily Put Volumes (Bbls)	Average Put Price (\$/Bbl)	Daily Collar Volumes (Bbls)	Average Collar Put Price (\$/Bbl)	Average Collar Cap Price (\$/Bbl)	Daily Swap Volumes (Bbls)	Average Price (\$/Bbl)	Fair Value at December 31, 2010 (In thousands)
January 2011 — February 2011	—	\$ —	180	\$ 80.00	\$ 94.60	150	\$ 85.50	\$ 744
March 2011 — December 2011	500	\$ 92.00	180	\$ 80.00	\$ 94.60	150	\$ 85.50	(395)
January 2012 — December 2012	500	\$ 92.00	170	\$ 81.00	\$ 95.85	150	\$ 88.60	1,466
January 2013 — December 2013	—	\$ —	160	\$ 82.00	\$ 95.60	150	\$ 90.00	(337)
								<u>\$ 1,478</u>

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table sets forth the volumes involved in the Company's three-way oil commodity derivative collars and the weighted-average NYMEX prices per Bbl as of December 31, 2010:

Period	Daily Volumes <i>(Bbls)</i>	Average Sub-Floor Price <i>(\$/Bbl)</i>	Average Floor Price <i>(\$/Bbl)</i>	Average Cap Price <i>(\$/Bbl)</i>	Fair Value at December 31, 2010 <i>(In thousands)</i>
March 2011 — December 2011	500	\$ 67.50	\$ 90.00	\$ 110.00	\$ 376
January 2012 — December 2012	500	\$ 67.50	\$ 90.00	\$ 110.00	212
January 2013 — December 2013	500	\$ 67.50	\$ 90.00	\$ 110.00	58
					<u>\$ 646</u>

**6. Long-Term Debt**

In December 2010, the Company entered into a five-year credit agreement with a bank syndicate comprised of Bank of America, N.A. and other lenders (the "Credit Agreement"). The Credit Agreement matures in December 2015.

The Credit Agreement provides for revolving credit loans to be made to the Company from time to time and letters of credit to be issued to the Company. The aggregate amount of loan commitments of the lenders under the Credit Agreement is \$500 million. Availability under the Credit Agreement is subject to a borrowing base of \$95 million, which is redetermined semi-annually in May and November and upon requested special redeterminations. The borrowing base is adjusted at the banks' discretion and is based in part upon external factors over which the Company has no control. At December 31, 2010, there were \$52 million in outstanding borrowings and \$43 million of borrowing capacity under the Credit Agreement.

The Company incurs a commitment fee of 0.5% on the unused portion of the Credit Agreement.

Loans under the Credit Agreement are subject to varying rates of interest based on (i) the total outstanding borrowings in relation to the borrowing base and (ii) whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans bear interest at the Eurodollar rate plus the applicable margin of 1.75% to 2.75% based on the ratio of outstanding borrowings to the borrowing base, and base rate loans bear interest at the base rate plus the applicable margin of 0.75% to 1.75% based on the ratio of outstanding borrowings to the borrowing base. The "Eurodollar rate" for any interest period (either one, two, three or six months, as selected by Enduro Sponsor or such longer period of up to twelve months as selected by Enduro Sponsor and consented to by the lenders) is the rate per year equal to the London Interbank Offered Rate ("LIBOR"), as published by Reuters or another source designated by Bank of America, N.A. for deposits in dollars for a similar interest period. The "base rate" is calculated as the highest of (i) the annual rate of interest announced by Bank of America, N.A. as its "prime rate," (ii) the federal funds effective rate plus 0.5%, and (iii) the Eurodollar Rate (as defined in the Credit Agreement) for a one-month interest period plus 1.0%.

The Credit Agreement is secured by substantially all of the proved oil and natural gas properties of the Company and its subsidiaries.

The Credit Agreement contains several restrictive covenants including, among others:

- a prohibition against incurring debt, subject to permitted exceptions;
- a restriction on creating liens on the assets of the Company, subject to permitted exceptions;

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- restrictions on merging and selling assets outside the ordinary course of business;
- consolidated current assets to current liabilities (as defined in the Credit Agreement) of not less than 1.0 to 1.0; and,
- a requirement that the Company maintain a ratio of debt to annualized adjusted EBITDA (as defined in the Credit Agreement) of not more than 4.0 to 1.0, commencing with the quarter ending March 31, 2011.

Additionally, there is a limitation on the aggregate amount of forecasted oil and natural gas production that can be economically hedged with oil or natural gas derivative contracts.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require Bank of America, N.A. to declare all amounts outstanding under the Credit Agreement to be immediately due and payable. At December 31, 2010, the Company was in compliance with all its debt covenants.

The Company incurred costs of \$1.7 million to obtain the Credit Agreement, which were capitalized and are presented as "Other assets" in the accompanying Consolidated Balance Sheet. These deferred loan costs are amortized over the 60-month life of the revolving credit facility. During 2010, the weighted average interest rate for total indebtedness was 4.0%.

#### **7. Asset Retirement Obligations**

The Company's asset retirement obligations relate to the future plugging and abandonment of wells and related facilities. The following table summarizes the Company's asset retirement obligations for the period ended December 31, 2010 (in thousands):

Asset retirement obligations at March 3, 2010 (Inception)	\$ —
Liabilities assumed at acquisition	2,542
Accretion of discount	<u>18</u>
Asset retirement obligations at December 31, 2010	<u>\$ 2,560</u>

As of December 31, 2010, \$1.5 million of the Company's asset retirement obligations were long-term and are presented as "Asset retirement obligations, net of current portion" and \$1.1 million were current and included in "Other current liabilities" in the accompanying Consolidated Balance Sheet. Accretion is included in "Other operating" in the accompanying Consolidated Statement of Operations.

#### **8. Members' Equity**

On April 9, 2010, the Company entered into an Operating Agreement with members of Enduro's management and non-management investors. Under the terms of the Operating Agreement and subsequent amendments, a total of \$465 million in capital was committed to the Company by Enduro's management and the non-management investors.

At December 31, 2010, 282,160,500 Class A units and 96,000 Class B units were issued and outstanding. Additional capital contributions to Enduro may be initiated pursuant to the terms of the Operating Agreement entered into by Enduro's management and non-management investors. Each investor has agreed to contribute additional capital upon call by Enduro. Capital calls may be initiated by Enduro on an as-needed basis for acquisitions or general corporate purposes.

Class B Units are issued as incentive units and are subject to a forfeiture clause. Class B Units are fully vested as of the date of grant, but are ratably forfeited upon termination of the Class B

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

member's employment or engagement within three years of the date of grant and are subject to certain performance conditions. The incentive units are granted at the Board of Managers' discretion. During 2010, the Company issued 96,000 units, of which none have been forfeited.

The incentive units are subject to various performance and forfeiture provisions. Management has evaluated the terms of the awards and in particular the effect of the performance features on the potential value of the incentive units and has determined that any compensation expense during 2010 would be nominal. Therefore, no compensation expense has been recognized in 2010. Should the performance features indicate that there is a significant value in the future, management will evaluate whether compensation expense should be recognized in the future.

**9. Commitments and Contingencies**

***General***

The Company is subject to contingent liabilities with respect to existing or potential claims, lawsuits, and other proceedings, including those involving environmental, tax, and other matters, certain of which are discussed more specifically below. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date and the Company's estimates of the outcomes of these matters and its experience in contesting, litigating, and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which management currently believes will not have a material effect on the Company's consolidated financial position, results of operations, or liquidity.

The Company regularly maintains cash balances at financial institutions. From time to time, these cash balances exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

***Litigation***

From time to time, the Company is a party to litigation or other legal proceedings that the Company considers to be a part of the ordinary course of business. The Company is not currently involved in any legal proceedings.

***Lease Agreements***

The Company leases office facilities in Fort Worth under operating leases. Rental expenses associated with these operating leases during 2010 were approximately \$50,000 and are included in "General and administrative expense" in the accompanying Consolidated Statement of Operations. The following table summarizes the remaining non-cancelable future payments under these operating leases as of December 31, 2010 (in thousands):

2011	\$ 287
2012	417
2013	443
2014	733
2015	685
Thereafter	507
	<u>\$ 3,072</u>

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Firm Transportation Agreement***

As part of the Denbury Acquisition, the Company assumed a 10-year firm transportation contract. The Company is committed to transport 22,500 million British thermal units ("MMBtu") per day of natural gas for a minimum transportation fee of \$0.30 per MMBtu. During 2010, no oil and natural gas volumes were transported under this agreement; however, the minimum transportation fee for daily volumes totaled \$0.2 million. The Company has not currently designated any oil and natural gas volumes to fulfill this commitment.

The following table summarizes the remaining non-cancelable future payments under this firm transportation contract as of December 31, 2010 (in thousands):

2011	\$ 2,464
2012	2,470
2013	2,464
2014	2,464
2015	2,464
Thereafter	10,059
	<u>\$ 22,385</u>

**10. Major Customers**

During 2010, the Company sold approximately 53% of its share of oil and natural gas production to Spark Energy. During 2010, the Company received 21% of its oil and natural gas revenues from Petrohawk Energy Corporation and 14% from Chesapeake Operating, Inc. Management believes that the loss of any of these purchasers would not have an adverse effect on the ability of the Company to sell its oil and natural gas production. However, it is possible that the loss of any one of these customers could have an adverse effect on the price the Company receives for its oil and natural gas sales.

**11. Related-Party Transactions**

During 2010, the Company reimbursed non-management investors approximately \$0.2 million for legal and travel expenses incurred.

**12. Subsequent Events**

In January 2011, the Company acquired oil and natural gas properties for \$133.8 million after preliminary closing adjustments located in the Permian Basin of New Mexico and West Texas. The effective date of this acquisition was October 1, 2010. In February 2011, the Company acquired additional oil and natural gas properties for \$314.2 million after preliminary closing adjustments located in the Permian Basin of New Mexico and West Texas. The effective date of the February acquisition was November 1, 2010. The acquisitions were funded with borrowings under the Company's revolving credit facility and member contributions. Subsequent to year-end, the Company received \$182.7 million in capital contributions. As of December 31, 2010, the Company had recorded \$47.5 million related to these acquisitions as shown in the accompanying Consolidated Balance Sheet as "Acquisition deposits."

Subsequent to December 31, 2010, the Company's borrowing base was redetermined in conjunction with the 2011 acquisitions. As of May 12, 2011, the Company's borrowing base was \$250 million, of which \$235 million was drawn.

ENDURO RESOURCE PARTNERS LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. Supplemental Oil and Natural Gas Disclosures (Unaudited)

*Costs Incurred for Oil and Natural Gas Producing Activities*

	Inception Through December 31, 2010
	<i>(In thousands)</i>
Proved acquisitions	\$ 207,123
Unproved acquisitions	34,569
Total acquisitions	241,692
Development costs	2,600
Total costs incurred	\$ 244,292

**Reserve Quantity Information**

The estimates of the Company's proved reserves as of December 31, 2010, which are located in East Texas and North Louisiana in the United States were prepared by Cawley, Gillespie & Associates, Inc., an independent petroleum engineering firm. Proved reserves were estimated in accordance with rules and regulations established by the Securities and Exchange Commission ("SEC") and the FASB, which require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations except by contractual arrangements.

Estimates of reserves as of December 31, 2010 were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on the first day of each month within the applicable fiscal 12-month period. Using this method, NYMEX oil prices of \$79.43 per barrel and NYMEX natural gas prices of \$4.37 per MMBtu were used in the reserve estimates as of December 31, 2010.

Proved reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing, and production may cause either upward or downward revisions of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The Company emphasizes that proved reserve estimates are inherently imprecise and that estimates of newly acquired properties or new discoveries are more imprecise than those on currently producing oil and natural gas properties that have been owned and operated for a longer time. Accordingly, these estimates are expected to change as additional information becomes available in the future.

**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table provides a rollforward of total proved reserves from Inception through December 31, 2010, as well as total proved developed and undeveloped reserves as of the beginning and end of the period. Oil volumes are expressed in thousands of barrels ("MBbls"), gas volumes are expressed in thousands of Mcf ("MMcf") and total volumes are expressed in thousands of barrels of oil equivalent ("MBOE").

	Inception through December 31, 2010		
	Oil (MBbls)	Natural Gas (MMcf)	Total (MBOE)
<b>Total proved reserves</b>			
Balance as of March 3, 2010 (Inception)	—	—	—
Purchases of minerals-in-place	27	93,595	15,626
Production	(1)	(853)	(143)
Balance as of December 31, 2010	<u>26</u>	<u>92,742</u>	<u>15,483</u>
<b>Total proved developed reserves</b>			
Balance as of March 3, 2010 (Inception)	—	—	—
Balance as of December 31, 2010	26	60,988	10,191
<b>Proved undeveloped reserves</b>			
Balance as of March 3, 2010 (Inception)	—	—	—
Balance as of December 31, 2010	—	31,754	5,292

**Standardized Measure of Discounted Future Net Cash Flows**

The standardized measure of discounted future net cash flows ("Standardized Measure") is computed by applying commodity prices used in determining proved reserves (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. Since the Company is not subject to federal income taxes, future income taxes have been excluded.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and natural gas properties. Estimates of fair value should also consider probable and possible reserves, anticipated future commodity prices, interest rates, changes in development and production costs, and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

The following tables provide the Standardized Measure of discounted future cash flows as of December 31, 2010, as well as a rollforward in total for the period (in thousands):

<b>Oil and natural gas producing activities:</b>		
Future cash inflows	\$	372,275
Future production costs		(86,702)
Future development costs		(55,634)
Undiscounted future net cash flows		<u>229,939</u>
10% annual discount factor		(103,088)
Standardized measure of discounted future cash flows	\$	<u>126,851</u>



**ENDURO RESOURCE PARTNERS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table sets forth an analysis of changes in the Standardized Measure of Discounted Future Net Cash Flows from proved oil and natural gas reserves (in thousands):

Standardized measure balance as of March 3, 2010 (Inception)	\$ —
Oil and natural gas sales, net of production costs	(2,709)
Previously estimated development costs incurred	2,600
Purchases of minerals-in-place	126,960
Standardized measure balance as of December 31, 2010	<u>\$ 126,851</u>

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**ENDURO SPONSOR**  
**UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

**Introduction**

The following unaudited pro forma financial statements have been prepared to illustrate: (i) the acquisition by Enduro Resource Partners LLC and its predecessor (collectively, "Enduro Sponsor") of properties in East Texas and North Louisiana from Denbury Resources Inc. (the "Predecessor Properties") and of properties in Texas and New Mexico from Samson Investment Company and ConocoPhillips Company (the "Acquired Properties"); (ii) the conveyance of the Net Profits Interest in the Underlying Properties by Enduro Sponsor to Enduro Royalty Trust (the "Trust"); (iii) the sale of trust units to the public; (iv) the repayment of a portion of outstanding borrowings under Enduro Sponsor's revolving credit facility and (v) the distribution of a portion of proceeds to Enduro Sponsor's sole member, Enduro Resource Holdings LLC. The unaudited pro forma balance sheet is presented as of March 31, 2011, giving effect to the sale of 13,200,000 trust units at \$ \_\_\_\_\_ per unit, the Net Profits Interest conveyance, the repayment of a portion of Enduro Sponsor's revolving credit facility, and a distribution to Enduro Sponsor's sole member, Enduro Resource Holdings LLC with the net proceeds of the sale of the trust units as if they occurred on March 31, 2011. The unaudited pro forma statements of operations present the historical statements of operations of Enduro Sponsor for the three months ended March 31, 2011 and for the year ended December 31, 2010 (consisting of the period from March 3, 2010 ("Inception") through December 31, 2010, the historical statements of Enduro Resource Partners LLC Predecessor for the periods from January 1 through March 8, 2010 and from March 9 through November 30, 2010), giving effect to the acquisition of the Predecessor Properties and the Acquired Properties, and to the Net Profits Interest conveyance and the repayment of a portion of Enduro Sponsor's revolving credit facility as if they occurred as of January 1, 2010 reflecting only pro forma adjustments expected to have a continuing impact on the combined results.

These unaudited pro forma financial statements are for informational purposes only. They do not purport to present the results that would have actually occurred had the acquisitions, the offering of trust units, the Net Profits Interest conveyance, the repayment of a portion of borrowings under Enduro Sponsor's revolving credit facility, and the distribution to the sole member of Enduro Sponsor been completed on the assumed dates or for the periods presented. Moreover, they do not purport to project Enduro Sponsor's financial position or results of operations for any future date or period.

To produce the pro forma financial statements, Enduro Sponsor's management made certain estimates. These estimates are based on the most recently available information. To the extent there are significant changes in these amounts, the assumptions and estimates herein could change significantly. The unaudited pro forma financial statements should be read in conjunction with the accompanying notes to such unaudited pro forma financial statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations of Enduro Sponsor" and the audited historical financial statements of Enduro Sponsor and Enduro Resource Partners LLC Predecessor included in this prospectus and elsewhere in the registration statement.

**ENDURO SPONSOR**  
**UNAUDITED PRO FORMA BALANCE SHEET**  
(in thousands)

	March 31, 2011		
	Historical	Offering Adjustments	Pro Forma As Adjusted
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,956	\$ 97,000 <sup>(b)</sup>	\$ 98,956
Accounts receivable — trade	21,841	—	21,841
Prepaid expenses	438	—	438
Derivatives	2,615	—	2,615
Total current assets	<u>26,850</u>	<u>97,000</u>	<u>123,850</u>
Oil and natural gas properties — successful efforts method of accounting:			
Proved properties	677,439	(173,020) <sup>(c)</sup>	504,419
Unproved properties	35,046	—	35,046
Accumulated depletion, depreciation, and amortization	(12,759)	3,043 <sup>(c)</sup>	(9,716)
Total oil and natural gas properties, net	<u>699,726</u>	<u>(169,977)<sup>(c)</sup></u>	<u>529,749</u>
Other property and equipment, net	226	—	226
Derivatives	5,726	—	5,726
Other	3,278	—	3,278
Total assets	<u>\$ 735,806</u>	<u>\$ (72,977)</u>	<u>\$ 662,829</u>
<b>Liabilities and members' equity</b>			
Current liabilities:			
Accounts payable	\$ 2,629	\$ —	\$ 2,629
Accrued liabilities:			
Lease operating	3,541	—	3,541
Development capital	8,922	—	8,922
Production taxes, transportation, and marketing	1,367	—	1,367
Derivatives	4,882	—	4,882
Current portion of firm transportation contract liability	2,471	—	2,471
Oil and natural gas revenues payable	723	—	723
Other	5,736	—	5,736
Total current liabilities	<u>30,271</u>	<u>—</u>	<u>30,271</u>
Long-term debt	233,000	(183,000) <sup>(b)</sup>	50,000
Derivatives	6,834	—	6,834
Asset retirement obligations, net of current portion	9,599	—	9,599
Firm transportation contract liability, net of current portion	10,844	—	10,844
Other	115	—	115
Total liabilities	<u>290,663</u>	<u>(183,000)</u>	<u>107,663</u>
Members' equity:			
Class A, 464,860,000 units issued and outstanding	445,143	130,023 <sup>(d)</sup>	555,166
		(20,000) <sup>(b)</sup>	
Class B, 96,500 units issued and outstanding	—	—	—
Total members' equity	<u>445,143</u>	<u>110,023</u>	<u>555,166</u>
Total liabilities and members' equity	<u>\$ 735,806</u>	<u>\$ (72,977)</u>	<u>\$ 662,829</u>

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

**ENDURO SPONSOR**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
(in thousands)

	Three Months Ended March 31, 2011				
	Enduro Sponsor	ConocoPhillips Permian Basin Assets(a)	Pro Forma After Acquisition Adjustments	Offering Adjustments	Pro Forma As Adjusted
<b>Revenues:</b>					
Oil	\$ 10,236	\$ 9,966	\$ 20,202	\$ (1,559)	\$ 18,643
Natural gas	11,899	875	12,774	(562)	12,212
Marketing	817	—	817	—	817
<b>Total revenues</b>	<b>22,952</b>	<b>10,841</b>	<b>33,793</b>	<b>(2,121)<sup>(h)</sup></b>	<b>31,672</b>
<b>Expenses:</b>					
Lease operating	4,007	2,820	6,827	—	6,827
Production, ad valorem, and severance taxes	1,447	883	2,330	—	2,330
Gathering and transportation	794	41	835	—	835
Depletion, depreciation, and amortization	10,830	3,963 <sup>(e)</sup>	14,793	(3,636) <sup>(i)</sup>	11,157
Marketing	795	—	795	—	795
General and administrative	3,043	463 <sup>(f)</sup>	3,506	—	3,506
Derivative fair value loss	11,449	—	11,449	—	11,449
Other operating	896	137 <sup>(g)</sup>	1,033	—	1,033
<b>Total expenses</b>	<b>33,261</b>	<b>8,307</b>	<b>41,568</b>	<b>(3,636)</b>	<b>37,932</b>
Operating income (loss)	(10,309)	2,534	(7,775)	1,515	(6,260)
Interest expense, net	(1,220)	(598) <sup>(k)</sup>	(1,818)	1,443 <sup>(j)</sup>	(375)
Income (loss) before income taxes	(11,529)	1,936	(9,593)	2,958	(6,635)
Deferred income tax benefit	34	—	34	—	34
<b>Net income (loss)</b>	<b>\$ (11,495)</b>	<b>\$ 1,936</b>	<b>\$ (9,559)</b>	<b>\$ 2,958</b>	<b>\$ (6,601)</b>

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

**ENDURO SPONSOR**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
(in thousands)

Year Ended December 31, 2010

	Enduro Sponsor Inception Through December 31, 2010	Predecessor - DNE March 9 Through November 30, 2010	Predecessor - EAC January 1 Through March 5, 2010	Acquisition Adjustments				Pro Forma After Acquisition Adjustments	Offering Adjustments	Pro Forma As Adjusted
				Samson Permian Basin Assets(a)	ConocoPhillips Permian Basin Assets(a)	Other Acquisition Adjustments	Total Acquisition Adjustments			
<b>Revenues:</b>										
Oil	\$ 106	\$ 1,036	\$ 331	\$ 16,626	\$ 52,062	\$ —	\$ 68,688	\$ 70,161	\$ (6,942)	\$ 63,219
Natural gas	3,486	35,503	10,756	5,650	7,025	—	12,675	62,420	(3,349)	59,071
Marketing	383	3,671	1,077	—	—	—	—	5,131	—	5,131
<b>Total revenues</b>	<b>3,975</b>	<b>40,210</b>	<b>12,164</b>	<b>22,276</b>	<b>59,087</b>	<b>—</b>	<b>81,363</b>	<b>137,712</b>	<b>(10,291)(h)</b>	<b>127,421</b>
<b>Expenses:</b>										
Lease operating	507	5,285	1,142	3,428	16,657	—	20,085	27,019	—	27,019
Production, ad valorem, and severance taxes	170	2,003	548	1,702	4,994	—	6,696	9,417	—	9,417
Gathering and transportation	206	2,755	429	212	243	—	455	3,845	—	3,845
Depletion, depreciation, and amortization	1,973	21,754	7,949	10,694(e)	24,877(e)	(29,703)(e)	33,047	64,723	(15,382)(i)	49,341
							27,179(e)			
Exploration expense	—	9,957	231	—	—	—	—	10,188	—	10,188
Marketing	372	3,588	1,060	—	—	—	—	5,020	—	5,020
General and administrative	3,826	1,254	2,481	1,273(i)	2,908(i)	—	4,181	11,742	—	11,742
Merger-related transaction costs	—	6,922	16,136	—	—	(23,058)(k)	(23,058)	—	—	—
Derivative fair value loss	4,977	—	—	—	—	—	—	4,977	—	4,977
Other operating	18	24	9	86(a)	823(a)	—	909	960	—	960
<b>Total expenses</b>	<b>12,049</b>	<b>53,542</b>	<b>29,985</b>	<b>17,395</b>	<b>50,502</b>	<b>(25,582)</b>	<b>42,315</b>	<b>137,891</b>	<b>(15,382)</b>	<b>122,509</b>
<b>Operating income (loss)</b>	<b>(8,074)</b>	<b>(13,332)</b>	<b>(17,821)</b>	<b>4,881</b>	<b>8,585</b>	<b>25,582</b>	<b>39,048</b>	<b>(179)</b>	<b>5,091</b>	<b>4,912</b>
Interest expense, net	(148)	(6,183)	—	(1,796)(l)	(4,768)(l)	6,183(j)	(2,135)	(8,466)	6,471(j)	(1,995)
							(1,754)(l)			
<b>Net income (loss)</b>	<b>\$ (8,222)</b>	<b>\$ (19,515)</b>	<b>\$ (17,821)</b>	<b>\$ 3,085</b>	<b>\$ 3,817</b>	<b>\$ 30,011</b>	<b>\$ 36,913</b>	<b>\$ (8,645)</b>	<b>\$ 11,562</b>	<b>\$ 2,917</b>

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

## ENDURO SPONSOR

## NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

**1. Basis of Presentation**

Enduro Sponsor will convey, or cause to be conveyed, the Net Profits Interest in certain oil and natural gas producing properties located in Texas, Louisiana, and New Mexico (the "Underlying Properties") to Enduro Royalty Trust (the "Trust"). The Net Profits Interest entitles the Trust to receive 80% of the net profits attributable to Enduro Sponsor's interest from the sale of oil and natural gas production from the Underlying Properties.

In exchange for the conveyance of the Net Profits Interest, Enduro Sponsor will receive 33,000,000 trust units. The unaudited pro forma balance sheet assumes Enduro Sponsor will sell 13,200,000 of the trust units at \$ per unit and will incur estimated direct transaction costs of approximately \$30.0 million (comprised of underwriter, legal, accounting and other fees).

Enduro Sponsor will recognize a gain on the sale of the units representing the difference between the net proceeds of the offering and the historical cost of the Net Profits Interest conveyed.

The net proceeds of the offering will be used to repay a portion of the outstanding borrowings under Enduro Sponsor's revolving credit facility, to make a distribution to its sole member, Enduro Resource Holdings LLC, and to acquire additional oil and natural gas properties. Enduro Sponsor has not yet identified oil and natural gas properties to be acquired.

**2. Pro Forma Adjustments**

Pro forma adjustments are necessary to reflect the acquisition of the Acquired Properties, the Net Profits Interest conveyance to the Trust and related issuance of the trust units, the sale of trust units to the public, the repayment of a portion of outstanding borrowings under Enduro Sponsor's revolving credit facility, and a distribution to Enduro Sponsor's sole member using proceeds from the offering. The pro forma adjustments included in the unaudited pro forma financial statements are as follows:

(a) Pro forma adjustments necessary to record the acquisition of the Acquired Properties as if such acquisitions occurred on January 1, 2010 and the related oil and natural gas revenues and related expenses.

In January 2011, Enduro Sponsor acquired oil and natural gas properties in the Permian Basin of West Texas and New Mexico for \$133.8 million after preliminary closing adjustments. In February 2011, Enduro Sponsor acquired additional oil and natural gas properties located in the Permian Basin for approximately \$314.2 million after preliminary closing adjustments. The acquisitions were funded with borrowings under Enduro Sponsor's revolving credit facility and equity contributions from Enduro Sponsor's members. These acquisitions are included in the historical unaudited consolidated balance sheet of Enduro Sponsor as of March 31, 2011.

The pro forma adjustments included in the unaudited pro forma balance sheet are as follows:

(b)	Gross cash proceeds from the sale of trust units	\$	330,000
	Repayment of a portion of outstanding borrowings on revolving credit facility		(183,000)
	Distribution to sole member of Enduro Sponsor		(20,000)
	Payment of underwriting discount, structuring fee and other offering expenses		(30,000)
	Cash proceeds remaining	\$	<u>97,000</u>

Enduro Sponsor will make an estimated distribution to its sole member as shown above to cover estimated tax liabilities in connection with the formation of the Trust.

ENDURO SPONSOR

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS — (Continued)

(c)	Reduction of oil and natural gas properties due to conveyance of Net Profits Interest:	
	Historical cost of Underlying Properties	\$ 550,925
	Less: Asset retirement obligations	<u>(10,237)</u>
	Property to be conveyed to the Trust	540,688
	Multiplied by percentage allocable to Net Profits Interest	80%
	Historical cost of oil and natural gas properties to be conveyed to the Trust	432,550
	Multiplied by portion of trust units sold to the public	40%
	Reduction of oil and natural gas proved properties due to conveyance of Net Profits Interest to the Trust	<u>\$ 173,020</u>
	Accumulated depletion, depreciation, and amortization of Underlying Properties	\$ (9,510)
	Multiplied by percentage allocable to Net Profits Interest	80%
	Accumulated depletion, depreciation, and amortization of oil and natural gas properties to be conveyed to the Trust	<u>(7,608)</u>
	Multiplied by portion of trust units sold to the public	40%
	Reduction of accumulated depletion, depreciation, and amortization due to conveyance of Net Profits Interest to the Trust	<u>\$ (3,043)</u>
(d)	Gain on sale of Net Profits Interest calculated as follows:	
	Gross cash proceeds from the sale of trust units	\$ 330,000
	Less: Net book value of conveyed Net Profits Interest	(424,942)
	Plus: Enduro Sponsor retained interest in trust units (60%)	254,965
	Payment of underwriting discounts, structuring fees and other offering expenses	<u>(30,000)</u>
	Gain on sale of units	<u>\$ 130,023</u>

The gain on sale of units has been excluded from the unaudited pro forma statements of operations as the item is non-recurring.

The pro forma adjustments included in the unaudited pro forma statements of operations are as follows:

(e) For the Acquired Assets, depletion, depreciation, and amortization expense was recorded based on units of production utilizing an estimated unit rate based on proved reserves. In addition, a pro forma adjustment was recorded to depletion, depreciation, and amortization expense for the unaudited pro forma statement of operations for the year ended December 31, 2010 to adjust the amounts recorded by Enduro Resource Partners LLC Predecessor to be consistent with the rates used by Enduro Sponsor as if the properties had been owned by Enduro Sponsor since January 1, 2010.

In December 2010, Enduro Sponsor completed the acquisition of oil and natural gas properties in East Texas and North Louisiana from Denbury Resources Inc. ("Denbury"). Denbury had owned such properties since March 9, 2010 when Denbury merged with Encore Acquisition Company (the "Merger"). As a result, the properties were owned by three different entities during 2010, and the pro forma adjustment to depletion, depreciation, and amortization was recorded consistent with Enduro Sponsor's methodology.

ENDURO SPONSOR

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS — (Continued)

(f) General and administrative expenses were recorded as if the Acquired Properties had been owned by Enduro Sponsor for the full year ended December 31, 2010 based on historical general and administrative expenses per barrel of oil equivalent production.

(g) Pro forma adjustments were recorded for accretion expense of asset retirement obligations of the Acquired Properties for the three months ended March 31, 2011 and the year ended December 31, 2010.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
(h) Calculation of net profits:		
Revenues of the Underlying Properties —		
Oil	\$ 20,150	\$ 70,033
Natural gas	7,262	33,787
Total revenues	<u>27,412</u>	<u>103,820</u>
Direct operating expenses of the Underlying Properties —		
Lease operating	6,185	24,579
Gathering and processing	489	1,977
Production and other taxes	2,005	8,069
Total direct operating expenses	8,679	34,625
Development costs	12,105	37,036
Total expenses and development costs	<u>20,784</u>	<u>71,661</u>
Net profits	6,628	32,159
Multiplied by percentage allocable to Net Profits Interest	80%	80%
Net profits to Trust from Net Profits Interest	5,302	25,727
Multiplied by portion of trust units sold to the public	40%	40%
Reduction in Enduro Sponsor's total revenues due to Net Profits Interest of public unitholders	<u>\$ 2,121</u>	<u>\$ 10,291</u>

As the Net Profits Interest burdens the conveyed properties with no obligation by the holder to pay expenses, the Net Profits Interest is treated as a royalty payment, with the associated amount shown as a reduction of Enduro Sponsor's revenues.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
(i) Reduce depreciation on assets conveyed to Trust	\$ (3,636)	\$ (15,382)

(j) Interest expense adjustments reflect borrowings under the revolving credit facility for the purchase of the Acquired Properties and the subsequent repayment of a portion of outstanding borrowings with proceeds from the offering of trust units. For the three months ended March 31, 2011, Enduro Sponsor's weighted average interest rate was approximately 3.0%, and for the year ended December 31, 2010, Enduro Sponsor's weighted average interest rate was approximately 4.0%.

(k) In connection with the Merger of Denbury and Encore Acquisition Company, certain related transaction costs were allocated to Enduro Resource Partners LLC Predecessor in the historical carve out statements of operations. These expenses are not related to the ongoing operations of Enduro Sponsor and are not reflective of expenses that would have been incurred if the properties had been owned by Enduro Sponsor for the year ended December 31, 2010.



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July 30, 2011

Mr. John W. Arms  
COO Executive Vice President  
Enduro Resource Partners LLC  
777 Main St., Suite 800  
Fort Worth, TX 76102

Re: Evaluation Summary  
**Enduro Resource Partners LLC Interests**  
Total Proved Reserves  
Texas and Louisiana Properties  
As of December 31, 2010

*Pursuant to the Guidelines of the  
Securities and Exchange Commission for  
Reporting Corporate Reserves and  
Future Net Revenue*

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Dear Mr. Arms:

As requested, this report was prepared on July 30, 2011 for Enduro Resource Partners LLC (the "Company") for the purpose of submitting our summary level reserve estimates and economic forecasts attributable to the Company interests. We evaluated 100% of the Company reserves, which are made up of various oil and gas properties in Texas and Louisiana. This report, with an effective date of December 31, 2010, was prepared using constant prices and costs and conforms to the guidelines of the *Securities and Exchange Commission* (SEC).

Composite forecasts for the Total Proved, Proved Developed Producing, Proved Developed Non-Producing and Proved Undeveloped estimates are presented by category in Tables I-TP, I-PDP, I-PDNP and I-PUD, respectively. The "II" Tables present estimates of ultimate recovery, gross and net reserves, ownership, revenue, expenses, investments, net income and discounted cash flow at ten percent for the individual properties which are listed alphabetically by lease name for each category.

ANNEX A-1-1

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The proved reserves and economics by category are summarized as follows:

		Proved Developed Producing	Proved Developed Non- Producing	Proved Undeveloped	Total Proved
<b>Net Reserves</b>					
Oil	- Mbbl	25.6	0.0	0.0	25.6
Gas	- MMcf	50,859.6	10,128.0	31,754.0	92,741.6
<b>Revenue</b>					
Oil	- M	\$ 1,974.7	0.0	0.0	1,974.7
Gas	- M	\$ 202,974.4	38,491.2	128,835.1	370,300.6
Severance Taxes	- M	\$ 7,446.2	772.4	2,805.8	11,024.4
Ad Valorem Taxes	- M	\$ 4,147.1	754.4	2,520.6	7,422.1
Operating Expenses	- M	\$ 50,680.9	3,301.8	7,539.2	61,522.0
Investments	- M	\$ 0.0	3,738.2	51,896.0	55,634.3
Net Operating Income (BFIT)	- M	\$ 142,674.8	29,924.4	64,073.4	236,672.5
Discounted at 10%	- M	\$ 90,011.4	19,548.1	20,115.7	129,675.2

Future revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow is after deducting these taxes, future capital costs and operating expenses, but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its "present worth". The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

Our estimates are for proved reserves only and do not include any probable or possible reserves nor have any values been attributed to interest in acreage beyond the location for which undeveloped reserves have been estimated.

#### **Hydrocarbon Pricing**

The base oil and gas prices calculated for December 31, 2010 were \$79.43/bbl and \$4.37/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices during 2010 and the base gas price is based upon Henry Hub spot prices during 2010.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differentials, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$77.03 per barrel for oil and \$3.99 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

#### **Economic Parameters**

Ownership was accepted as furnished and has not been independently confirmed. Oil and gas price differentials, gas shrinkage, ad valorem taxes, lease operating expenses and investments were calculated and prepared by Enduro Resource Partners LLC and were thoroughly reviewed by us for accuracy and completeness. Lease operating expenses, price differentials and gas shrinkage were determined at the well level using 12-month averages. Ad valorem tax percentages were determined at the well level by comparing taxes paid to total revenue.

**Possible Effects of Federal and State Legislation**

Federal, state and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. However, the impact of possible changes to legislation or regulations to future operating expenses and investment costs have not been included in the evaluation. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 1 and 2 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page 3 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to offset production, both of which are considered to provide a relatively high degree of accuracy.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for Enduro Resource Partners LLC properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

**General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed nor have the mechanical operation or condition of the wells and their related facilities been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included.

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 50 years. This evaluation was prepared by Robert D. Ravnaas, Executive Vice President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #61304). We do not own an interest in the properties or Enduro Resource Partners LLC and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

**Cawley, Gillespie & Associates, Inc.**  
Texas Registered Engineering Firm F-693



Robert D. Ravnaas, P. E.  
Executive Vice President

APPENDIX  
Explanatory Comments for Summary Tables

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**HEADINGS**

Table I  
Description of Table Information  
Identity of Interest Evaluated  
Property Description — Location  
Reserve Classification and Development Status  
Effective Date of Evaluation

**FORECAST**

(Columns)

- (1)(11)(21) Calendar or Fiscal years/months commencing on effective date.
- (2)(3)(4) Gross Production (B/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5)(6)(7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
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- (22) Operating Expenses are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
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- (28) Investments, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
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- DCF Profile
- The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the "Without Hedge" case may be shown to the left of the main DCF profile.
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APPENDIX  
Methods Employed in the Estimation of Reserves

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The four methods customarily employed in the estimation of reserves are (1) production performance, (2) material balance, (3) volumetric and (4) analogy. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

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Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

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**APPENDIX**  
**Reserve Definitions and Classifications**

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The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

“(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

“(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

“(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

“(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

“(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

“(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

“(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

“(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

“(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

“(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

“(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

“(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

“(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

“(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

“(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

“(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

“(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

“(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

“(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

“(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

“(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

“(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

“(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.”

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that “a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K.” This is relevant in that Instruction 2 to paragraph (a)(2) states: “The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item.”

“(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).”

CAWLEY, GILLESPIE & ASSOCIATES, INC.  
PETROLEUM CONSULTANTS

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306 WEST SEVENTH STREET, SUITE 302  
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817-336-2461  
www.cgas.com

1000 LOUISIANA STREET, SUITE 625  
HOUSTON, TEXAS 77002-5008  
713-651-9944

February 24, 2011

Mr. John W. Arms  
COO Executive Vice President  
Enduro Resource Partners LLC  
777 Main St., Suite 800  
Fort Worth, TX 76102

Re: Evaluation Summary  
**Enduro Resource Partners LLC Interests**  
Pro Forma Samson Non-Operated Acquisition of  
Permian Properties by Enduro Resource Partners  
Using Yearend SEC Prices as of December 31, 2010  
Proved Developed Producing Reserves  
Texas and New Mexico Properties  
As of December 31, 2010  
*Pursuant to the Guidelines of the  
Securities and Exchange Commission for  
Reporting Corporate Reserves and  
Future Net Revenue*

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Dear Mr. Arms:

As requested, this report was prepared on February 24, 2011 for Enduro Resource Partners LLC (the "Company") for the purpose of submitting our summary level reserve estimates and economic forecasts attributable to the Company interests. We evaluated 100% of the Company reserves, which are made up of various oil and gas properties in Texas and New Mexico. This report, with an effective date of December 31, 2010, was prepared using constant prices and costs and conforms to the guidelines of the *Securities and Exchange Commission* (SEC).

Composite forecasts for Proved Developed Producing estimates are presented by category in Table I-PDP. The "II" Table presents estimates of ultimate recovery, gross and net reserves, ownership, revenue, expenses, investments, net income and discounted cash flow at ten percent for the individual properties which are listed alphabetically by lease name.

ANNEX A-2-1

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The proved reserves and economics by category are summarized as follows:

		<b>Proved Developed Producing</b>
<b>Net Reserves</b>		
Oil	- Mbbl	3,047.8
Gas	- MMcf	10,780.7
<b>Revenue</b>		
Oil	- M\$	237,652.0
Gas	- M\$	54,600.6
Severance Taxes	- M\$	17,159.8
Ad Valorem Taxes	- M\$	7,301.9
Operating Expenses	- M\$	82,910.5
Net Operating Income (BFIT)	- M\$	184,880.4
<b>Discounted at 10%</b>	<b>- M\$</b>	<b>84,954.0</b>

Future revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow is after deducting these taxes, future capital costs and operating expenses, but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its "present worth". The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

Our estimates are for proved reserves only and do not include any probable or possible reserves nor have any values been attributed to interest in acreage beyond the location for which undeveloped reserves have been estimated.

#### **Hydrocarbon Pricing**

The base oil and gas prices calculated for December 31, 2010 were \$79.43/bbl and \$4.37/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices during 2010 and the base gas price is based upon Henry Hub spot prices during 2010.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differentials, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$76.34 per barrel for oil and \$4.65 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

#### **Economic Parameters**

Ownership was accepted as furnished and has not been independently confirmed. Oil and gas price differentials, gas shrinkage, ad valorem taxes, lease operating expenses and investments were calculated and prepared by Enduro Resource Partners LLC and were thoroughly reviewed by us for accuracy and completeness. Lease operating expenses, price differentials and gas shrinkage were determined at the well level using 12-month averages. Ad valorem tax percentages were determined at the well level by comparing taxes paid to total revenue.

#### **Possible Effects of Federal and State Legislation**

Federal, state and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. However, the impact of possible changes to legislation or regulations to future operating expenses and investment costs have not been included in the evaluation. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 1 and 2 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page 3 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to offset production, both of which are considered to provide a relatively high degree of accuracy.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for Enduro Resource Partners LLC properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

**General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed nor have the mechanical operation or condition of the wells and their related facilities been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included.

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 50 years. This evaluation was prepared by Robert D. Ravnaas, Executive Vice President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #61304). We do not own an interest in the properties or Enduro Resource Partners LLC and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

**Cawley, Gillespie & Associates, Inc.**  
Texas Registered Engineering Firm F-693



Robert D. Ravnaas, P. E.  
Executive Vice President

APPENDIX  
Explanatory Comments for Summary Tables

---

**HEADINGS**

Table I  
Description of Table Information  
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“(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

“(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

“(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

“(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

“(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

“(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

“(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

“(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

“(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

“(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

“(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

“(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

“(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

“(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

“(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

“(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

“(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

“(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

“(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

“(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

“(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

“(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

“(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.”

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that “a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K.” This is relevant in that Instruction 2 to paragraph (a)(2) states: “The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item.”

“(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).”

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March 16, 2011

Mr. John W. Arms  
COO Executive Vice President  
Enduro Resource Partners LLC  
777 Main St., Suite 800  
Fort Worth, TX 76102

Re: Evaluation Summary  
**Enduro Resource Partners LLC Interests**  
Pro Forma Conoco Phillips Acquisition of  
Permian Properties by Enduro Resource Partners  
Using Yearend SEC Prices as of December 31, 2010  
Total Proved Reserves  
Texas and New Mexico Properties  
As of December 31, 2010  
*Pursuant to the Guidelines of the  
Securities and Exchange Commission for  
Reporting Corporate Reserves and  
Future Net Revenue*

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Dear Mr. Arms:

As requested, this report was prepared on March 16, 2011 for Enduro Resource Partners LLC (the "Company") for the purpose of submitting our summary level reserve estimates and economic forecasts attributable to the Company interests. We evaluated 100% of the Company reserves, which are made up of various oil and gas properties in Texas and New Mexico. This report, with an effective date of December 31, 2010, was prepared using constant prices and costs and conforms to the guidelines of the *Securities and Exchange Commission* (SEC).

Composite forecasts for the Total Proved, Proved Developed Producing and Proved Undeveloped estimates are presented by category in Tables I-TP, I-PDP and I-PUD, respectively. The "II" Tables present estimates of ultimate recovery, gross and net reserves, ownership, revenue, expenses, investments, net income and discounted cash flow at ten percent for the individual properties which are listed alphabetically by lease name for each category.

ANNEX A-3-1

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The proved reserves and economics by category are summarized as follows:

		<b>Proved Developed Producing</b>	<b>Proved Undeveloped</b>	<b>Total Proved</b>
<b>Net Reserves</b>				
Oil	- Mbbl	9,131.2	379.2	9,510.4
Gas	- MMcf	9,406.4	1,293.4	10,699.8
NGL		182.7	0.0	182.7
<b>Revenue</b>				
Oil	- M\$	692,325.1	28,715.3	721,040.4
Gas	- M\$	51,748.6	7,496.6	59,245.2
NGL		8,536.6	0.0	8,536.6
Severance Taxes	- M\$	41,604.2	1,883.1	43,487.3
Ad Valorem Taxes	- M\$	21,520.4	1,201.5	22,721.9
Operating Expenses	- M\$	335,279.8	5,721.4	341,001.1
Other Deductions	- M\$	719.8	44.3	764.1
Investments	- M\$	0.0	6,000.0	6,000.0
Net Operating Income (BFIT)	- M\$	353,486.3	21,361.5	374,847.8
<b>Discounted at 10%</b>	<b>- M\$</b>	<b>183,955.8</b>	<b>11,064.8</b>	<b>195,020.5</b>

Future revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow is after deducting these taxes, future capital costs and operating expenses, but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its "present worth". The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

Our estimates are for proved reserves only and do not include any probable or possible reserves nor have any values been attributed to interest in acreage beyond the location for which undeveloped reserves have been estimated.

#### **Hydrocarbon Pricing**

The base oil and gas prices calculated for December 31, 2010 were \$79.43/bbl and \$4.37/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices during 2010 and the base gas price is based upon Henry Hub spot prices during 2010.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differentials, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$76.34 per barrel for oil and \$4.65 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

#### **Economic Parameters**

Ownership was accepted as furnished and has not been independently confirmed. Oil and gas price differentials, gas shrinkage, ad valorem taxes, lease operating expenses and investments were calculated and prepared by Enduro Resource Partners LLC and were thoroughly reviewed by us for accuracy and completeness. Lease operating expenses, price differentials and gas shrinkage were determined at the well level using 12-month averages. Ad valorem tax percentages were determined at the well level by comparing taxes paid to total revenue.



**Possible Effects of Federal and State Legislation**

Federal, state and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. However, the impact of possible changes to legislation or regulations to future operating expenses and investment costs have not been included in the evaluation. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein conform to the criteria of the SEC as defined in pages 1 and 2 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page 3 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to offset production, both of which are considered to provide a relatively high degree of accuracy.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for Enduro Resource Partners LLC properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

**General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed nor have the mechanical operation or condition of the wells and their related facilities been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included.

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 50 years. This evaluation was prepared by Robert D. Ravnaas, Executive Vice President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #61304). We do not own an interest in the properties or Enduro Resource Partners LLC and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office.

Yours very truly,

**Cawley, Gillespie & Associates, Inc.**  
Texas Registered Engineering Firm F-693

A handwritten signature in black ink, appearing to read 'Robert D. Ravnaas', written in a cursive style.

Robert D. Ravnaas, P. E.  
Executive Vice President

**APPENDIX**  
**Explanatory Comments for Summary Tables**

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**HEADINGS**

Table I  
 Description of Table Information  
 Identity of Interest Evaluated  
 Property Description — Location  
 Reserve Classification and Development Status  
 Effective Date of Evaluation

**FORECAST**

(Columns)

- (1)(11)(21) Calendar or Fiscal years/months commencing on effective date.
- (2)(3)(4) Gross Production (B/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5)(6)(7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales — column (5) times column (8).
- (13) Revenue derived from gas sales — column (6) times column (9).
- (14) Revenue derived from NGL sales — column (7) times column (10).
- (15) Revenue derived from hedge positions.
- (16) Total Revenue — sum of column (12) through column (15).
- (17) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (18) Revenue after taxes — column (16) less column (17).
- (19) Ad Valorem taxes.
- (20) \$/MCFE6 — is the total of column (22), column (25), column (26), and column (27) divided by MCF Gas Equivalent (“MCFE”). MCFE is net gas production column (6) plus net oil production column (5) converted to gas at one bbl oil per six Mcf gas plus net NGL production column (7) converted to gas at one bbl NGL per 3.9 Mcf gas.
- (22) Operating Expenses are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Work-over Expenses are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) 3rd Party COPAS are combined fixed rate administrative overhead charges for non-operated oil and gas producers.
- (27) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.

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- (28) Investments, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29)(30) Future Net Cash Flow is column (18) less the total of column (19), column (22), column (25), column (26), column (27) and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

**MISCELLANEOUS**

- DCF Profile
- The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the "Without Hedge" case may be shown to the left of the main DCF profile.
- Life
- The economic life of the appraised property is noted in the lower right-hand corner of the table.
- Footnotes
- Comments regarding the evaluation may be shown in the lower left-hand footnotes.
- Price Deck
- A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

**APPENDIX**  
**Methods Employed in the Estimation of Reserves**

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The four methods customarily employed in the estimation of reserves are (1) production performance, (2) material balance, (3) volumetric and (4) analogy. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.

Analogy. This method which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained by this method are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

**APPENDIX**  
**Reserve Definitions and Classifications**

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The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

“(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations— prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

“(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

“(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

“(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

“(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

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“(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

“(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

“(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

“(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

“(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

“(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

“(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

“(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

“(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

“(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

“(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

“(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

“(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

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“(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.



“(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.”

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“(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).”

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July 30, 2011

Mr. John W. Arms  
COO Executive Vice President  
Enduro Resource Partners LLC  
777 Main St., Suite 800  
Fort Worth, TX 76102

Re: Pro Forma Evaluation  
**Enduro Resource Partners LLC Interests**  
Total Proved Reserves for the Underlying Properties  
of Enduro Royalty Trust Total Controlled Interests Texas, Louisiana and New Mexico  
Properties  
Using Yearend SEC Prices as of December 31, 2010

*Pursuant to the Guidelines of the  
Securities and Exchange Commission for  
Reporting Corporate Reserves and  
Future Net Revenue*

Dear Mr. Arms:

As requested, this report was prepared on July 30, 2011 for Enduro Resource Partners LLC ("Company") for the purpose of submitting our estimates of total proved reserves and forecasts of economics attributable to the underlying properties. We evaluated 100% of the reserves in the underlying properties, which are made up of oil and gas properties in Texas, Louisiana and New Mexico owned by the Company. This evaluation utilized an effective date of December 31, 2010, was prepared using constant prices and costs, and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the *Securities and Exchange Commission* (SEC). A composite summary of the proved reserves is presented below.

		<u>Proved Developed Producing</u>	<u>Proved Developed Non- Producing</u>	<u>Proved Undeveloped</u>	<u>Total Proved</u>
<b>Net Reserves</b>					
Oil	- Mbbl	12,204.3	0.0	379.2	12,583.6
Gas	- MMcf	47,855.5	2,626.5	31,759.5	82,241.6
NGL	- Mbbl	182.7	0.0	0.0	182.7
<b>Revenue</b>					
Oil	- M\$	931,928.0	0.0	28,715.3	960,643.3
Gas	- M\$	218,916.5	10,668.1	131,587.3	361,171.8
NGL	- M\$	8,536.6	0.0	0.0	8,536.6
Severance Taxes	- M\$	63,221.4	203.8	4,590.9	68,016.2
Ad Valorem Taxes	- M\$	31,220.6	209.3	3,629.2	35,059.0
Operating Expenses	- M\$	454,848.9	620.2	12,947.8	468,416.9
Investments	- M\$	0.0	2,429.9	55,243.9	57,673.7
Net Operating Income (BFIT)	- M\$	610,090.2	7,204.9	83,890.8	701,185.9
<b>Discounted at 10%</b>	<b>- M\$</b>	<b>313,847.3</b>	<b>4,382.7</b>	<b>30,938.5</b>	<b>349,168.5</b>

ANNEX B-1

Future revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow is after deducting these taxes, future capital costs and operating expenses, but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its "present worth". The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

The oil reserves include oil and condensate. Oil volumes are expressed in barrels (42 U.S. gallons). Gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base.

Our estimates are for proved reserves only and do not include any probable or possible reserves nor have any values been attributed to interest in acreage beyond the location for which undeveloped reserves have been estimated.

#### **Hydrocarbon Pricing**

The base SEC oil and gas prices calculated for December 31, 2010 were \$79.43/bbl and \$4.37/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices (EIA) during 2010 and the base gas price is based upon Henry Hub spot prices (EIA) during 2010.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differentials, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$76.34 per barrel for oil and \$4.65 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

#### **Economic Parameters**

Ownership was accepted as furnished and has not been independently confirmed. Oil and gas price differentials, lease operating expenses (LOE), workover expenses, overhead expenses and investments were calculated and prepared by you and were thoroughly reviewed by us for accuracy and completeness. LOE (column 22) was determined at the well level using averages determined from historical lease operating statements. All economic parameters, including expenses and investments, were held constant (not escalated) throughout the life of these properties.

Severance tax rates were applied at normal state percentages of oil and gas revenue. Ad valorem taxes were applied to each property as provided by your office.

#### **Possible Effects of Federal and State Legislation**

Federal, state and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. However, the impact of possible changes to legislation or regulations to future operating expenses and investment costs have not been included in the evaluation. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

#### **SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein for the SEC pricing scenario conform to the criteria of the SEC as defined in pages 3 and 4 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves, except as related to hydraulic fracturing as discussed in the next section below.

This evaluation includes 38 proved undeveloped locations based in various fields in Louisiana and New Mexico. Each of these drilling locations proposed as part of the Company's development plan conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the Company has indicated they have every intent to complete this development plan within the next five years. Furthermore, the Company has demonstrated that they have the proper company staffing, financial backing and prior development success to ensure this five year development plan will be fully executed.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page 2 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for the Company properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

**General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. To some extent information from public records has been used to check and/or supplement these data. The basic engineering and geological data were subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed. The mechanical operation or condition of the wells and their related facilities have not been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included as part of the workover expenses described previously.

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 50 years. This evaluation was supervised by Robert D. Ravnaas, Executive Vice President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #61304). We do not own an interest in the properties or Enduro Resource Partners LLC or Enduro Royalty Trust and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office. We consent to the filing of this report as an exhibit to the Annual Report on Form 10-K of Enduro Royalty Trust for the year end December 31, 2010.

Yours very truly,



Robert D. Ravnaas, P.E.  
Executive Vice President  
CAWLEY, GILLESPIE & ASSOCIATES, INC.  
Texas Registered Engineering Firm (F-693)

APPENDIX  
Explanatory Comments for Summary Tables

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**HEADINGS**

Table I  
Description of Table Information  
Identity of Interest Evaluated  
Property Description — Location  
Reserve Classification and Development Status  
Effective Date of Evaluation

**FORECAST**

(Columns)

- (1)(11)(21) Calendar or Fiscal years/months commencing on effective date.
- (2)(3)(4) Gross Production (B/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5)(6)(7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales — column (5) times column (8).
- (13) Revenue derived from gas sales — column (6) times column (9).
- (14) Revenue derived from NGL sales — column (7) times column (10).
- (15) Revenue derived from hedge positions.
- (16) Revenue not derived from column (12) through column (15); may include electrical sales revenue and saltwater disposal revenue.
- (17) Total Revenue — sum of column (12) through column (16).
- (18) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (19) Ad Valorem taxes.
- (20) \$/BOE6 — is the total of column (22), column (25), column (26), and column (27) divided by Barrels of Oil Equivalent (“BOE”). BOE is net oil production column (5) plus net gas production column (6) converted to oil at six Mcf gas per one bbl oil plus net NGL production column (7) converted to oil at one bbl NGL per 0.65 bbls of oil.
- (22) Operating Expenses are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Work-over Expenses are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) 3rd Party COPAS are combined fixed rate administrative overhead charges for non-operated oil and gas producers.
- (27) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.

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- (28) Investments, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29)(30) Future Net Cash Flow is column (18) less the total of column (19), column (22), column (25), column (26), column (27) and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

**MISCELLANEOUS**

- DCF Profile
- The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the "Without Hedge" case may be shown to the left of the main DCF profile.
- Life
- The economic life of the appraised property is noted in the lower right-hand corner of the table.
- Footnotes
- Comments regarding the evaluation may be shown in the lower left-hand footnotes.
- Price Deck
- A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

APPENDIX  
Methods Employed in the Estimation of Reserves

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The four methods customarily employed in the estimation of reserves are (1) production performance, (2) material balance, (3) volumetric and (4) analogy. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.



*Analogy.* This method which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained by this method are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

**APPENDIX**  
**Reserve Definitions and Classifications**

---

The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

“(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations— prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

“(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

“(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

“(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

“(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

“(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

“(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

“(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

“(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

“(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

“(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

“(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

“(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

“(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

“(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

“(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

“(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

“(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

“(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

“(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

“(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

“(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

“(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.”

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that “a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S — K.” This is relevant in that Instruction 2 to paragraph (a)(2) states: “The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item.”

“(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).”

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July 30, 2011

Mr. John W. Arms  
 COO Executive Vice President  
 Enduro Resource Partners LLC  
 777 Main St., Suite 800  
 Fort Worth, TX 76102

Re: Pro Forma Evaluation

**Enduro Royalty Trust Interests**

Total Proved Reserves for Enduro Royalty Trust  
 Net Profits Interest of the Underlying Properties  
 Texas, Louisiana and New Mexico Properties  
Using Yearend SEC Prices as of December 31, 2010

*Pursuant to the Guidelines of the  
 Securities and Exchange Commission for Reporting Corporate Reserves  
 and Future Net Revenue*

Dear Mr. Arms:

As requested, this report was prepared on July 30, 2011 for Enduro Resource Partners LLC ("Company") for the purpose of submitting our estimates of total proved reserves and forecasts of economics attributable to the Enduro Royalty Trust ("Trust") net profits interests. We evaluated 100% of the Trust reserves, which are made up of oil and gas properties in Texas, Louisiana and New Mexico owned by the Company. This evaluation utilized an effective date of December 31, 2010, was prepared using constant prices and costs, and conforms to Item 1202(a)(8) of Regulation S-K and other rules of the *Securities and Exchange Commission* (SEC). A composite summary of the proved reserves is presented below.

		Proved Developed Producing	Proved Developed Non- Producing	Proved Undeveloped	Total Proved
<b>Net Reserves</b>					
Oil	- Mbbl	5,352.0	0.0	190.0	5,541.8
Gas	- MMcf	25,875.9	1,484.7	14,019.4	41,406.7
NGL	- Mbbl	100.6	0.0	0.0	100.6
<b>Revenue</b>					
Oil	- M\$	408,630.2	0.0	14,384.5	423,014.7
Gas	- M\$	118,303.4	6,030.2	57,393.5	181,727.1
NGL	- M\$	4,702.8	0.0	0.0	4,702.8
Severance Taxes	- M\$	29,552.6	150.2	2,977.0	32,679.8
Ad Valorem Taxes	- M\$	14,028.0	117.6	1,698.5	15,844.1
Operating Expenses	- M\$	0.0	0.0	0.0	0.0
Investments	- M\$	0.0	0.0	0.0	0.0
Net Operating Income (BFIT)	- M\$	488,055.8	5,762.4	67,102.5	560,920.7
<b>Discounted at 10%</b>	<b>- M\$</b>	<b>251,144.0</b>	<b>3,505.2</b>	<b>24,747.5</b>	<b>279,396.7</b>

ANNEX C-1

Future revenue is prior to deducting state production taxes and ad valorem taxes. Future net cash flow is after deducting these taxes, future capital costs and operating expenses, but before consideration of federal income taxes. In accordance with SEC guidelines, the future net cash flow has been discounted at an annual rate of ten percent to determine its "present worth". The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

The oil reserves include oil and condensate. Oil volumes are expressed in barrels (42 U.S. gallons). Gas volumes are expressed in thousands of standard cubic feet (Mcf) at contract temperature and pressure base.

Our estimates are for proved reserves only and do not include any probable or possible reserves nor have any values been attributed to interest in acreage beyond the location for which undeveloped reserves have been estimated.

#### **Net Profits Calculations**

The net profits interests entitle the Trust to receive 80% of the net proceeds attributable to the Company interest from the sale of production from the underlying properties.

#### **Hydrocarbon Pricing**

The base SEC oil and gas prices calculated for December 31, 2010 were \$79.43/bbl and \$4.37/MMBTU, respectively. As specified by the SEC, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The base oil price is based upon WTI-Cushing spot prices (EIA) during 2010 and the base gas price is based upon Henry Hub spot prices (EIA) during 2010.

The base prices were adjusted for differentials on a per-property basis, which may include local basis differentials, transportation, gas shrinkage, gas heating value (BTU content) and/or crude quality and gravity corrections. After these adjustments, the net realized prices for the SEC price case over the life of the proved properties was estimated to be \$76.34 per barrel for oil and \$4.39 per MCF for gas. All economic factors were held constant in accordance with SEC guidelines.

#### **Economic Parameters**

Ownership was accepted as furnished and has not been independently confirmed. Oil and gas price differentials, lease operating expenses (LOE), workover expenses, overhead expenses and investments were calculated and prepared by you and were thoroughly reviewed by us for accuracy and completeness. LOE (column 22) was determined at the well level using averages determined from historical lease operating statements. All economic parameters, including expenses and investments, were held constant (not escalated) throughout the life of these properties.

Severance tax rates were applied at normal state percentages of oil and gas revenue. Ad valorem taxes were applied to each property as provided by your office.

#### **Possible Effects of Federal and State Legislation**

Federal, state and local laws and regulations, which are currently in effect and that govern the development and production of oil and natural gas, have been considered in the evaluation of proved reserves for this report. However, the impact of possible changes to legislation or regulations to future operating expenses and investment costs have not been included in the evaluation. These possible changes could have an effect on the reserves and economics. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

#### **SEC Conformance and Regulations**

The reserve classifications and the economic considerations used herein for the SEC pricing scenario conform to the criteria of the SEC as defined in pages 3 and 4 of the Appendix. The reserves and economics are predicated on regulatory agency classifications, rules, policies, laws, taxes and royalties currently in effect except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions which could affect the reserves and economics have not been considered. However, we do not anticipate nor are we aware of any legislative changes or restrictive regulatory actions that may impact the recovery of reserves.

This evaluation includes 38 proved undeveloped locations based in various fields in Louisiana and New Mexico. Each of these drilling locations proposed as part of the Company's development plan conforms to the proved undeveloped standards as set forth by the SEC. In our opinion, the Company has indicated they have every intent to complete this development plan within the next five years. Furthermore, the Company has demonstrated that they have the proper company staffing, financial backing and prior development success to ensure this five year development plan will be fully executed.

**Reserve Estimation Methods**

The methods employed in estimating reserves are described in page 2 of the Appendix. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy.

Non-producing reserve estimates, for both developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for the Company properties, due to the mature nature of their properties targeted for development and an abundance of subsurface control data. The assumptions, data, methods and procedures used herein are appropriate for the purpose served by this report.

**General Discussion**

The estimates and forecasts were based upon interpretations of data furnished by your office and available from our files. To some extent information from public records has been used to check and/or supplement these data. The basic engineering and geological data were subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. All estimates represent our best judgment based on the data available at the time of preparation. Due to inherent uncertainties in future production rates, commodity prices and geologic conditions, it should be realized that the reserve estimates, the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

An on-site field inspection of the properties has not been performed. The mechanical operation or condition of the wells and their related facilities have not been examined nor have the wells been tested by Cawley, Gillespie & Associates, Inc. Possible environmental liability related to the properties has not been investigated nor considered. The cost of plugging and the salvage value of equipment at abandonment have not been included as part of the workover expenses described previously.

Cawley, Gillespie & Associates, Inc. is a Texas Registered Engineering Firm (F-693), made up of independent registered professional engineers and geologists that have provided petroleum consulting services to the oil and gas industry for over 50 years. This evaluation was supervised by Robert D. Ravnaas, Executive Vice President at Cawley, Gillespie & Associates, Inc. and a State of Texas Licensed Professional Engineer (License #61304). We do not own an interest in the properties or Enduro Resource Partners LLC or Enduro Royalty Trust and are not employed on a contingent basis. We have used all methods and procedures that we consider necessary under the circumstances to prepare this report. Our work-papers and related data utilized in the preparation of these estimates are available in our office. We consent to the filing of this report as an exhibit to the Annual Report on Form 10-K of Enduro Royalty Trust for the year end December 31, 2010.

Yours very truly,



Robert D. Ravnaas, P.E.  
Executive Vice President  
CAWLEY, GILLESPIE & ASSOCIATES, INC.  
Texas Registered Engineering Firm (F-693)



APPENDIX  
Explanatory Comments for Summary Tables

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**HEADINGS**

Table I  
Description of Table Information  
Identity of Interest Evaluated  
Property Description — Location  
Reserve Classification and Development Status  
Effective Date of Evaluation

**FORECAST**

(Columns)

- (1)(11)(21) Calendar or Fiscal years/months commencing on effective date.
- (2)(3)(4) Gross Production (B/8th) for the years/months which are economical. These are expressed as thousands of barrels (Mbbbl) and millions of cubic feet (MMcf) of gas at standard conditions. Total future production, cumulative production to effective date, and ultimate recovery at the effective date are shown following the annual/monthly forecasts.
- (5)(6)(7) Net Production accruable to evaluated interest is calculated by multiplying the revenue interest times the gross production. These values take into account changes in interest and gas shrinkage.
- (8) Average (volume weighted) gross liquid price per barrel before deducting production-severance taxes.
- (9) Average (volume weighted) gross gas price per Mcf before deducting production-severance taxes.
- (10) Average (volume weighted) gross NGL price per barrel before deducting production-severance taxes.
- (12) Revenue derived from oil sales — column (5) times column (8).
- (13) Revenue derived from gas sales — column (6) times column (9).
- (14) Revenue derived from NGL sales — column (7) times column (10).
- (15) Revenue derived from hedge positions.
- (16) Revenue not derived from column (12) through column (15); may include electrical sales revenue and saltwater disposal revenue.
- (17) Total Revenue — sum of column (12) through column (16).
- (18) Production-Severance taxes deducted from gross oil, gas and NGL revenue.
- (19) Ad Valorem taxes.
- (20) \$/BOE6 — is the total of column (22), column (25), column (26), and column (27) divided by Barrels of Oil Equivalent (“BOE”). BOE is net oil production column (5) plus net gas production column (6) converted to oil at six Mcf gas per one bbl oil plus net NGL production column (7) converted to oil at one bbl NGL per 0.65 bbls of oil.
- (22) Operating Expenses are direct operating expenses to the evaluated working interest and may include combined fixed rate administrative overhead charges for operated oil and gas producers known as COPAS.
- (23) Average gross wells.
- (24) Average net wells are gross wells times working interest.
- (25) Work-over Expenses are non-direct operating expenses and may include maintenance, well service, compressor, tubing, and pump repair.
- (26) 3rd Party COPAS are combined fixed rate administrative overhead charges for non-operated oil and gas producers.
- (27) Other Deductions may include compression-gathering expenses, transportation costs and water disposal costs.

[Table of Contents](#)

- (28) Investments, if any, include re-completions, future drilling costs, pumping units, etc. and may include either tangible or intangible or both, and the costs for plugging and the salvage value of equipment at abandonment may be shown as negative investments at end of life.
- (29)(30) Future Net Cash Flow is column (18) less the total of column (19), column (22), column (25), column (26), column (27) and column (28). The data in column (29) are accumulated in column (30). Federal income taxes have not been considered.
- (31) Cumulative Discounted Cash Flow is calculated by discounting monthly cash flows at the specified annual rates.

**MISCELLANEOUS**

- DCF Profile
- The cumulative cash flow discounted at six different interest rates are shown at the bottom of columns (30-31). Interest has been compounded monthly. The DCF's for the "Without Hedge" case may be shown to the left of the main DCF profile.
- Life
- The economic life of the appraised property is noted in the lower right-hand corner of the table.
- Footnotes
- Comments regarding the evaluation may be shown in the lower left-hand footnotes.
- Price Deck
- A table of oil and gas prices, price caps and escalation rates may be shown in the lower middle footnotes.

APPENDIX  
Methods Employed in the Estimation of Reserves

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The four methods customarily employed in the estimation of reserves are (1) production performance, (2) material balance, (3) volumetric and (4) analogy. Most estimates, although based primarily on one method, utilize other methods depending on the nature and extent of the data available and the characteristics of the reservoirs.

Basic information includes production, pressure, geological and laboratory data. However, a large variation exists in the quality, quantity and types of information available on individual properties. Operators are generally required by regulatory authorities to file monthly production reports and may be required to measure and report periodically such data as well pressures, gas-oil ratios, well tests, etc. As a general rule, an operator has complete discretion in obtaining and/or making available geological and engineering data. The resulting lack of uniformity in data renders impossible the application of identical methods to all properties, and may result in significant differences in the accuracy and reliability of estimates.

A brief discussion of each method, its basis, data requirements, applicability and generalization as to its relative degree of accuracy follows:

Production performance. This method employs graphical analyses of production data on the premise that all factors which have controlled the performance to date will continue to control and that historical trends can be extrapolated to predict future performance. The only information required is production history. Capacity production can usually be analyzed from graphs of rates versus time or cumulative production. This procedure is referred to as "decline curve" analysis. Both capacity and restricted production can, in some cases, be analyzed from graphs of producing rate relationships of the various production components. Reserve estimates obtained by this method are generally considered to have a relatively high degree of accuracy with the degree of accuracy increasing as production history accumulates.

Material balance. This method employs the analysis of the relationship of production and pressure performance on the premise that the reservoir volume and its initial hydrocarbon content are fixed and that this initial hydrocarbon volume and recoveries therefrom can be estimated by analyzing changes in pressure with respect to production relationships. This method requires reliable pressure and temperature data, production data, fluid analyses and knowledge of the nature of the reservoir. The material balance method is applicable to all reservoirs, but the time and expense required for its use is dependent on the nature of the reservoir and its fluids. Reserves for depletion type reservoirs can be estimated from graphs of pressures corrected for compressibility versus cumulative production, requiring only data that are usually available. Estimates for other reservoir types require extensive data and involve complex calculations most suited to computer models which makes this method generally applicable only to reservoirs where there is economic justification for its use. Reserve estimates obtained by this method are generally considered to have a degree of accuracy that is directly related to the complexity of the reservoir and the quality and quantity of data available.

Volumetric. This method employs analyses of physical measurements of rock and fluid properties to calculate the volume of hydrocarbons in-place. The data required are well information sufficient to determine reservoir subsurface datum, thickness, storage volume, fluid content and location. The volumetric method is most applicable to reservoirs which are not susceptible to analysis by production performance or material balance methods. These are most commonly newly developed and/or no-pressure depleting reservoirs. The amount of hydrocarbons in-place that can be recovered is not an integral part of the volumetric calculations but is an estimate inferred by other methods and a knowledge of the nature of the reservoir. Reserve estimates obtained by this method are generally considered to have a low degree of accuracy; but the degree of accuracy can be relatively high where rock quality and subsurface control is good and the nature of the reservoir is uncomplicated.

Analogy. This method which employs experience and judgment to estimate reserves, is based on observations of similar situations and includes consideration of theoretical performance. The analogy method is applicable where the data are insufficient or so inconclusive that reliable reserve estimates cannot be made by other methods. Reserve estimates obtained by this method are generally considered to have a relatively low degree of accuracy.

Much of the information used in the estimation of reserves is itself arrived at by the use of estimates. These estimates are subject to continuing change as additional information becomes available. Reserve estimates which presently appear to be correct may be found to contain substantial errors as time passes and new information is obtained about well and reservoir performance.

**APPENDIX**  
**Reserve Definitions and Classifications**

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The Securities and Exchange Commission, in SX Reg. 210.4-10 dated November 18, 1981, as amended on September 19, 1989 and January 1, 2010, requires adherence to the following definitions of oil and gas reserves:

“(22) **Proved oil and gas reserves.** Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“(i) The area of a reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

“(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

“(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

“(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

“(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

“(6) **Developed oil and gas reserves.** Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

“(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

“(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“(31) **Undeveloped oil and gas reserves.** Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

“(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

“(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

“(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

“(18) **Probable reserves.** Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

“(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

“(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

“(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

“(iv) See also guidelines in paragraphs (17)(iv) and (17)(vi) of this section (below).

“(17) **Possible reserves.** Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

“(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

“(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

“(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

“(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

“(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

“(vi) Pursuant to paragraph (22)(iii) of this section (above), where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.”

Instruction 4 of Item 2(b) of Securities and Exchange Commission Regulation S-K was revised January 1, 2010 to state that “a registrant engaged in oil and gas producing activities shall provide the information required by Subpart 1200 of Regulation S-K.” This is relevant in that Instruction 2 to paragraph (a)(2) states: “The registrant is *permitted, but not required*, to disclose probable or possible reserves pursuant to paragraphs (a)(2)(iv) through (a)(2)(vii) of this Item.”

“(26) **Reserves.** Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“*Note to paragraph (26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).”

You should rely only on the information contained in this prospectus or in any free writing prospectus Enduro Sponsor and the trust may authorize to be delivered to you. Until , 2011 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in the trust units, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**13,200,000 Trust Units**



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Prospectus  
, 2011

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**Barclays Capital  
Citigroup  
Goldman, Sachs & Co.  
RBC Capital Markets  
Wells Fargo Securities**

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**J.P. Morgan  
Baird  
Morgan Keegan  
Stifel Nicolaus Weisel  
Wunderlich Securities**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the FINRA filing and the NYSE listing fee, the amounts set forth below are estimates.

Registration fee	\$ 45,823
FINRA filing fee	39,968
NYSE listing fee	175,000
Printing and engraving expenses	450,000
Fees and expenses of legal counsel	1,600,000
Accounting fees and expenses	1,100,000
Transfer agent and registrar fees	5,000
Trustee fees and expenses	275,000
Miscellaneous	309,209
Total	\$4,000,000

**Item 14. Indemnification of Directors and Officers.**

The trust agreement provides that the trustee and its officers, agents and employees shall be indemnified from the assets of the trust against and from any and all liabilities, expenses, claims, damages or loss incurred by it individually or as trustee in the administration of the trust and the trust assets, including, without limitation, any liability, expenses, claims, damages or loss arising out of or in connection with any liability under environmental laws, or in the doing of any act done or performed or omission occurring on account of it being trustee or acting in such capacity, except such liability, expense, claims, damages or loss as to which it is liable under the trust agreement. In this regard, the trustee shall be liable only for its own fraud, gross negligence or willful misconduct and shall not be liable for any act or omission of any agent or employee unless the trustee has acted in bad faith or with gross negligence in the selection and retention of such agent or employee. The trustee is entitled to indemnification from the assets of the trust and shall have a lien on the assets of the trust to secure it for the foregoing indemnification.

Under Enduro Sponsor's operating agreement and subject to specified limitations, no manager, member or officer of Enduro Sponsor will be liable for, and such manager, member or officer will be indemnified and held harmless by Enduro Sponsor against, any and all losses, liabilities and reasonable expenses, including attorneys' fees, arising from proceedings in which such manager, member or officer may be involved by reason of its being a manager, member or officer. Subject to any terms, conditions or restrictions set forth in Enduro Sponsor's operating agreement, Section 18-108 of the Delaware Limited Liability Company Act empowers a Delaware limited liability company to indemnify and hold harmless any member or manager or other person from and against all claims and demands whatsoever. Reference is made to the Underwriting Agreement to be filed as an exhibit to this registration statement, which provides for the indemnification of Enduro Sponsor, its managers and officers and any person who controls Enduro Sponsor, including indemnification for liabilities under the Securities Act.

In connection with the preparation and filing of any registration statement pursuant to the registration rights agreement, Enduro Sponsor will indemnify the trust and its agents from and against any liabilities under the Securities Act or any state securities laws arising from the registration statement or prospectus. Enduro Sponsor will bear all costs and expenses incidental to any registration statement, excluding any underwriting discounts and fees.

**Item 15**      **Recent Sales of Unregistered Securities.**

In connection with the formation of the trust, the trust will issue to Enduro Sponsor trust units in exchange for the conveyance of the Net Profits Interest in an offering exempt from registration under Section 4(2) of the Securities Act. There have been no other sales of unregistered securities within the past three years by the trust.

**Item 16.**      **Exhibits and Financial Statement Schedules.**

(a) *Exhibits.*

The following documents are filed as exhibits to this registration statement:

<u>Exhibit Number</u>	<u>Description</u>
1.1*	— Form of Underwriting Agreement.
2.1*	— Form of Agreement and Plan of Merger between Enduro Texas LLC and Enduro Royalty Trust.
3.1†	— Certificate of Formation of Enduro Resource Partners LLC.
3.2†	— Amended & Restated Operating Agreement of Enduro Resource Partners LLC.
3.3†	— Certificate of Trust of Enduro Royalty Trust.
3.4†	— Trust Agreement.
3.5*	— Form of Amended and Restated Trust Agreement.
5.1†	— Opinion of Richards, Layton & Finger, P.A. relating to the validity of the trust units.
8.1†	— Opinion of Latham & Watkins LLP relating to tax matters.
10.1*	— Form of Net Profits Interest Conveyance.
10.2†	— Form of Registration Rights Agreement.
21.1†	— Subsidiaries of Enduro Resource Partners LLC.
23.1*	— Consent of Ernst & Young, LLP — Fort Worth, Texas office.
23.2*	— Consent of Ernst & Young, LLP — Tulsa, Oklahoma office.
23.3†	— Consent of Richards, Layton & Finger, P.A. (contained in Exhibit 5.1).
23.4†	— Consent of Latham & Watkins LLP (contained in Exhibit 8.1).
23.5*	— Consent of Cawley, Gillespie & Associates, Inc.
24.1†	— Powers of Attorney (included on the signature pages).
99.1*	— Summary Reserve Reports of Cawley, Gillespie & Associates, Inc. (included as Annexes A-1, A-2, A-3, B and C to the prospectus).

† Previously filed.

\* Filed herewith.

(b) *Financial Statement Schedules.*

No financial statement schedules are required to be included herewith or they have been omitted because the information required to be set forth therein is not applicable.

**Item 17.**      **Undertakings.**

The undersigned registrants hereby undertake:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions described in Item 14, or otherwise, the registrants have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a

claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their respective counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(b) To provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(c) For purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrants pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(d) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) To send to each trust unitholder at least on an annual basis a detailed statement of any transactions with the trustees or their respective affiliates, and of fees, commissions, compensation and other benefits paid, or accrued to the trustees or their respective affiliates for the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed.

(f) To provide to the trust unitholders the financial statements required by Form 10-K for the first full fiscal year of operations of the trust.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Worth, State of Texas, on August 1, 2011.

**Enduro Resource Partners LLC**

By: /s/ JON S. BRUMLEY  
Jon S. Brumley  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on August 1, 2011 in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ JON S. BRUMLEY</u> Jon S. Brumley	President, Chief Executive Officer and Manager (Principal Executive Officer)
<u>/s/ KIMBERLY A. WEIMER</u> Kimberly A. Weimer	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ JOHN W. ARMS</u> John W. Arms	Manager
<u>*</u> David Leuschen	Manager
<u>*</u> Pierre F. Lapeyre, Jr.	Manager
<u>*</u> N. John Lancaster	Manager
<u>*</u> I. Jon Brumley	Manager

\*By: /s/ JON S. BRUMLEY  
Jon S. Brumley  
Attorney-in-Fact

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Worth, State of Texas, on August 1, 2011.

**Enduro Royalty Trust**

**By: Enduro Resource Partners LLC**

By: /s/ JON S. BRUMLEY  
Jon S. Brumley  
President and Chief Executive Officer

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II-5

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## INDEX TO EXHIBITS

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21.1†	— Subsidiaries of Enduro Resource Partners LLC.
23.1*	— Consent of Ernst & Young, LLP — Fort Worth, Texas office.
23.2*	— Consent of Ernst & Young, LLP — Tulsa, Oklahoma office.
23.3†	— Consent of Richards, Layton & Finger, P.A. (contained in Exhibit 5.1).
23.4†	— Consent of Latham & Watkins LLP (contained in Exhibit 8.1).
23.5*	— Consent of Cawley, Gillespie & Associates, Inc.
24.1†	— Powers of Attorney (included on the signature pages).
99.1*	— Summary Reserve Reports of Cawley, Gillespie & Associates, Inc. (included as Annexes A-1, A-2, A-3, B and C to the prospectus).

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† Previously filed.

\* Filed herewith.

13,200,000  
ENDURO ROYALTY TRUST  
Units of Beneficial Interest

UNDERWRITING AGREEMENT

[•], 2011

BARCLAYS CAPITAL INC.  
CITIGROUP GLOBAL MARKETS INC.  
GOLDMAN, SACHS & CO.  
RBC CAPITAL MARKETS, LLC  
WELLS FARGO SECURITIES, LLC  
As Representatives of the several

Underwriters named in Schedule 1 attached hereto,  
c/o Barclays Capital Inc.  
745 Seventh Avenue  
New York, New York 10019

Ladies and Gentlemen:

Enduro Resource Partners LLC, a Delaware limited liability company (the “**Company**”), proposes to sell an aggregate of 13,200,000 trust units (the “**Firm Units**”) of beneficial interest (the “**Trust Units**”) of Enduro Royalty Trust, a statutory trust formed under the laws of Delaware (the “**Trust**”). In addition, the Company proposes to grant the underwriters (the “**Underwriters**”) named in Schedule 1 attached to this agreement (this “**Agreement**”) an option to purchase up to an additional 1,980,000 Trust Units on the terms set forth in Section 3 (the “**Option Units**”). The Firm Units and the Option Units, if purchased, are hereinafter collectively called the “**Units**.” This is to confirm the agreement concerning the purchase of the Units from the Company by the Underwriters. Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., RBC Capital Markets, LLC and Wells Fargo Securities, LLC are acting as the representatives of the several Underwriters and in such capacity are referred to in this Agreement as the “**Representatives**.”

It is understood and agreed by all parties hereto that the Company has caused the formation of the Trust and will convey, or cause to be conveyed, to the Trust a net profits interest (the “**Net Profits Interest**”) entitling the Trust to receive 80% of the net profits from the sale of production of oil and natural gas attributable to the Company’s interest in certain oil and natural gas properties located in Texas, New Mexico and Louisiana after deduction of all royalties and other burdens on production thereon in exchange for 33,000,000 Trust Units.

It is further understood and agreed to by all parties hereto that the following transactions have occurred or will occur on or before the Closing Date (as hereinafter defined):

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(a) Pursuant to a Plan of Merger dated the Closing Date (the “**Double Survivor Merger Agreement**”), by and among Enduro Texas LLC (the “**Grantee**”), a Texas limited liability company, and Enduro Operating LLC (the “**Grantor**”), a Texas limited liability company, a merger (the “**Double Survivor Merger**”) will occur effective as of the Closing Date pursuant to which (i) the Net Profits Interest will be allocated to and vested in the Grantee and (ii) the other assets and liabilities of the Grantor will be retained by it. In connection with and by way of the Double Survivor Merger, the Grantor executed and delivered a conveyance of the Net Profits Interest (the “**Conveyance**”) in favor of the Grantee effective as of the Closing Date.

(b) Immediately following the Double Survivor Merger, pursuant to a Plan of Merger dated the Closing Date (the “**Merger Agreement**”), by and among the Grantee and the Trust, the merger of the Grantee with and into the Trust (the “**Merger**”) will occur effective as of the Closing Date pursuant to which (i) the Trust will be the surviving entity and, pursuant to the execution and delivery from the Grantee to the Trust of a supplemental conveyance (the “**Supplemental Conveyance**”), the Trust will be the successor to the Grantee under the Conveyance and (ii) [\*] Trust Units will be issued to the Company.

(c) The public offering of the Firm Units contemplated hereby will be consummated.

(d) The Trust Agreement of the Trust by and among the Company, The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), and Wilmington Trust Company, as Delaware trustee (the “**Delaware Trustee**”), as amended to the date hereof (the “**Organizational Trust Agreement**”), shall be amended and restated (as so amended and restated, the “**Trust Agreement**”).

(e) The Company and the Trust will enter into a registration rights agreement granting registration rights to the Company with respect to the Trust Units it will own after completion of the offering of the Units (the “**Registration Rights Agreement**”).

The transactions contemplated above are referred to herein as the “**Transactions.**” The “**Transaction Documents**” shall mean the Double Survivor Merger Agreement, the Conveyance, the Merger Agreement, the Supplemental Conveyance and the Registration Rights Agreement.

The “**Organizational Documents**” shall mean the Organizational Trust Agreement, the Trust Agreement, the Certificate of Trust of the Trust and the Certificate of Formation and the Limited Liability Company Agreement of the Company, each as amended to date.

The “**Operative Agreements**” shall mean the Transaction Documents, the Organizational Trust Agreement and the Trust Agreement.

It is further understood and agreed to by all parties hereto that approximately 660,000 of the Firm Units (the “**Directed Trust Units**”) will initially be reserved by the several Underwriters for offer and sale upon the terms and conditions to be set forth in the most recent Preliminary Prospectus (as defined in Section 1) and in accordance with the rules and regulations of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) to employees of the Company



and its subsidiaries and persons having business relationships with the Company and its subsidiaries who have heretofore delivered to Barclays Capital Inc. offers or indications of interest to purchase Firm Units in form satisfactory to Barclays Capital Inc. (such program, the “**Directed Unit Program**”) and that any allocation of such Firm Units among such persons will be made in accordance with timely directions received by Barclays Capital Inc. from the Company; *provided* that under no circumstances will Barclays Capital Inc. or any Underwriter be liable to the Trust or the Company or to any such person for any action taken or omitted in good faith in connection with such Directed Unit Program. It is further understood that any Directed Trust Units not affirmatively reconfirmed for purchase by any participant in the Directed Unit Program by [ ]:00 A.M., New York City time, on the [date hereof / first business day following the date hereof] or otherwise not purchased by such persons will be offered by the Underwriters to the public upon the terms and conditions set forth in the Prospectus (as defined in Section 1).

1. *Representations, Warranties and Agreements of the Trust and the Company.* Each of the Trust and the Company represents, warrants and agrees that:

(a) *Registration Statement.* A registration statement on Form S-1 (File No. 333-174225) relating to the Units has (i) been prepared by the Trust and the Company in conformity with the requirements of the Securities Act of 1933, as amended (the “**Securities Act**”), and the rules and regulations of the Securities and Exchange Commission (the “**Commission**”) thereunder; (ii) been filed with the Commission under the Securities Act; and (iii) become effective under the Securities Act. Copies of such registration statement and any amendment thereto have been delivered by the Company to you as the Representatives. As used in this Agreement:

(i) “**Applicable Time**” means [•] [a.m.][p.m.] (New York City time) on [•], 2011;

(ii) “**Effective Date**” means the date and time as of which any part of the Registration Statement was declared effective by the Commission;

(iii) “**Issuer Free Writing Prospectus**” means each “free writing prospectus” (as defined in Rule 405 under the Securities Act) prepared by or on behalf of the Company or the Trust or used or referred to by the Company or the Trust in connection with the offering of the Units;

(iv) “**Preliminary Prospectus**” means any preliminary prospectus relating to the Units included in such registration statement or filed with the Commission pursuant to Rule 424(b) under the Securities Act;

(v) “**Pricing Disclosure Package**” means, as of the Applicable Time, the most recent Preliminary Prospectus, together with the information included in Schedule 3 hereto and each Issuer Free Writing Prospectus filed or used by the Company on or before the Applicable Time, other than a road show that is an Issuer Free Writing Prospectus but is not required to be filed under Rule 433 under the Securities Act;

(vi) "**Prospectus**" means the final prospectus relating to the Units, as filed with the Commission pursuant to Rule 424(b) under the Securities Act; and

(vii) "**Registration Statement**" means such registration statement, as amended as of the Effective Date, including any Preliminary Prospectus or the Prospectus, all exhibits to such registration statement and including the information deemed by virtue of Rule 430A under the Securities Act to be part of such registration statement as of the Effective Date.

Any reference to the "**most recent Preliminary Prospectus**" shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement or filed pursuant to Rule 424(b) under the Securities Act prior to or on the date hereof. Any reference herein to the term "Registration Statement" shall be deemed to include any abbreviated registration statement to register additional Trust Units under Rule 462(b) under the Securities Act (the "**Rule 462(b) Registration Statement**").

(b) *No Stop Order.* The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose has been instituted or threatened by the Commission.

(c) *Not an "Ineligible Issuer."* The Trust was not at the time of initial filing of the Registration Statement and at the earliest time thereafter that the Trust, the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Units, is not on the date hereof and will not be on the applicable Delivery Date (as defined in Section 5) an "ineligible issuer" (as defined in Rule 405 under the Securities Act).

(d) *Compliance of Registration Statement with Securities Act.* The Registration Statement conformed and will conform in all material respects on the Effective Date and on the applicable Delivery Date, and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed, to the requirements of the Securities Act and the rules and regulations thereunder. The most recent Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) under the Securities Act and on the applicable Delivery Date to the requirements of the Securities Act and the rules and regulations thereunder.

(e) *No Material Misstatements or Omissions in Registration Statement.* The Registration Statement did not, as of the Effective Date, contain an 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; *provided* that no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company or the Trust through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 10(f).

(f) *No Material Misstatements or Omissions in Prospectus.* The Prospectus will not, as of its date or as of the applicable Delivery Date, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company or the Trust through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 10(f).

(g) *No Material Misstatements or Omissions in Pricing Disclosure Package.* The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company or the Trust through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 10(f).

(h) *Compliance of Issuer Free Writing Prospectus with Securities Act.* Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Securities Act and the rules and regulations thereunder on the date of first use, and the Trust and the Company have complied with all prospectus delivery and any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Securities Act and the rules and regulations thereunder. Neither the Trust nor the Company has made any offer relating to the Units that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives. The Trust and the Company have retained in accordance with the Securities Act and the rules and regulations thereunder all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Securities Act and the rules and regulations thereunder. The Company has taken all actions necessary so that any "road show" (as defined in Rule 433 under the Securities Act) in connection with the offering of the Units will not be required to be filed pursuant to the Securities Act and the rules and regulations thereunder.

(i) *Formation, Due Qualification and Authority of the Trust.* The Trust has been duly formed and is validly existing and in good standing as a statutory trust under the Delaware Statutory Trust Act and all filings required under the laws of the State of Delaware with respect to the formation and valid existence of the Trust as a statutory trust have been made. The Trust is duly registered and qualified to do business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to be so registered or qualified or in good standing could not, in the aggregate, reasonably be expected to (i) have a material adverse effect on the condition (financial or otherwise), results of operations, properties, business or prospects of the Trust or the Underlying Properties (as defined in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus) (a "**Material Adverse Effect**"), (ii) materially impair the

ability of the Trust or the Company to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents or (iii) subject the unitholders of the Trust to any material liability or disability. The Trust has full right, power and authority necessary to own or hold its properties and to conduct the businesses in which it is engaged. The Trust does not own or control, directly or indirectly, any corporation, association or other entity.

(j) *Outstanding Trust Units.* At the Initial Delivery Date (as defined in Section 5), after giving effect to the Transactions, the Trust will have outstanding 33,000,000 Trust Units; such Trust Units and the beneficial interests in the Trust represented thereby will be duly authorized and validly issued in accordance with the Trust Agreement, and will be fully paid and nonassessable and free from any preemptive or similar rights.

(k) *Conformity of Trust Units to Description in the Registration Statement, the Most Recent Preliminary Prospectus and the Prospectus.* The Trust Units conform in all material respects to the descriptions thereof contained in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus.

(l) *Legal Proceedings.* Except as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, there is (i) no action, suit or proceeding before or by any court, arbitrator or governmental agency, body or official, domestic or foreign, now pending or, to the knowledge of the Trust or the Company, threatened, to which the Trust is or may be a party or to which the business or assets of the Trust is or may be subject or (ii) no injunction, restraining order or order of any nature issued by a federal or state court or foreign court of competent jurisdiction to which the Trust is a party or to which the business or assets of the Trust is subject, that, with each of clause (i) or (ii) individually or in the aggregate, will result in a Material Adverse Effect or materially impair the ability of the Trust or the Company to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents to which the Trust is a party.

(m) *Legal Proceedings to be Described or Filed.* There are no legal or governmental proceedings pending or, to the knowledge of the Trust or the Company, threatened, against the Trust or to which the Trust or any of its properties or assets are subject, that are required to be described in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) but are not described as required.

(n) *Contracts to be Described or Filed.* There are no agreements, contracts, indentures, leases or other instruments of the Trust that are required to be described in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement that are not described in, or filed with, the Registration Statement, the most recent Preliminary Prospectus and the Prospectus as required by the Securities Act.

(o) *No Preemptive Rights, Registration Rights or Options.* Except as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, there are no options, warrants, preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any Trust Units or securities convertible into or exchangeable for Trust Units. Neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Trust Units or securities convertible into or exchangeable for Trust Units.

(p) *Authority and Authorization.* The Trust has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The Trust has all requisite power and authority to issue, sell and deliver the Trust Units to the Company in accordance with and upon the terms and conditions set forth in the Trust Agreement, the Registration Statement, the most recent Preliminary Prospectus and the Prospectus. At each Delivery Date, all trust action required to be taken by the Trust or any of its unitholders or the Trustee or the Delaware Trustee for the authorization, issuance, sale and delivery of the Trust Units, the execution and delivery of the Operative Agreements to which the Trust is a party and the consummation by the Trust of the Transactions and any other transactions contemplated by this Agreement and the Operative Agreements to which the Trust is a party shall have been validly taken by the Trust. The holders of the Trust Units are entitled to the benefits of the Trust Agreement.

(q) *Authorization of the Underwriting Agreement.* This Agreement has been duly authorized and validly executed and delivered by the Trust.

(r) *Enforceability of Operative Agreements.* Each of the Operative Agreements to which the Trust is a party has been or at the Closing will be duly authorized, executed and delivered by the Trust, and is a valid and legally binding agreement of the Trust, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(s) *No Consents.* No consent, approval, authorization, order, registration, filing or qualification ("**consent**") of or with any court, governmental agency or body having jurisdiction over the Trust or its properties is required in connection with (i) the issuance and sale of the Units as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (ii) the execution, delivery and performance of this Agreement and the Operative Agreements by the Trust and (iii) the consummation by the Trust of the Transactions or any other transactions contemplated by this Agreement or the Operative Agreements, except (A) for registration of the Trust Units under the Securities Act and consents required under the Exchange Act, and applicable state securities or "Blue Sky" laws in connection with the purchase and distribution of the Units by the Underwriters, (B) for such consents that have been, or prior to the Initial Delivery Date will be, obtained or made, (C) for such consents that, if not obtained, has not had and would not materially impair the ability of the Trust, the Company, the

Grantor or the Grantee to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents to which it is a party and (D) except as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus.

(t) *No Conflicts*. None of (i) the issuance and sale of the Units as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (ii) the execution, delivery and performance of this Agreement or the Operative Agreements by the Trust and (iii) the consummation of the Transactions and any other transactions contemplated by this Agreement and the Operative Agreements, (A) conflicts with or will conflict with or constitutes or will constitute a breach of, or a default under, the Organizational Documents of the Trust, (B) conflicts with or will conflict with or constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) under any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Trust is a party or by which any of its properties may be bound, (C) violates or will violate any statute, law, regulation, ruling or any order, judgment, decree or injunction of any court or governmental agency or body directed to the Trust or its properties in a proceeding to which it or its properties is a party or is bound or (D) results in the creation or imposition of liens, encumbrances, security interests, equities, community property rights, restrictions on transfer, charges or other claims (each, a "Lien") upon any property or assets of the Trust, except with respect to clauses (B) — (D) for such conflicts, violations, breaches, defaults or Liens that would not, individually or in the aggregate, have a Material Adverse Effect or materially impair the ability of the Trust to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents.

(u) *No Defaults*. The Trust is not (i) in violation of any of its Organizational Documents, (ii) in violation of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any order, judgment, decree or injunction of any court or governmental agency or body having jurisdiction over it or any of its properties or assets, or (iii) in breach, default (or an event which, with notice or lapse of time or both, would constitute such a default) or violation in the performance of any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or violation in the cases of clause (ii) or (iii) would not, individually or in the aggregate, have a Material Adverse Effect or materially impair the ability of the Trust to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents to which the Trust is a party.

(v) *Independent Public Accountants*. Ernst & Young LLP, who have certified certain financial statements of the Trust (including the related notes thereto) included in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (or any amendment or supplement thereto), is and was during the periods covered by such financial statements, an independent registered public accounting firm with respect to the

Trust as required by the Securities Act and the Public Company Accounting Oversight Board.

(w) *Books and Records.* The Trust (i) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets and (ii) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with general or specific authorization of management or the Trustee, as applicable, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (C) access to assets is permitted only in accordance with general or specific authorization of management or the Trustee, as applicable, and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(x) *Disclosure Controls and Procedures.* (i) The Trust has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), (ii) such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Trust in the reports it will file or submit under the Exchange Act is accumulated and communicated to the Trustee, as appropriate, to allow timely decisions regarding required disclosure to be made and (iii) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(y) *No Changes in Internal Controls.* Since the date of the most recent financial statements of the Trust reviewed or audited by Ernst & Young LLP, (i) the Trust has not been advised of or become aware of (A) any significant deficiencies in the design or operation of internal controls that could adversely affect the ability of the Trust to record, process, summarize and report financial data, or any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls of the Trust, and (ii) there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(z) *Sarbanes-Oxley Act of 2002.* The Trust has taken all necessary action to ensure that, upon and at all times after the filing of the Registration Statement, the Trust will be in compliance in all material respects with all applicable and effective provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith and the rules of The New York Stock Exchange that are effective and applicable to the Trust.

(aa) *No Changes Since Trust Formation.* Since the date the Trust was formed through the date hereof, and except as may otherwise be disclosed in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus, the Trust has not (i) issued or granted any Trust Units or securities exchangeable for or convertible into Trust

Units, (ii) incurred any liability or obligation, direct or contingent other than liabilities and obligations that were incurred in the ordinary course of business and except for this Agreement and the Operative Agreements, (iii) entered into any transaction not in the ordinary course of business or (iv) made any distribution on its equity interests.

(bb) *Certain Relationships and Related Transactions.* Except as set forth in the Pricing Disclosure Package and the Prospectus, there are no transactions with “affiliates” (as defined in Rule 405 promulgated under the Securities Act) of the Trust or any unitholder of the Trust (whether or not an affiliate) that are required by the Securities Act to be disclosed in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus. Additionally, no relationship, direct or indirect, exists between the Trust, on the one hand, and the Trustee or unitholders of the Trust, on the other hand, that is required by the Securities Act to be disclosed in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus that is not so disclosed.

(cc) *Investment Company Act.* The Trust is not, and as of the applicable Delivery Date and, after giving effect to the offer and sale of the Units and the application of the proceeds therefrom as described under “Use of Proceeds” in the most recent Preliminary Prospectus and the Prospectus, will not be, an “investment company” or a company controlled by an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an investment company within the meaning of such term under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules and regulations of the Commission thereunder.

(dd) *Integration.* The Trust has not sold or issued any securities that would be integrated with the offering of the Units contemplated by this Agreement pursuant to the Securities Act, the rules and regulations thereunder or the interpretations thereof by the Commission.

(ee) *No Brokers.* The Trust is not a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or the Underwriters for a brokerage commission, finder’s fee or like payment in connection with the offering and sale of the Units.

(ff) *Stabilization.* The Trust has not taken, directly or indirectly, any action designed to or that has constituted or that could reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Trust in connection with the offering of the Units.

(gg) *Listing.* The Units have been approved for listing, subject to official notice of issuance and evidence of satisfactory distribution, on The New York Stock Exchange.

(hh) *Distribution of Offering Materials.* The Trust has not distributed and, prior to the later to occur of any Delivery Date and completion of the distribution of the Units, will not distribute any offering material in connection with the offering and sale of the Units other than any Preliminary Prospectus, the Prospectus and any Issuer Free Writing Prospectus to which the Representatives have consented in accordance with Section 1(h)



or Section 6(f) and, in connection with the Directed Unit Program, the enrollment materials prepared by Barclays Capital Inc. on behalf of the Trust and the Company.

(ii) *Anti-Corruption.* Neither the Trust nor, to the knowledge of the Trust or the Company, any person associated with or acting on behalf of the Trust, has (i) used any trust funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from trust funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(jj) *Money Laundering Laws.* The operations of the Trust are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Trust with respect to the Money Laundering Laws is pending or, to the knowledge of the Trust or the Company, threatened.

(kk) *Office of Foreign Assets Control.* Neither the Trust nor, to the knowledge of the Trust or the Company, any trustee, agent, employee or affiliate of the Trust is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**").

(ll) *Directed Unit Program.* The Trust has not offered, or caused Barclays Capital Inc. to offer, Units to any person pursuant to the Directed Unit Program with the specific intent to unlawfully influence (i) a customer or supplier of the Trust or the Company to alter the customer's or supplier's level or type of business with the Trust or the Company or (ii) a trade journalist or publication to write or publish favorable information about the Trust or the Company or their respective businesses or assets.

(mm) *Authorization and Qualification of Trustee.* The Trustee is a national banking association duly authorized and empowered to act as trustee of the Trust pursuant to the Organizational Trust Agreement and the Trust Agreement.

(nn) *No Consent Needed for Trustee Action.* No consent, approval, authorization or filing is required under any law, rule or regulation of the States of Texas, Louisiana or New Mexico or of the United States of America, in order to permit the Trustee to act as trustee of the Trust.

Any certificate signed by the Trustee and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Units shall be deemed a representation and warranty by the Trust, as to matters covered thereby, to each Underwriter.

2. *Representations, Warranties and Agreements of the Company.* The Company represents, warrants and agrees that:

(a) *Not an "Ineligible Issuer."* The Company was not at the time of initial filing of the Registration Statement and at the earliest time thereafter that the Trust, the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Units, is not on the date hereof and will not be on the applicable Delivery Date (as defined in Section 5) an "ineligible issuer" (as defined in Rule 405 under the Securities Act).

(b) *No Material Misstatements or Omissions in Issuer Free Writing Prospectus.* The Pricing Disclosure Package, when taken together with each Issuer Free Writing Prospectus listed in Schedule 4 hereto, did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company or the Trust through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 10(f). Each Issuer Free Writing Prospectus listed in Schedule 4 hereto does not conflict with the information contained in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus.

(c) *Forward-Looking and Supporting Information.* Each of the statements (including the assumptions described therein) included in the Registration Statement and the Pricing Disclosure Package and to be made in the Prospectus (and any supplements thereto) within the coverage of Rule 175(b) under the Securities Act, including (but not limited to) any statements with respect to projected results of operations, estimated cash available for distribution and future cash distributions of the Trust, and any statements made in support thereof or related thereto, was made or will be made with a reasonable basis and in good faith.

(d) *Formation, Due Qualification and Authority of the Company.* The Company and each of its subsidiaries has been duly formed and is validly existing as a limited liability company in good standing under the laws of its jurisdiction of organization with full power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to so register or qualify would not reasonably be expected to (i) result in a Material Adverse Effect, (ii) materially impair the ability of the Trust or the Company to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents or (iii) subject the unitholders of the Trust to any material liability or disability.

(e) *Ownership of the Units.* Immediately prior to any Delivery Date on which the Company is selling Units, the Company will have, good and marketable title to the Units to be sold by the Company hereunder on such Delivery Date, or a valid “security entitlement” within the meaning of Section 8-501 of the New York Uniform Commercial Code (the “UCC”) in respect thereof, free and clear of all Liens.

(f) *Outstanding Trust Units Held by Company.* At the Initial Delivery Date, after giving effect to the Transactions and assuming no exercise of the Underwriters’ over-allotment option, the Company will own 19,800,000 Trust Units free and clear of all Liens.

(g) *Title to the Units.* Upon payment for the Units, delivery of such Units, as directed by the Underwriters, to Cede & Co. (“Cede”) or such other nominee as may be designated by The Depository Trust Company (“DTC”), registration of such Units in the name of Cede or such other nominee and the crediting of such Units on the books of DTC to securities accounts of the Underwriters, (i) DTC will acquire good and marketable title to the Units free and clear of all Liens, (ii) DTC shall be a “protected purchaser” of such Units within the meaning of Section 8-303 of the UCC, (iii) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Units and (iv) an adverse claim to such securities entitlement, whether framed in conversion, replevin, constructive trust, equitable lien or other theory may not be asserted against the Underwriters with respect to such security entitlement. For purposes of this representation, the Company may assume that when such payment, delivery and crediting occur, (x) such Units will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Trust’s unit registry in accordance with its organizational documents and applicable law, (y) DTC will be registered as a “clearing corporation” within the meaning of Section 8-102 of the UCC and (z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(h) *Legal Proceedings to be Described or Filed.* There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened, against the Company or to which the Company or any of its properties or assets, including the Subject Interests (as defined in the Conveyance), are subject, that are required to be described in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) but are not described as required.

(i) *Contracts to be Described or Filed.* There are no agreements, contracts, indentures, leases or other instruments of the Company that are required to be described in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement that are not described in or filed with the Registration Statement, the most recent Preliminary Prospectus and the Prospectus as required by the Securities Act.

(j) *Authority and Authorization.* The Company has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder, including the sale of the Trust Units in accordance with and upon the terms and conditions set forth in this Agreement, the Registration Statement, the most recent Preliminary

Prospectus and the Prospectus. Each of the Company, the Grantor and the Grantee has all requisite power and authority to enter into the Operative Agreements to which it is a party and to perform its obligations thereunder. At any applicable Delivery Date, all limited liability company action required to be taken by each of the Company, the Grantor, the Grantee or any of its members for the authorization, issuance, sale and delivery of the Trust Units, the execution and delivery of the Operative Agreements to which it is a party and the consummation of the Transactions and any other transactions contemplated by this Agreement and the Operative Agreements to which it is a party shall have been validly taken.

(k) *Authorization of the Underwriting Agreement.* This Agreement has been duly authorized and validly executed and delivered by the Company.

(l) *Enforceability of Operative Agreements.* Each of the Operative Agreements to which the Company, the Grantor or the Grantee is a party has been duly and validly authorized, executed and delivered by the Company, the Grantor or the Grantee, as applicable, and is a valid and legally binding agreement of the Company, the Grantor or the Grantee, as applicable, enforceable against the Company, the Grantor or the Grantee, as applicable, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(m) *Conveyance and Merger.* (i) The Conveyance when duly executed by the proper officers of the Grantor and delivered by the Grantor to the Grantee, will constitute a fully conveyed and vested interest in real property under the laws of each of the States of Texas, Louisiana and New Mexico, and is adequate and sufficient to transfer title to the Net Profits Interest to the Grantee; the recording of the Conveyance in the real property records in each county where the Subject Interests (as defined in the Conveyance) are located is sufficient to impart notice of the contents thereof, and all subsequent purchasers or creditors of the Grantor will be deemed to purchase with notice of and subject to such Net Profits Interest; the Conveyance and the Net Profits Interest conform in all material respects to the descriptions thereof in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus; and the Net Profits Interest is described in the Conveyance in a manner sufficient to identify the interests conveyed under the laws of each of the States of Texas, Louisiana and New Mexico; the Grantee's net revenue interest with respect to each Subject Interest (each as defined in the Conveyance) is no less than the net revenue interest set forth on Exhibit C hereto and its working interest with respect to each Subject Interest is no greater than the working interest set forth on Exhibit C hereto (except for circumstances which result in a proportionate increase in the Grantee's corresponding net revenue interest for such Subject Interest); and (ii) the Merger is sufficient to cause all of the rights of the Grantee in the Net Profits Interest to vest in the Trust as successor to the Grantee. From and after the Merger, the Trust's net revenue interest with respect to each Subject Interest will be no less than the net revenue interest set forth on Exhibit C hereto and its working interest with respect to each Subject Interest is no greater than the working interest set forth on Exhibit C hereto (except for circumstances

which result in a proportionate increase in the Trust's corresponding net revenue interest for such Subject Interest).

(n) *No Consents.* No consent of any court, governmental agency or body having jurisdiction over the Company, any of its subsidiaries or its or their properties is required in connection with (i) the issuance and sale of the Units as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (ii) the execution, delivery and performance of this Agreement and the Operative Agreements by the Trust, the Company, the Grantor or the Grantee and (iii) the consummation by each of the Company, the Grantor and the Grantee of the Transactions or any other transactions contemplated by this Agreement or the Operative Agreements, except (A) for registration of the Trust Units under the Securities Act and consents required under the Exchange Act, and applicable state securities or "Blue Sky" laws in connection with the purchase and distribution of the Units by the Underwriters, (B) for such consents that have been, or prior to the Initial Delivery Date will be, obtained or made, (C) for such consents that, if not obtained, has not had and would not materially impair the ability of the Trust, the Company, the Grantor or the Grantee to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents to which it is a party and (D) except as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus.

(o) *No Conflicts.* None of (i) the issuance and sale of the Units as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (ii) the execution, delivery and performance of this Agreement or the Operative Agreements by the Trust, the Company, the Grantor or the Grantee and (iii) the consummation of the Transactions and any other transactions contemplated by this Agreement and the Operative Agreements, (A) conflicts with or will conflict with or constitutes or will constitute a breach of, or a default under, the Organizational Documents of the Company or the similar organizational documents of its subsidiaries, (B) conflicts with or will conflict with or constitutes or will constitute a breach or violation of, or a default (or an event which, with notice or lapse of time or both, would constitute such a default) or a Debt Repayment Triggering Event (as defined below) under any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which any of its or their properties may be bound, (C) violates or will violate any statute, law, regulation, ruling or any order, judgment, decree or injunction of any court or governmental agency or body directed to the Company, any of its subsidiaries or any of its or their properties in a proceeding to which the Company, any of its subsidiaries or its or their properties is a party or is bound or (D) results in the creation or imposition of any Lien upon any property or assets of the Company or any of its subsidiaries, except with respect to clauses (B) — (D) for such conflicts, violations, breaches, defaults or Liens that would not, individually or in the aggregate, have a Material Adverse Effect or materially impair the ability of the Trust, the Company, the Grantor or the Grantee to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents. A "Debt Repayment Triggering Event" means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require

the repurchase, redemption or repayment of all or a portion of such indebtedness by any debtor.

*(p) No Defaults.* The Company is not (i) in violation of any of its Organizational Documents, (ii) in violation of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any order, judgment, decree or injunction of any court or governmental agency or body having jurisdiction over it or any of its properties or assets, or (iii) in breach, default (or an event which, with notice or lapse of time or both, would constitute such a default) or violation in the performance any obligation, agreement, covenant or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it or any of its subsidiaries is a party or by which it, any of its subsidiaries or any of its or their properties may be bound, which breach, default or violation in the cases of clause (ii) or (iii) would not, individually or in the aggregate, have a Material Adverse Effect or materially impair the ability of the Trust, the Company, the Grantor or the Grantee to consummate the Transactions or any other transactions provided for in this Agreement or the Transaction Documents to which the Company, the Grantor or the Grantee is a party.

*(q) Financial Statements.* The financial statements of the Company, the Trust, Enduro Resource Partners LLC Predecessor, the Predecessor Underlying Properties, the Samson Permian Basin Assets and the ConocoPhillips Permian Basin Assets (as each term is defined in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus), each together with the related notes, included in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (and any amendment or supplement thereto), present fairly in all material respects the financial condition of the Company, the Trust, Enduro Resource Partners LLC Predecessor, the Predecessor Underlying Properties, the Samson Permian Basin Assets and the ConocoPhillips Permian Basin Assets, respectively, on the basis stated in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (and any amendment or supplement thereto) at the respective dates or for the respective periods to which they apply. Such statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States applied consistently throughout the periods involved, except as disclosed therein; and the other financial information relating to the Company set forth in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (and any amendment or supplement thereto) is accurately presented in all material respects and prepared on a basis consistent with such financial statements and the books and records of the Company or the Trust, as applicable. Except as set forth in Section 2(r), no other financial statements or schedules are required to be included in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (and any amendment or supplement thereto).

*(r) Pro Forma Financial Statements.* The pro forma financial statements for the Company, the Trust and the Combined Underlying Properties (as defined in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus) included in the most recent Preliminary Prospectus include assumptions that provide a reasonable basis for presenting the significant effects directly attributable to the

transactions and events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma adjustments reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma financial statements for the Company, the Trust and the Combined Underlying Properties included in the most recent Preliminary Prospectus. The pro forma financial statements for the Company, the Trust and the Combined Underlying Properties included in the most recent Preliminary Prospectus comply as to form in all material respects with the applicable requirements of Regulation S-X under the Act.

(s) *Independent Public Accountants.* Ernst & Young LLP, who have certified certain financial statements of the Company, the Predecessor Underlying Properties, the Samson Permian Basin Assets and the ConocoPhillips Permian Basin Assets (including the related notes thereto), included in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (or any amendment or supplement thereto), is and was during the periods covered by such financial statements, an independent registered public accounting firm with respect to the Company as required by the Securities Act and the Public Company Accounting Oversight Board.

(t) *Books and Records.* The Company (i) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets and (ii) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with general or specific authorization of management, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (C) access to assets is permitted only in accordance with general or specific authorization of management, and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(u) *Disclosure Controls and Procedures.* (i) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the Exchange Act), (ii) such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Trustee in the reports it will file or submit under the Exchange Act is accumulated and communicated to the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure to be made and (iii) such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

(v) *No Changes in Internal Controls.* Since the date of the most recent financial statements of the Company and its consolidated subsidiaries reviewed or audited by Ernst & Young LLP, (i) the Company has not been advised of or become aware of (A) any significant deficiencies in the design or operation of internal controls that could adversely affect the ability of the Company and each of its subsidiaries to record, process, summarize and report financial data, or any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who

have a significant role in the internal controls of the Company and each of its subsidiaries, and (ii) there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(w) *Sarbanes-Oxley Act of 2002*. There is and has been no failure on the part of the Company and any of the Company's officers, in their capacities as such, to comply in all respects with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith.

(x) *Environmental Laws*. The Company and, to the knowledge of the Company, any operator of any of the Underlying Properties, (i) is, and at all times prior hereto was, in compliance with all laws, regulations, ordinances, rules, orders, judgments, decrees, permits or other legal requirements of any governmental authority, including without limitation any international, foreign, national, state, provincial, regional, or local authority, relating to pollution, the protection of human health or safety, the environment, or natural resources, or to the use, handling, storage, manufacturing, transportation, treatment, discharge, disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**") applicable to the Company or such operator, which compliance includes, without limitation, obtaining, maintaining and complying with all permits and authorizations and approvals required by Environmental Laws to conduct its business, and (ii) has not received notice (and does not otherwise have knowledge) of any actual or alleged violation of Environmental Laws, or of any actual or potential liability for or other obligation concerning the presence, disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clause (i) or (ii) where such non-compliance, violation, liability, or other obligation could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as described in the most recent Preliminary Prospectus, (x) there are no proceedings that are pending, or known by the Company to be contemplated, against the Company or any operator of the Underlying Properties under Environmental Laws in which a governmental authority is also a party, other than such proceedings regarding which it is reasonably believed no monetary sanctions of \$100,000 or more will be imposed, (y) the Company is not aware of any issues regarding compliance with Environmental Laws by it or any operator of the Underlying Properties, including any pending or proposed Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that could reasonably be expected to have a Material Adverse Effect and (z) the Company does not anticipate material capital expenditures relating to Environmental Laws.

(y) *Reserve Engineers*. Cawley, Gillespie & Associates, Inc. ("Cawley Gillespie"), whose reports appear in the most recent Preliminary Prospectus and who has delivered the letter referred to in Section 9(j) hereof, was, as of the date of such reports, and is, as of the date hereof, an independent petroleum engineer with respect to the Trust and the Company.

(z) *No Labor Disputes*. No labor disturbance by the employees of the Company exists or, to the knowledge of the Company, is imminent, and, to the knowledge



of the Company, no labor disturbance by the employees of any third party operator of any of the Underlying Properties exists or is imminent that could reasonably be expected to have a Material Adverse Effect.

(aa) *Statistical and Market Data.* The statistical and market-related data included in the most recent Preliminary Prospectus are based on or derived from sources that the Trust and the Company each believe to be reliable and accurate in all material respects.

(bb) *Transfer Taxes.* There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Trust or sale by the Company of the Units.

(cc) *No Material Changes.* Except as disclosed in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus (or any amendment or supplement thereto), since the respective dates as of which information is given in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (i) the Company has not incurred any material liabilities or obligations, indirect, direct or contingent, or entered into any transaction that is not in the ordinary course of business, (ii) neither the Company nor the Underlying Properties has sustained any material loss or interference with its business or properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance, (iii) the Company is not in default under the terms of any class of membership interest of the Company or any outstanding debt obligations, (iv) there has not been any material change in the indebtedness of the Company (other than in the ordinary course of business) and (v) there has not been any material adverse change, or any development involving or that had or will have a Material Adverse Effect, in the condition (financial or otherwise), business, properties, prospects, net worth or result of operations of the Company or the Underlying Properties.

(dd) *Reserve Reports.* The information supplied by the Company to Cawley Gillespie for purposes of preparing the reserve reports and estimates of the Underlying Properties and the Net Profits Interest and preparing the letters (the "**Reserve Report Letters**") of Cawley Gillespie, including, without limitation, production volumes, sales prices for production costs of operation and development, and working interest and net revenue information relating to ownership interests in the Net Profits Interest and the Underlying Properties, was true and correct in all material respects on the date supplied and such information was supplied and was prepared in accordance with customary industry practices; and estimates of such reserves and present values as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus and reflected in the Reserve Report Letters comply in all material respects with the applicable requirements of Regulation S-X and Subpart 1200 of Regulation S-K under the Securities Act.

(ee) *Title to the Underlying Properties.* The Grantor, as of the Initial Delivery Date, will have good and defensible title to the Subject Interests (as defined in the Conveyance), free and clear of all Liens except (i) those described in the Registration

Statement, the most recent Preliminary Prospectus or the Prospectus; (ii) royalties and other burdens and obligations, expressed and implied, under oil and gas leases; (iii) overriding royalties, production payments and similar interests and other burdens created by the Grantor or its predecessors in title; (iv) contractual obligations arising under operating agreements, farm-out agreements and other agreements that may affect the properties or their titles of a type and nature customary in the oil and gas industry; (v) liens that arise in the normal course of operations, such as those for unpaid taxes, statutory liens securing unpaid suppliers and contractors and contractual liens under operating agreements to secure payments of all amounts that are not yet delinquent or, if delinquent are being contested in good faith by appropriate proceedings; (vi) pooling, unitization and communalization agreements, declarations and orders; (vii) easements, restrictions, rights-of-way and other matters that commonly affect property; (viii) conventional rights of reassignment that obligate the Grantor to reassign all or part of any Subject Interest to a third party if the Grantor intends to release or abandon each interest before the termination of such interest; and (ix) rights reserved to or vested in appropriate governmental agencies or authorities to control or regulate the Subject Interests and the Net Profits Interest therein; none of which in the aggregate materially adversely affect the value of the Subject Interests and do not materially interfere with the Net Profits Interest or the use made and proposed to be made of such property by the Grantor. All contracts, agreements or underlying leases, which comprise a portion of the Subject Interests and which individually or in the aggregate are material to the Subject Interests, are in full force and effect, the Grantor has paid all rents and other charges to the extent due and payable thereunder, is not in default under any of such underlying contracts, agreements or leases, has received no notice of default from any other party thereto and knows of no material default by any other party thereto. The working interests in oil, gas and mineral leases or mineral interests that constitute a portion of the Subject Interests held by the Grantor reflect in all material respects the right of the Grantor to explore or receive production from such Subject Interests and the care taken by the Grantor with respect to acquiring or otherwise procuring such leases or mineral interests was generally consistent with standard industry practices for acquiring or procuring leases and interests therein to explore such for hydrocarbons. Upon recordation and filing of the Conveyance and the Supplemental Conveyance, the Trust will have good and defensible title to the Net Profits Interest, free and clear of all liens, encumbrances and defects, except Permitted Encumbrances (as defined in the Conveyance). To the knowledge of the Company, there are no Prior Reversionary Interests (as defined in the Conveyance) in the Subject Interests.

(ff) *Rights-of-way.* The Grantor has such easements or rights-of-way from each person (collectively, “**rights-of-way**”) as are necessary for the Company to conduct its business in the manner described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, except for such rights-of-way that, if not obtained, could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; the Grantor has fulfilled and performed all its material obligations with respect to such rights-of-way, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or would result in any impairment of the rights of the Grantor with respect to such rights-of-way, except for such revocations, terminations and impairments that could not reasonably be expected to have,

individually or in the aggregate, a Material Adverse Effect; and none of such rights-of-way contains any restriction that is materially burdensome to the Company.

*(gg) Permits.* The Company and each of its subsidiaries have such permits, licenses, patents, franchises, certificates of need and other approvals, consents or authorizations of governmental or regulatory authorities (“**Permits**”) as are necessary under applicable law to own their properties and conduct their businesses in the manner described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, except for any of the foregoing that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect; each of the Company and its subsidiaries has fulfilled and performed all of its obligations with respect to the Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder or any such Permits, except for any of the foregoing that could not reasonably be expected to have a Material Adverse Effect.

*(hh) Insurance.* The Company and each of its subsidiaries carry, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries. All policies of insurance of the Company and its subsidiaries are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies in all material respects; and neither the Company nor any of its subsidiaries has received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance; there are no claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that could not reasonably be expected to have a Material Adverse Effect.

*(ii) Certain Relationships and Related Transactions.* Except as set forth in the Pricing Disclosure Package and the Prospectus, there are no transactions with “affiliates” (as defined in Rule 405 promulgated under the Securities Act) of the Company or any member of the Company (whether or not an affiliate) that are required by the Securities Act to be disclosed in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus. Additionally, no relationship, direct or indirect, exists between the Company, on the one hand, and the members of the Company, on the other hand, that is required by the Securities Act to be disclosed in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus that is not so disclosed.

*(jj) Investment Company Act.* The Company is not, and as of the applicable Delivery Date and, after giving effect to the offer and sale of the Units and the application of the proceeds therefrom as described under “Use of Proceeds” in the most recent Preliminary Prospectus and the Prospectus, will not be, an “investment company” or

controlled by an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an investment company within the meaning of such term under the Investment Company Act, and the rules and regulations of the Commission thereunder.

(kk) *Legal Proceedings.* Except as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject that could, in the aggregate, reasonably be expected to have a Material Adverse Effect or could, in the aggregate, reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of the transactions contemplated hereby; and to the knowledge of the Company, no such proceedings are threatened or contemplated by governmental authorities or others.

(ll) *ERISA.* Other than with respect to items that would not reasonably be expected to have a Material Adverse Effect, (i) each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended (“**ERISA**”)) for which the Company or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the “**Code**”)) would have any liability (each a “**Plan**”) has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption; (iii) with respect to each Plan subject to Title IV of ERISA (A) no “reportable event” (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur, (B) no “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur, (C) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan), and (D) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including a “multiemployer plan”, within the meaning of Section 4001(c)(3) of ERISA); and (iv) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(mm) *Tax Returns.* (i) The Company has filed all federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof, other than returns as to which the failure to file, individually or in the aggregate, would not have a Material Adverse Effect and subject to permitted extensions, (ii) the Company has paid all taxes due thereon, other than taxes being challenged in good faith by the Company and (iii) no tax deficiency has been determined adversely to the Company that could, nor does the Company have any knowledge of any tax deficiencies that could, in the aggregate, reasonably be expected to have a Material Adverse Effect, except those that are being

contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles.

*(nn) No Brokers.* Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or the Underwriters for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Units.

*(oo) Stabilization.* The Company has not taken, directly or indirectly, any action designed to or that has constituted or that could reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Trust in connection with the offering of the Units.

*(pp) Distribution of Offering Materials.* Neither the Company nor any person acting on behalf of the Company has distributed and, prior to the later to occur of any Delivery Date and completion of the distribution of the Units, will not distribute any offering material in connection with the offering and sale of the Units other than any Preliminary Prospectus, the Prospectus, and any Issuer Free Writing Prospectus to which the Representatives have consented in accordance with Section 6(f) and, in connection with the Directed Unit Program, the enrollment materials prepared by Barclays Capital Inc. on behalf of the Trust and the Company.

*(qq) Anti-Corruption.* Neither the Company nor, to the knowledge of the Company, any person associated with or acting on behalf of the Company, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

*(rr) Money-Laundering Laws.* The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the Money Laundering Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

*(ss) Office of Foreign Assets Control.* Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by OFAC; and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(tt) *Directed Unit Program.* The Company has not offered, or caused Barclays Capital Inc. to offer, Units to any person pursuant to the Directed Unit Program with the specific intent to unlawfully influence (i) a customer or supplier of the Trust or the Company to alter the customer's or supplier's level or type of business with the Trust or the Company or (ii) a trade journalist or publication to write or publish favorable information about the Trust or the Company, their respective businesses or assets.

(uu) *No Material Non-Public Information.* The Company is not prompted to sell the Units by any information concerning the Trust that is not set forth in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus.

(vv) *Internal Policies.* The sale of the Units by the Company does not violate any of the Company's internal policies.

(ww) *Lock-up Agreements.* The Company has procured letters, substantially in the form of Exhibit A-1 hereto (the "**Lock-Up Agreements**"), of each officer, director and member of the Company set forth on Schedule 2 hereto.

(xx) *No Restrictions on Payments.* The Company is not currently prohibited, directly or indirectly, from making any payments on account of the Net Profits Interest to the Trust.

(yy) *Solvency.* Immediately after the Closing Date, the Company (after giving effect to the Conveyance and the other transactions contemplated hereby) will be Solvent. As used in this paragraph, the term "Solvent" means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of the assets of the Company is not less than the total amount required to pay the probable liabilities of the Company on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (ii) the Company is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (iii) the Company is not engaged in any business or transaction, and is not about to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Company is engaged and (v) the Company is not a defendant in any civil action that would result in a judgment that the Company would become unable to satisfy. In computing the amount of such contingent liabilities at any time, it is intended that such liabilities will be computed at the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

(zz) *Ratings.* The Company has no debt securities or preferred stock that is rated by any "nationally recognized statistical rating organization" (as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act).

(aaa) *Preferential Rights and Consents.* None of (i) the issuance and sale of the Units as described in the Registration Statement, the most recent Preliminary Prospectus and the Prospectus, (ii) the execution, delivery and performance of this Agreement and the

Operative Agreements by the Trust and the Company and (iii) the consummation by the Trust and the Company of the Transactions or any other transactions contemplated by this Agreement or the Operative Agreements is subject to any third party preferential purchase rights, rights of first refusal, or similar rights with respect to the Subject Interests.

(bbb) *Effectiveness of Mergers.* Prior to the Initial Delivery Date, the Double Survivor Merger and the Merger will be effective under the Texas Business Corporation Act, the Texas LP Act and the Texas LLC Act.

(ccc) *Authorization and Qualification of Delaware Trustee.* The Delaware Trustee is a Delaware banking corporation duly authorized and empowered to act as Delaware trustee of the Trust pursuant to the Organizational Trust Agreement and the Trust Agreement.

(ddd) *Private Placement.* The sale and issuance of the 33,000,000 Trust Units to the Company pursuant to the Conveyance is exempt from the registration requirements of the Securities Act and securities laws of any state having jurisdiction with respect thereto, and neither the Trust nor the Company has taken or will take any action that would cause the loss of such exemption. The Company has not sold any securities that would be integrated with the offering of the Units contemplated by this Agreement pursuant to the Securities Act or the interpretations thereof by the Commission.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Units shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

3. *Purchase of the Units by the Underwriters.* On the basis of the representations, warranties and covenants contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell the Firm Units to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase the number of Firm Units set forth opposite that Underwriter's name in Schedule 1 hereto. The respective purchase obligations of the Underwriters with respect to the Firm Units shall be rounded among the Underwriters to avoid fractional units, as the Representatives may determine.

In addition, the Company grants to the Underwriters an option to purchase up to 1,980,000 Option Units. Such option is exercisable in the event that the Underwriters sell more than the number of Firm Units in the offering and as set forth in Section 5 hereof. Each Underwriter agrees, severally and not jointly, to purchase the number of Option Units (subject to such adjustments to eliminate fractional units as the Representatives may determine) that bears the same proportion to the total number of Option Units to be sold on such Delivery Date as the number of Firm Units set forth in Schedule 1 hereto opposite the name of such Underwriter bears to the total number Firm Units.

The purchase price payable by the Underwriters for both the Firm Units and any Option Units purchased by the Underwriters shall be \$• per unit less an amount equal to any distributions declared by the Trust and payable on each Firm Unit but not on each Option Unit.

The Company is not obligated to deliver any of the Firm Units or Option Units to be delivered on the applicable Delivery Date, except upon payment for all such Trust Units to be purchased on such Delivery Date as provided herein.

4. Offering of Units by the Underwriters. Upon authorization by the Representatives of the release of the Firm Units, the several Underwriters propose to offer the Firm Units for sale upon the terms and conditions to be set forth in the Prospectus.

The Company agrees to pay all fees and disbursements incurred by the Underwriters in connection with the Directed Unit Program and any stamp duties or other taxes incurred by the Underwriters in connection with the Directed Unit Program.

5. Delivery of and Payment for the Units. Delivery of and payment for the Firm Units shall be made at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representatives and the Trust. This date and time are sometimes referred to as the "**Initial Delivery Date.**" Delivery of the Firm Units shall be made to the Representatives for the account of each Underwriter against payment by the several Underwriters through the Representatives and of the respective aggregate purchase prices of the Firm Units being sold by the Company to or upon the order of the Company of the purchase price by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Firm Units through the facilities of DTC unless the Representatives shall otherwise instruct.

The option granted in Section 3 will expire 30 days after the date of this Agreement and may be exercised in whole or from time to time in part by written notice being given to the Company by the Representatives; *provided* that if such date falls on a day that is not a business day, the option granted in Section 3 will expire on the next succeeding business day. Such notice shall set forth the aggregate number of Option Units as to which the option is being exercised, the names in which the Option Units are to be registered, the denominations in which the Option Units are to be issued and the date and time, as determined by the Representatives, when the Option Units are to be delivered; *provided, however*, that this date and time shall not be earlier than the Initial Delivery Date nor earlier than the second business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised. Each date and time any Option Units are delivered is sometimes referred to as an "**Option Units Delivery Date,**" and the Initial Delivery Date and any Option Units Delivery Date are sometimes each referred to as a "**Delivery Date.**"

Delivery of the Option Units by the Company and payment for the Option Units by the several Underwriters through the Representatives shall be made at 10:00 A.M., New York City time, on the date specified in the corresponding notice described in the preceding paragraph or at such other date or place as shall be determined by agreement between the Representatives and the Company. On the Option Units Delivery Date, the Company shall deliver or cause to be delivered the Option Units to the Representatives for the account of each Underwriter against payment by the several Underwriters through the Representatives and of the respective aggregate purchase prices of the Option Units being sold by the Company to or upon the order of the



Company of the purchase price by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Option Units through the facilities of DTC unless the Representatives shall otherwise instruct.

6. *Further Agreements of the Parties.* Each of the Trust and the Company severally agrees:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Delivery Date except as provided herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment or supplement to the Registration Statement or the Prospectus has been filed and to furnish the Representatives with copies thereof; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus, of the suspension of the qualification of the Units for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding or examination for any such purpose or of any request by the Commission for the amending or supplementing of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) To furnish promptly to the Representatives and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (A) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement), (B) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus and (C) each Issuer Free Writing Prospectus; and, if the delivery of a prospectus is required at any time after the date hereof in connection with the offering or sale of the Units or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Representatives and, upon its request, to file such document and to

prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus that will correct such statement or omission or effect such compliance;

(d) To file promptly with the Commission any amendment or supplement to the Registration Statement or the Prospectus that may, in the judgment of the Trust, the Company or the Representatives, be required by the Securities Act or requested by the Commission;

(e) Prior to filing with the Commission any amendment or supplement to the Registration Statement or the Prospectus, to furnish a copy thereof to the Representatives and counsel for the Underwriters and obtain the consent of the Representatives to the filing;

(f) Not to make any offer relating to the Units that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representatives;

(g) To comply with all applicable requirements of Rule 433 under the Securities Act with respect to any Issuer Free Writing Prospectus. If at any time after the date hereof any events shall have occurred as a result of which any Issuer Free Writing Prospectus, as then amended or supplemented, would conflict with the information in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it shall be necessary to amend or supplement any Issuer Free Writing Prospectus, to notify the Representatives and, upon their request, to file such document and to prepare and furnish without charge to each Underwriter as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Issuer Free Writing Prospectus that will correct such conflict, statement or omission or effect such compliance;

(h) As soon as practicable after the Effective Date (it being understood that the Trust shall have until at least 410 days or, if the fourth quarter following the fiscal quarter that includes the Effective Date is the last fiscal quarter of the Company's fiscal year, 455 days after the end of the Trust's current fiscal quarter), to make generally available to the Trust's security holders and to deliver to the Representatives an earnings statement of the Trust (which need not be audited) complying with Section 11(a) of the Securities Act and the rules and regulations thereunder (including, at the option of the Trust, Rule 158);

(i) To cooperate with the Representatives and counsel for the Underwriters in connection with the registration or qualification of the Units for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as the Representatives may reasonably designate and to file such consents to service of process or other documents as may be reasonably necessary in order to effect and maintain such registration or qualification for so long as required to complete the

distribution of the Units; *provided* that in no event shall the Company or the Trust be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to general service of process in suits, other than those arising out of the offering or sale of the Units, as contemplated by this Agreement and the Prospectus, in any jurisdiction where it is not now so subject. In the event that the qualification of the Units in any jurisdiction is suspended, the Company and the Trust shall so advise you promptly in writing;

(j) For a period commencing on the date hereof and ending on the 180th day after the date of the Prospectus (the “**Lock-Up Period**”), not to, directly or indirectly, (A) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Trust Units (including, without limitation, Trust Units that may be deemed to be beneficially owned by the Company in accordance with the rules and regulations of the Commission and Trust Units that may be issued upon exercise of any options or warrants) or securities convertible into or exchangeable for Trust Units, or sell or grant options, rights or warrants with respect to any Trust Units or securities convertible into, exercisable or exchangeable for Trust Units (other than the offer and sale of the Firm Units and the Option Units), (B) enter into any swap or other derivative transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of such Trust Units, whether any such transaction described in clause (A) or (B) above is to be settled by delivery of Trust Units or other securities, in cash or otherwise, (C) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any Trust Units or securities convertible, exercisable or exchangeable into Trust Units or any other securities of the Trust or (D) publicly disclose the intention to do any of the foregoing, in each case without the prior written consent of Barclays Capital Inc., on behalf of the Underwriters, and to furnish or cause to be furnished to the Representatives, prior to the Initial Delivery Date, each of the Lock-Up Agreements; notwithstanding the foregoing, if (x) during the last 17 days of the Lock-Up Period, the Trust issues an earnings release or material news or a material event relating to the Trust occurs or (y) prior to the expiration of the Lock-Up Period, the Trust announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions imposed in this paragraph shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, unless Barclays Capital Inc. on behalf of the Underwriters, agrees not to require such extension in writing;

(k) In the case of the Company, to apply the net proceeds from the sale of the Units being sold by the Company substantially in accordance with the description as set forth in the Prospectus under the caption “Use of Proceeds”;

(l) In the case of the Trust, to file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Securities Act;

(m) If the Trust and the Company elect to rely upon Rule 462(b) under the Securities Act, to file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) under the Securities Act by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing pay the Commission the filing fee for the Rule 462(b) Registration Statement;

(n) In connection with the Directed Unit Program, the Company shall ensure that any of the officers or managers of the Company that are Directed Trust Units Participants will be restricted from sale, transfer, assignment, pledge or hypothecation to the same extent as sales and dispositions of Trust Units by the Company are restricted pursuant to Section 6(j). At the request of Barclays Capital Inc., the Trust will direct the transfer agent to place stop transfer restrictions upon such securities held by such individuals for such period of time as is consistent with Section 6(j);

(o) None of the Trust, the Company nor any of their affiliates will take, directly or indirectly, any action designed to or that has constituted or that reasonably would be expected to cause or result in the stabilization or manipulation of the price of any security of the Trust in connection with the offering of the Units; and

(p) To do and perform all things required or necessary to be done and performed under this Agreement by it prior to each Delivery Date, and to satisfy all conditions precedent to the Underwriters' obligations hereunder to purchase the Units.

7. *Further Agreements of the Company.* The Company agrees that:

(a) Not more than seven days following the Closing Date, it will record the Conveyance in the Recorder of Deeds in the Register and Recorder's Offices of the Texas and New Mexico counties and Louisiana parishes where the Subject Interests are located. The Company will provide to the Underwriters evidence of such filings reasonably satisfactory to counsel for the Underwriters as promptly as practicable following the time of such filings, and in any event not more than sixty days following the Closing Date;

(b) Prior to engaging in any transaction or taking any other action that is subject to the terms of Section 6(j) during the period from the date of this Agreement to and including the 34<sup>th</sup> day following the expiration of the Lock-Up Period, it will give notice thereof to the Trust and will not consummate such transaction or take any such action unless it has received written confirmation from the Trust that the Lock-Up Period (as such may have been extended pursuant to Section 6(j)) has expired;

(c) Neither the Company nor any person acting on behalf of the Company (other than, if applicable, the Trust and the Underwriters) shall use or refer to any "free writing prospectus" (as defined in Rule 405 under the Securities Act), relating to the Units;

(d) To deliver to the Representatives prior to the Initial Delivery Date a properly completed and executed United States Treasury Department Form W-9.

8. *Expenses.* The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all expenses, costs, fees and taxes incident to and in connection with (a) the authorization, issuance, sale and delivery of the Units and any stamp duties or other taxes payable in that connection, and the preparation and printing of certificates for the Units; (b) the preparation, printing and filing under the Securities Act of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto; (c) the distribution of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto, all as provided in this Agreement; (d) the production and distribution of this Agreement, any supplemental agreement among Underwriters, and any other related documents in connection with the offering, purchase, sale and delivery of the Units; (e) any required review by the FINRA of the terms of sale of the Units, but not including related fees and expenses of counsel to the Underwriters related to such review; (f) the listing of the Units on The New York Stock Exchange; (g) the preparation, printing and distribution of a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters); (h) the offer and sale of the Units by the Underwriters in connection with the Directed Unit Program, including the fees and disbursements of counsel to the Underwriters related thereto, the costs and expenses of preparation, printing and distribution of the Directed Unit Program material and all stamp duties or other taxes incurred by the Underwriters in connection with the Directed Unit Program; (i) the investor presentations on any "road show" undertaken in connection with the marketing of the Units, including, without limitation, expenses associated with any electronic road show, travel and lodging expenses of the representatives and officers of the Trust and the Company and half of the cost of any aircraft chartered in connection with the road show; and (j) all other costs and expenses incident to the performance of the obligations of the Trust and the Company under this Agreement; *provided that*, except as provided in this Section 8 and in Section 13, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Units which they may sell and the expenses of advertising any offering of the Units made by the Underwriters.

9. *Conditions of Underwriters' Obligations.* The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Trust and the Company contained herein, to the performance by the Trust and the Company of their respective obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 6(a); the Trust and the Company each shall have complied with all filing requirements applicable to any Issuer Free Writing Prospectus used or referred to after the date hereof; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus shall have been issued and no proceeding or examination for such purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with. If the Trust and the Company have elected to rely upon Rule 462(b) under the Securities Act, the Rule 462(b)

Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement.

(b) No Underwriter shall have discovered and disclosed to the Trust or the Company on or prior to such Delivery Date that the Registration Statement, the Prospectus or the Pricing Disclosure Package, or any amendment or supplement thereto, contains an untrue statement of a fact which, in the opinion of Baker Botts L.L.P., counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All limited liability company and trust proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Units, the Registration Statement, the Prospectus and any Issuer Free Writing Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Trust and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) Latham & Watkins LLP shall have furnished to the Representatives its written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially in the form attached hereto as Exhibit B-1.

(e) Gordon, Arata, McCollam, Duplantis & Eagan, LLC, shall have furnished to the Representatives its written opinion, as Louisiana counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially in the form attached hereto as Exhibit B-2.

(f) Hinkle, Hensley, Shanor & Martin, L.L.P., shall have furnished to the Representatives its written opinion, as New Mexico counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially in the form attached hereto as Exhibit B-3.

(g) Richards, Layton & Finger, P.A. shall have furnished to the Representatives its written opinion, as special Delaware counsel to the Trust, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially in the form attached hereto as Exhibit B-4.

(h) Bracewell & Giuliani LLP shall have furnished to the Representatives its written opinion, as counsel to the Trustee, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, substantially in the form attached hereto as Exhibit B-5.

(i) The Representatives shall have received from Baker Botts L.L.P., counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Units, the Registration Statement, the Prospectus and the Pricing Disclosure Package and other related matters as the Representatives may reasonably require, and the Trust and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(j) At the time of execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter, in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent Preliminary Prospectus, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(k) With respect to the letter of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the "**initial letter**"), the Company shall have furnished to the Representatives a letter (the "**bring-down letter**") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than three days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(l) At the time of execution of this Agreement, the Representatives shall have received from Cawley Gillespie an initial letter (the "**initial expert letter**"), in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof and a subsequent letter dated as of the Delivery Date, which such letter shall cover the period from any initial expert letter to the Delivery Date, stating the conclusions and findings of such firm with respect to oil and gas reserves of the Underlying Properties and Net Profits Interest as is customary to underwriters in connection with registered public offerings.

(m) The Trust shall have furnished to the Representatives a certificate, dated such Delivery Date, of the Trust as to such matters as the Representatives may reasonably request, including, without limitation, a statement that:

(i) The representations, warranties and agreements of the Trust in Section 1 are true and correct on and as of such Delivery Date, and the Trust has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued; and no proceedings or examination for that purpose have been instituted or, to the knowledge of the Trust, threatened; and

(iii) The Trust has examined the Registration Statement, the Prospectus and the Pricing Disclosure Package, and, in its opinion, (i) (A) the Registration Statement, as of the Effective Date, (B) the Prospectus, as of its date and on the applicable Delivery Date, and (C) the Pricing Disclosure Package, as of the Applicable Time, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (except in the case of the Registration Statement, in the light of the circumstances under which they were made) not misleading, and (ii) since the Effective Date, no event has occurred that should have been set forth in a supplement or amendment to the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus that has not been so set forth.

(n) The Company shall have furnished to the Representatives a certificate, dated such Delivery Date, of the Company's Chief Executive Officer and Chief Financial Officer as to such matters as the Representatives may reasonably request, including, without limitation, a statement that:

(i) The representations, warranties and agreements of the Company in Section 1 and Section 2 are true and correct on and as of such Delivery Date, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued; and no proceedings or examination for that purpose have been instituted or, to the knowledge of such persons, threatened; and

(iii) They have examined the Registration Statement, the Prospectus and the Pricing Disclosure Package, and, in their opinion, (i) (A) the Registration Statement, as of the Effective Date, (B) the Prospectus, as of its date and on the applicable Delivery Date, and (C) the Pricing Disclosure Package, as of the Applicable Time, did not and do not contain any untrue statement of a material



fact and did not and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (except in the case of the Registration Statement, in the light of the circumstances under which they were made) not misleading, and (ii) since the Effective Date, no event has occurred that should have been set forth in a supplement or amendment to the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus that has not been so set forth.

(o) None of the Trust, the Underlying Properties or the Company or any of its subsidiaries shall have sustained, since the date of the latest audited financial statements included in the most recent Preliminary Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) since such date there shall not have been any change in the capitalization or long-term debt of the Trust or the Company or any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), results of operations, properties, business or prospects of the Trust or the Company, the effect of which, in any such case described in clause (i) or (ii), is, individually or in the aggregate, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Units being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(p) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on The New York Stock Exchange, The NASDAQ Global Select Market, The NASDAQ Global Market or The NASDAQ Capital Market or in the over-the-counter market, or trading in Trust Units on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement and clearance of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a general moratorium on commercial banking activities shall have been declared by federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), as to make it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the public offering or delivery of the Units being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(q) The New York Stock Exchange shall have approved the Units for listing, subject only to official notice of issuance and evidence of satisfactory distribution.

(r) The Lock-Up Agreements between the Representatives and the officers, directors and stockholders of the Company set forth on Schedule 2, delivered to the Representatives on or before the date of this Agreement, shall be in full force and effect on such Delivery Date.

(s) On or prior to each Delivery Date, the Trust and the Company shall have furnished to the Underwriters such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

*10. Indemnification and Contribution.*

(a) The Company and the Trust each hereby agrees to indemnify and hold harmless each Underwriter, its directors, officers, employees, agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and any "affiliate" (within the meaning of Rule 405 under the Securities Act) of such Underwriter participating in the offering of the Units, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Units), to which that Underwriter, affiliate, director, officer, employee, agent or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, the Prospectus or in any amendment or supplement thereto, (B) any Issuer Free Writing Prospectus or in any amendment or supplement thereto, (C) any "issuer information" (as defined in Rule 433 under the Securities Act) in any "free writing prospectus" (as defined in Rule 405 under the Securities Act) used or referred to by such Underwriter with the prior consent of the Trust and the Company (any such issuer information with respect to whose use the Trust and the Company has given its consent, "**Permitted Issuer Information**"), (D) any materials or information provided to investors by, or with the approval of, the Trust and the Company in connection with the marketing of the offering of the Units, including any "road show" (as defined in Rule 433 under the Securities Act) not constituting an Issuer Free Writing Prospectus ("**Marketing Materials**") or (E) any Blue Sky application or other document prepared or executed by the Company or the Trust (or based upon any written information furnished by the Company or the Trust for use therein) specifically for the purpose of qualifying any or all of the Units under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "**Blue Sky Application**") or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information, any Marketing Materials or any Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein (in the case of any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or any

amendment or supplement thereto or in any Permitted Issuer information, Marketing Materials or any Blue Sky Application, in light of the circumstances under which they were made) not misleading, and shall reimburse each Underwriter and each such affiliate, director, officer, employee, agent or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, affiliate, director, officer, employee, agent or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that neither the Company nor the Trust shall be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any such amendment or supplement thereto or in any Permitted Issuer Information, any Marketing Materials or any Blue Sky Application, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company or the Trust through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 10(f). The foregoing indemnity agreement is in addition to any liability which the Company or the Trust may otherwise have to any Underwriter or to any affiliate, director, officer, employee, agent or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Trust, the Company, their respective trustees, directors, officers and employees, and each person, if any, who controls the Trust or the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Trust, the Company or any such trustee, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Marketing Materials or Blue Sky Application, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Marketing Materials or Blue Sky Application, any material fact required to be stated therein or necessary to make the statements therein (in the case of any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or any amendment or supplement thereto or in any Permitted Issuer Information, Marketing Materials or Blue Sky Application, in light of the circumstances under which they were made) not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company or the Trust through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 10(f). The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise

have to the Trust, the Company or any such trustee, director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 10 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 10, notify the indemnifying party in writing of the claim or the commencement of that action; *provided, however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 10 except to the extent it has been materially prejudiced (through the forfeiture of substantive rights and defenses) by such failure and, *provided, further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 10. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 10 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided, however*, that the indemnified party shall have the right to employ counsel to represent jointly the indemnified party and those other indemnified parties and their respective trustees, directors, officers, employees, agents and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought under this Section 10 if (i) the indemnified party and the indemnifying party shall have so mutually agreed; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party and its trustees, directors, officers, employees, agents and controlling persons shall have reasonably concluded that there may be legal defenses available to them that are different from or in addition to those available to the indemnifying party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnified parties or their respective trustees, directors, officers, employees, agents or controlling persons, on the one hand, and the indemnifying party, on the other hand, and representation of both sets of parties by the same counsel would be inappropriate due to actual or potential differing interests between them, and in any such event the fees and expenses of such separate counsel shall be paid by the indemnifying party. No indemnifying party shall (x) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include a statement as to an admission of fault, culpability or a failure to act by or on behalf of any indemnified party, or (y) be liable for any settlement of any such action effected without its written consent (which consent shall

not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) Notwithstanding the foregoing, the Trust shall not be obligated to make any payments to an indemnified party under this Section 10 until the earlier to occur of the following: (a) with respect to a final, nonappealable judgment of a court of competent jurisdiction or a settlement agreement, the Company has not paid such indemnified party the amount owed within 30 days of the due date under such judgment or settlement, (ii) with respect to expenses, the Company has not paid such indemnified party the amount owed within 30 days of submission by the indemnified party for reimbursement of such expenses or (iii) the Company shall become the subject of any bankruptcy or insolvency proceedings or publicly declares its inability to pay its debts as they become due.

(e) If the indemnification provided for in this Section 10 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 10(a), 10(b), or 10(g) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Trust, on the one hand, and the Underwriters, on the other, from the offering of the Units or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Trust, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Trust, on the one hand, and the Underwriters, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Units purchased under this Agreement (before deducting expenses) received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the Units purchased under this Agreement, as set forth in the table on the cover page of the Prospectus, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Trust, the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Trust, the Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 10(e) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to

above in this Section 10(e) shall be deemed to include, for purposes of this Section 10(e), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10(e), in no event shall an Underwriter be required to contribute any amount in excess of the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Units exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 10(e) are several in proportion to their respective underwriting obligations and not joint.

(f) The Underwriters severally confirm and the Trust and the Company acknowledge and agree that (i) the second paragraph under "Commissions and Expenses" and (ii) paragraphs under "Stabilization, Short Positions and Penalty Bids," each under the caption "Underwriting (Conflicts of Interest)" in the most recent Preliminary Prospectus and Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Marketing Materials.

(g) The Trust and the Company shall indemnify and hold harmless Barclays Capital Inc. (including its affiliates, directors, officers, employees and agents) and each person, if any, who controls Barclays Capital Inc. within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act ("**Barclays Entities**"), from and against any loss, claim, damage or liability or any action in respect thereof to which any of the Barclays Entities may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action (i) arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the approval of the Trust or the Company for distribution to Directed Unit Participants in connection with the Directed Unit Program or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) arises out of, or is based upon, the failure of the Directed Unit Participant to pay for and accept delivery of Directed Trust Units that the Directed Unit Participant agreed to purchase or (iii) is otherwise related to the Directed Unit Program; *provided* that neither the Trust nor the Company shall be liable under this clause (iii) for any loss, claim, damage, liability or action that is determined in a final judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Barclays Entities. The Company shall reimburse the Barclays Entities promptly upon demand for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred.

11. *Defaulting Underwriters.* (a) If, on any Delivery Date, any Underwriter defaults in its obligations to purchase the Units that it has agreed to purchase under this Agreement, the remaining non-defaulting Underwriters may in their discretion arrange for the purchase of such Units by the non-defaulting Underwriters or other persons satisfactory to the Trust and the Company on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Units, then the Trust and the Company shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Units on such terms. In the event that within the respective prescribed periods, the non-defaulting Underwriters notify the Trust and the Company that they have so arranged for the purchase of such Units, or the Trust and the Company notifies the non-defaulting Underwriters that they have so arranged for the purchase of such Units, either the non-defaulting Underwriters or the Company may postpone such Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Trust, counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement, and the Trust and the Company agree to promptly prepare any amendment or supplement to the Registration Statement, the Prospectus or in any such other document or arrangement that effects any such changes. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto that, pursuant to this Section 11, purchases Units that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Units of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Trust and the Company as provided in paragraph (a) above, the total number of Units that remains unpurchased does not exceed one-eleventh of the total number of all the Units, then the Trust and the Company shall have the right to require each non-defaulting Underwriter to purchase the total number of Units that such Underwriter agreed to purchase hereunder plus such Underwriter's pro rata share (based on the total number of Units that such Underwriter agreed to purchase hereunder) of the Units of such defaulting Underwriter or Underwriters for which such arrangements have not been made; provided that the non-defaulting Underwriters shall not be obligated to purchase more than 110% of the total number of Units that it agreed to purchase on such Delivery Date pursuant to the terms of Section 3.

(c) If, after giving effect to any arrangements for the purchase of the Units of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters and the Trust and the Company as provided in paragraph (a) above, the total number of shares of Units that remains unpurchased exceeds one-eleventh of the total number of Units, or if the Trust and the Company shall not exercise the right described in paragraph (b) above, then this Agreement shall terminate without liability on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 11 shall be without liability on the part of the Trust or the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Sections 8 and 13 and except that the provisions of Section 10 shall not terminate and shall remain in effect.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company or any non-defaulting Underwriter for damages caused by its default.

12. *Termination.* The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company and the Trust prior to delivery of and payment for the Firm Units if, prior to that time, any of the events described in Sections 9(n) and 9(o) shall have occurred or if the Underwriters shall decline to purchase the Units for any reason permitted under this Agreement.

13. *Reimbursement of Underwriters' Expenses.* If (a) the Company shall fail to tender the Units for delivery to the Underwriters for any reason, or (b) the Underwriters shall decline to purchase the Units for any reason permitted under this Agreement, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel for the Underwriters) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Units, and upon demand the Company shall pay the full amount thereof to the Representatives. If this Agreement is terminated pursuant to Section 11 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

14. *Research Analyst Independence.* Each of the Company and the Trust acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company, the Trust and/or the offering that differ from the views of their respective investment banking divisions. Each of the Company and the Trust hereby waives and releases, to the fullest extent permitted by law, any claims that the Company or the Trust, as the case may be, may have against the Underwriters with respect to any conflict of interest that may arise from the fact that the views expressed by their independent research analysts and research departments may be different from or inconsistent with the views or advice communicated to the Company or the Trust by such Underwriters' investment banking divisions. Each of the Company and the Trust acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

15. *No Fiduciary Duty.* The Company and the Trust each acknowledges and agrees that in connection with this offering and sale of the Units or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (a) no fiduciary or agency relationship between the Company, the Trust and any other person, on the one hand, and the Underwriters, on the other, exists; (b) the Underwriters are not acting as advisors, expert or otherwise, to either the Company or the Trust, including, without limitation, with respect to the determination of the public offering price of the Units, and such relationship between the Company and the Trust, on the one hand, and the Underwriters, on the other, is entirely and solely commercial, based on



arms-length negotiations; (c) any duties and obligations that the Underwriters may have to the Company or the Trust shall be limited to those duties and obligations specifically stated herein; and (d) the Underwriters and their respective affiliates may have interests that differ from those of the Company and the Trust. The Company and the Trust each hereby waives any claims that the Company or the Trust may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

16. *Notices, etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail or facsimile transmission to Barclays Capital Inc., 200 Park Avenue, New York, New York 10166, Attention: Syndicate Registration (Fax: [•]), with a copy, in the case of any notice pursuant to Section 10(c), to the Director of Litigation, Office of the General Counsel, Barclays Capital Inc., 200 Park Avenue, New York, New York 10166;

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Jon S. Brumley, President and Chief Executive Officer (Fax: •); and

(c) if to the Trust, shall be delivered or sent by mail or facsimile transmission to the address of the Trust set forth in the Registration Statement, Attention: Michael J. Ulrich (Fax: 512-479-2253).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company and the Trust shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Barclays Capital Inc. on behalf of the Representatives.

17. *Persons Entitled to Benefit of Agreement.* This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, the Trust and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (a) the representations, warranties, indemnities and agreements of the Company and the Trust contained in this Agreement shall also be deemed to be for the benefit of the directors, officers, employees and agents of the Underwriters and each person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act, and (b) the indemnity agreement of the Underwriters contained in Section 10(c) of this Agreement shall be deemed to be for the benefit of the trustees of the Trust, the directors of the Company or the Trust, the officers of the Company or the Trust who have signed the Registration Statement and any person controlling the Company or the Trust within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 17, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

18. *Survival.* The respective indemnities, representations, warranties and agreements of the Company, the Trust and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the

delivery of and payment for the Units and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

19. *Definition of the Terms "Business Day", "Affiliate" and "Subsidiary"*. For purposes of this Agreement, (a) "**business day**" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "**affiliate**" and "**subsidiary**" shall have the meanings set forth in Rule 405 under the Securities Act.

20. *Governing Law*. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York.**

21. *Waiver of Jury Trial*. The Trust, the Company and the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

22. *Patriot Act*. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company and the Trust, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

23. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

24. *Limitation of Trustee's Liability*. It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by the Trustee not individually or personally, but solely as Trustee in the exercise of the powers and authority conferred and vested in it and (b) under no circumstances shall the Trustee be liable for any liability of the Trust or for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trust under this Agreement.

25. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[Signature pages follow]

If the foregoing correctly sets forth the agreement among the Company, the Trust and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

ENDURO RESOURCE PARTNERS LLC

By:

\_\_\_\_\_  
Name: Jon S. Brumley  
Title: President and Chief Executive Officer

ENDURO ROYALTY TRUST

By: The Bank of New York Mellon  
Trust Company, N.A., *Trustee*

By:

\_\_\_\_\_  
Name: Michael J. Ulrich  
Title: Vice President

Accepted:

BARCLAYS CAPITAL INC.  
CITIGROUP GLOBAL MARKETS INC.  
GOLDMAN, SACHS & CO.  
RBC CAPITAL MARKETS, LLC  
WELLS FARGO SECURITIES, LLC

For themselves and as Representatives  
of the several Underwriters named  
in Schedule 1 hereto

By: BARCLAYS CAPITAL INC.

By: \_\_\_\_\_  
*Authorized Representative*

By: CITIGROUP GLOBAL MARKETS INC.

By: \_\_\_\_\_  
*Authorized Representative*

By: GOLDMAN, SACHS & CO.

By: \_\_\_\_\_  
*Authorized Representative*

By: RBC CAPITAL MARKETS, LLC

By: \_\_\_\_\_  
*Authorized Representative*

By: WELLS FARGO SECURITIES, LLC

By: \_\_\_\_\_  
*Authorized Representative*

**SCHEDULE 1**

<u>Underwriters</u>	<u>Number of Firm Units</u>
Barclays Capital Inc.	
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
RBC Capital Markets, LLC	
Wells Fargo Securities, LLC	
Morgan Keegan & Company, Inc.	
Robert W. Baird & Co. Incorporated	
Stifel, Nicolaus & Company, Incorporated	
Wunderlich Securities, Inc.	
Total	<u>13,200,000</u>

**SCHEDULE 2**

PERSONS DELIVERING LOCK-UP AGREEMENTS

**Directors and Officers**

Jon S. Brumley  
David Leuschen  
Pierre F. Lapeyre, Jr.  
N. John Lancaster  
I. Jon Brumley  
John W. Arms  
Kimberly A. Weimer  
Bill R. Pardue  
David J. Grahek

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**SCHEDULE 3**

ORALLY CONVEYED PRICING INFORMATION

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**SCHEDULE 4**

ISSUER FREE WRITING PROSPECTUSES

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## FORM OF LOCK-UP LETTER AGREEMENT

BARCLAYS CAPITAL INC.  
As Representative of the several  
Underwriters named in Schedule 1,  
c/o Barclays Capital Inc.  
200 Park Avenue  
New York, New York 10166

Ladies and Gentlemen:

The undersigned understands that you and certain other firms (the "**Underwriters**") propose to enter into an Underwriting Agreement (the "**Underwriting Agreement**") providing for the purchase by the Underwriters of trust units (the "**Units**") of beneficial interest of Enduro Royalty Trust, a Delaware Statutory Trust (the "**Trust**"), and that the Underwriters propose to reoffer the Units to the public (the "**Offering**").

In consideration of the execution of the Underwriting Agreement by the Underwriters, and for other good and valuable consideration, the undersigned hereby irrevocably agrees that, without the prior written consent of Barclays Capital Inc., on behalf of the Underwriters, the undersigned will not, directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Units (including, without limitation, Units that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and Units that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for Units, (2) enter into any swap or other derivative transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Units, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Units or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any Units or securities convertible, exercisable or exchangeable into Units or any other securities of the Trust or (4) publicly disclose the intention to do any of the foregoing, for a period commencing on the date hereof and ending on the 180th day after the date of the Prospectus relating to the Offering (such 180-day period, the "**Lock-Up Period**").

Notwithstanding the foregoing, if (1) during the last 17 days of the Lock-Up Period, the Trust issues an earnings release or material news or a material event relating to the Trust occurs or (2) prior to the expiration of the Lock-Up Period, the Trust announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Lock-Up Letter Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the

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occurrence of the material event, unless such extension is waived by Barclays Capital Inc. in writing. The undersigned hereby further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Lock-Up Letter Agreement during the period from the date of this Lock-Up Letter Agreement to and including the 34<sup>th</sup> day following the expiration of the Lock-Up Period, it will give notice thereof to the Trust and will not consummate such transaction or take any such action unless it has received written confirmation from the Trust that the Lock-Up Period (as such may have been extended pursuant to this paragraph) has expired.

In furtherance of the foregoing, the Trust and its transfer agent are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement.

It is understood that, if the Trust notifies the Underwriters that it does not intend to proceed with the Offering, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Units, the undersigned will be released from its obligations under this Lock-Up Letter Agreement.

The undersigned understands that the Company and the Underwriters will proceed with the Offering in reliance on this Lock-Up Letter Agreement.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation among the Trust, Enduro Resource Partners LLC and the Underwriters.

*[Signature page follows]*

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement and that, upon request, the undersigned will execute any additional documents necessary in connection with the enforcement hereof. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By: \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_

**FORM OF AGREEMENT AND PLAN OF MERGER**

**OF**

**ENDURO ROYALTY TRUST**

**AND**

**ENDURO TEXAS LLC**

This Agreement and Plan of Merger (this "Plan of Merger") is made as of the \_\_\_\_ day of \_\_\_\_\_, 2011, between Enduro Royalty Trust, a Delaware statutory trust (the "Trust"), and Enduro Texas LLC, a Texas limited liability company (the "Texas LLC").

**W I T N E S S E T H**

**WHEREAS**, the Trust desires to acquire the properties and other assets, and to assume all of the liabilities and obligations, of the Texas LLC by means of a merger of the Texas LLC with and into the Trust;

**WHEREAS**, Section 3815 of the Delaware Statutory Trust Act (the "Delaware Act") and Chapter 10 of the Texas Business Organizations Code (the "TBOC") authorize the merger of a Texas limited liability company with and into a Delaware statutory trust;

**WHEREAS**, the Trust and the Texas LLC now desire to merge (the "Merger"), following which the Trust shall be the surviving entity;

**WHEREAS**, the Merger, this Plan of Merger and the consummation of the Merger have been approved in accordance with the Delaware Act, the TBOC and the terms of the governing documents of the Trust and Texas LLC; and

**WHEREAS**, the sole member of the Texas LLC has approved this Plan of Merger and the consummation of the Merger.

**NOW THEREFORE**, the parties hereto hereby agree as follows:

**ARTICLE I  
THE MERGER**

SECTION 1.01. The Merger.

(a) After satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger, as the Trust shall determine, the Trust, which shall be the surviving entity, shall file a certificate of merger (the "Delaware Certificate of Merger") with the Secretary of State of the State of Delaware and make all other filings or recordings required by Delaware law in connection with the Merger. The Trust and the Texas LLC shall file a certificate of merger (the "Texas Certificate of Merger") with the Secretary of State of the State of Texas and make all other filings or recordings required by Texas law in connection with the Merger. The Merger shall become effective at such time as is specified in the Delaware Certificate of Merger and the Texas Certificate of Merger (the "Effective Time").

(b) At the Effective Time, the Texas LLC shall be merged with and into the Trust, whereupon the separate existence of the Texas LLC shall cease, and the Trust shall be the surviving entity of the Merger (the "Surviving Entity") in accordance with Section 3815 of the Delaware Act and Section 10.008 of the TBOC.

SECTION 1.02. Interests. At the Effective Time, the limited liability company interest in the Texas LLC outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be canceled and no consideration shall be issued in respect thereof. There shall be no change with respect to the beneficial interests in the Trust and contractual appraisal rights shall not be available as a result of the Merger.

ARTICLE II  
THE SURVIVING ENTITY

SECTION 2.01. Certificate of Trust and Trust Agreement. The Certificate of Trust and the Trust Agreement of the Trust, as in effect at the Effective Time, shall be the certificate of trust and trust agreement of the Surviving Entity unless and until amended in accordance with their terms and applicable law. The name of the Surviving Entity shall be Enduro Royalty Trust.

ARTICLE III  
TRANSFER AND CONVEYANCE OF ASSETS  
AND ASSUMPTION OF LIABILITIES

SECTION 3.01. Transfer, Conveyance and Assumption. At the Effective Time, the Trust shall continue in existence as the Surviving Entity, and without further transfer, succeed to and possess all of the rights, privileges and powers of the Texas LLC, and all of the assets and property of whatever kind and character of the Texas LLC shall vest in the Trust without further act or deed; thereafter, the Trust, as the Surviving Entity, shall be liable for all of the liabilities and obligations of the Texas LLC, and any claim or judgment against the Texas LLC may be enforced against the Trust, as the Surviving Entity, in accordance with Section 3815 of the Delaware Act and Section 10.008 of the TBOC.

SECTION 3.02. Further Assurances. If at any time the Trust shall consider or be advised that any further assignment, conveyance or assurance is necessary or advisable to

vest, perfect or confirm of record in the Surviving Entity the title to any property or right of the Texas LLC, or otherwise to carry out the provisions hereof, the proper representatives of the Texas LLC as of the Effective Time shall execute and deliver any and all proper deeds, assignments, and assurances and do all things necessary or proper to vest, perfect or convey title to such property or right in the Surviving Entity, and otherwise to carry out the provisions hereof.

ARTICLE IV  
TERMINATION

SECTION 4.01. Termination. This Plan of Merger may be terminated and the Merger may be abandoned at any time prior to the Effective Time:

(a) by mutual written consent of the Trust and the Texas LLC;

(b) by either the Trust, or the Texas LLC, if there shall be any law or regulation that makes consummation of the Merger illegal or otherwise prohibited, or if any judgment, injunction, order or decree enjoining the Trust or the Texas LLC from consummating the Merger is entered and such judgment, injunction, order or decree shall become final and nonappealable.

SECTION 4.02. Effect of Termination. If this Plan of Merger is terminated pursuant to Section 4.01, this Plan of Merger shall become void and of no effect with no liability on the part of either party hereto.

ARTICLE V  
MISCELLANEOUS

SECTION 5.01. Amendments; No Waivers. Any provision of this Plan of Merger may, subject to applicable law, be amended or waived prior to the Effective Time if, and only if, such amendment or waiver is in writing and signed by the Trust and the Texas LLC. No failure or delay by any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 5.02. Integration. All prior or contemporaneous agreements, contracts, promises, representations, and statements, if any, between the Trust and the Texas LLC, or their representatives, are merged into this Plan of Merger, and this Plan of Merger shall constitute the entire understanding between the Trust and the Texas LLC with respect to the subject matter hereof.

SECTION 5.03. Successors and Assigns. The provisions of this Plan of Merger shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer

any of its rights or obligations under this Plan of Merger without the consent of the other party hereto.

SECTION 5.04. Governing Law. This Plan of Merger shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

SECTION 5.05. Counterparts; Effectiveness. This Plan of Merger may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Plan of Merger shall become effective when each party hereto shall have received the counterpart hereof signed by the other party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Plan of Merger to be duly executed as of the day and year first above written.

ENDURO ROYALTY TRUST

By: The Bank of New York Mellon Trust  
Company, N.A., not individually but  
solely as trustee

By: \_\_\_\_\_  
Name:  
Title:

ENDURO TEXAS LLC

By: Enduro Resource Partners LLC, its  
sole member

By: \_\_\_\_\_  
Name:  
Title:

FORM OF AMENDED AND RESTATED  
TRUST AGREEMENT  
OF  
ENDURO ROYALTY TRUST  
AMONG  
ENDURO RESOURCE PARTNERS LLC  
and  
WILMINGTON TRUST COMPANY  
and  
THE BANK OF NEW YORK  
MELLON TRUST COMPANY, N.A.  
Dated: As of [•], 2011

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**AMENDED AND RESTATED  
TRUST AGREEMENT  
OF  
ENDURO ROYALTY TRUST**

This Amended and Restated Trust Agreement of Enduro Royalty Trust, a Delaware statutory trust (the “*Trust*”), is entered into effective as of the [•] day of [•], 2011, by and among ENDURO RESOURCE PARTNERS LLC, a Delaware limited liability company with its principal office in Fort Worth, Texas (“*Enduro*”), as trustor, WILMINGTON TRUST COMPANY, a trust company organized under the laws of the State of Delaware with its principal office in Wilmington, Delaware (“*Wilmington Trust*”), as Delaware Trustee (as hereinafter defined), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national association organized under the laws of the State of New York (the “*Bank*”), as Trustee (as hereinafter defined).

**WITNESSETH:**

WHEREAS, Enduro is engaged in the exploration for, and the development and production of, oil and natural gas, the development, ownership and operation of oil and natural gas infrastructure and the acquisition of leases and other real property in connection therewith, and owns oil and natural gas properties and related assets in Texas, Louisiana and New Mexico; and

WHEREAS, Enduro has determined to convey, or cause to be conveyed, to the Trust the Net Profits Interest (hereinafter defined) pursuant to the Conveyance (hereinafter defined) in exchange for [•] Trust Units (hereinafter defined); and

WHEREAS, Enduro, Wilmington Trust and the Bank have previously formed the Trust pursuant to the Organizational Trust Agreement (hereinafter defined) in accordance with the provisions of the Trust Act (hereinafter defined) and, in connection therewith, Enduro has previously delivered to the Bank, on behalf of the Trust, good and valuable consideration, which consideration the Bank has accepted, to have and to hold, in trust, such consideration, for the purposes and subject to the terms and conditions hereinafter provided; and

NOW, THEREFORE, Enduro, Wilmington Trust and the Bank hereby amend and restate the Organizational Trust Agreement in its entirety.

**ARTICLE I  
DEFINITIONS**

As used herein, the following terms have the meanings indicated:

“*AAA*” has the meaning assigned to that term in Article XI.

“*Affiliate*” means, for any specified Person, another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person. “*Control*,” in the preceding sentence, refers to the possession, directly or

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indirectly, of the right or power to direct or cause the direction of the management and policies of another Person, whether through the ownership of voting securities, by contract, or otherwise.

“**Agent**” means, with respect to a Person, an agent, employee, officer, director, custodian, nominee or attorney of such Person.

“**Agreement**” means this Amended and Restated Trust Agreement of Enduro Royalty Trust, as it may be further amended, supplemented or restated from time to time.

“**Bank**” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the State of New York, and its successors and assigns.

“**Beneficial Interest**” means the aggregate beneficial ownership interest of all Trust Unitholders in the Trust Estate, including without limitation the proceeds from the conversion of the Net Profits Interest to cash, and in the right to cash resulting from such conversion of the Net Profits Interest, which beneficial interest is expressed in Trust Units, but such beneficial interest does not include any direct ownership interest, legal or equitable, in or to the Net Profits Interest, or any part thereof, or in or to any asset of the Trust Estate to the extent that an interest in such asset would cause the interest of a Trust Unitholder to be treated as other than an intangible personal property interest.

“**Business Day**” means any day that is not a Saturday, Sunday, a holiday determined by the NYSE Regulation, Inc. as affecting “‘ex’ dates” or any other day on which national banking institutions in New York, New York or Wilmington, Delaware are closed as authorized or required by law.

“**Claimant**” has the meaning assigned to that term in [Article XI](#).

“**Closing**” means the first closing of the initial public offering of Trust Units contemplated by the Securities Act Registration Statement.

“**Closing Date**” means the date of Closing.

“**Commission**” means the Securities and Exchange Commission.

“**Conveyance**” means the Conveyance of Net Profits Interest, dated [•], 2011, from, Enduro Operating LLC, as grantor, to Enduro Texas, as grantee, pursuant to which the Net Profits Interest is conveyed.

“**Delaware Trustee**” means the Entity serving as a trustee (other than as the Trustee) hereunder having its principal place of business in Delaware, not in its individual capacity but solely in its capacity as trustee hereunder, and having the rights and obligations specified with respect to the Delaware Trustee in this Agreement. Furthermore, any benefit, indemnity, release or protection granted to the Delaware Trustee herein shall extend to and shall be fully applicable and effective with regard to any Entity serving as the Delaware Trustee, including, without limitation, Wilmington Trust.

“**Enduro**” means Enduro Resource Partners LLC, a Delaware limited liability company, and its successors and permitted assigns.

“**Enduro Texas**” means Enduro Texas LLC, a Texas limited liability company and wholly owned subsidiary of Enduro, and its successors and permitted assigns.

“**Entity**” means a corporation, partnership, limited liability company, trust, estate or other entity, organization or association.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Exchange Act Registration Statement**” means the registration statement on Form 8-A pursuant to which the Trust Units may be registered under Section 12 of the Exchange Act.

“**Expenses**” has the meaning assigned to that term in [Section 6.02\(a\)](#).

“**Fair Value**” means, with respect to any portion of the Net Profits Interest to be released or sold pursuant to [Section 3.02\(c\)](#) in connection with a sale of Underlying Properties, an amount equal to net proceeds which could reasonably be expected to be obtained from the sale of such portion of the Net Profits Interest to a party that is not an Affiliate of either Enduro or the Trust on an arms'-length negotiated basis, taking into account relevant market conditions and factors existing at the time of any such proposed sale or release, such net proceeds reflect the reduction of the Trust's proportionate share of any sales costs, commissions and brokerage fees related to such sales if any (based on the ratio of (a) the fair market value of the portion of the Net Profits Interest being released to (b) the fair market value of the Underlying Properties being transferred including the value of the Net Profits Interest being released.

“**Gross Deductions**” has the meaning assigned to that term in the Conveyance.

“**Gross Fair Value**” means an amount equal to the Fair Value divided by 80%.

“**Indemnified Party**” or “**Indemnified Parties**” has the meaning assigned to that term in [Section 6.02\(c\)](#).

“**Indemnifying Party**” has the meaning assigned to that term in [Section 6.02\(c\)](#).

“**Independent Reserve Engineers**” means Cawley, Gillespie & Associates, Inc., independent petroleum engineers, or any successor petroleum engineering consultants employed by the Trust to provide information and reports with respect to the Net Profits Interest.

“**Merger**” shall mean the merger of Enduro Texas with and into the Trust, pursuant to an Agreement and Plan of Merger between the Trust and Enduro Texas.

“**Monthly Cash Distribution**” means, for each Monthly Period, an amount determined by the Trustee pursuant to [Section 5.02](#) hereof to be equal to the excess, if any, of (a) the sum of (i) the cash received by the Trust attributable to the Net Profits Interest during the Monthly Period, plus (ii) any decrease during the Monthly Period in any cash reserve theretofore established by the Trustee for the payment of liabilities of the Trust, plus (iii) any other cash receipts of the Trust during the Monthly Period (including any cash received from interest earned pursuant to [Section 3.04](#)), over (b) the sum of (i) the liabilities of the Trust paid during the Monthly Period, plus (ii) the amount of any cash used during the Monthly Period by the Trustee to establish or increase a cash reserve established for the payment of any liabilities, including contingent liabilities, of the Trust.

“**Monthly Payment Date**” means the 10<sup>th</sup> Business Day after the Monthly Record Date.

“**Monthly Period**” means, for the initial period, the period that commences on May 1, 2011 and continues through and includes September 30, 2011, and for succeeding periods each calendar month of each year.

“**Monthly Record Date**” means, for each Monthly Period, the 15<sup>th</sup> day of the next succeeding month (or the Business Day next following such day if such day is not a Business Day) or such other date established by the Trustee in order to comply with applicable law or the rules of any securities exchange or quotation system on which the Trust Units may be listed or admitted to trading, in which event “Monthly Record Date” means such other date; *provided, however*, that the initial Monthly Record Date shall not occur prior to October 14, 2011.

“**Net Profits Interest**” means the net profits interest to be conveyed, or caused to be conveyed, by Enduro to the Trust pursuant to the Conveyance.

“**Organizational Trust Agreement**” means the Trust Agreement of Enduro Royalty Trust, entered into and effective as of May 3, 2011, by and among Enduro, Wilmington Trust and the Bank.

“**Person**” means a natural person or an Entity.

“**Prospectus**” means the final prospectus constituting a part of the Securities Act Registration Statement, as filed pursuant to Rule 424(b) under the Securities Act.

“**Record Date Trust Unitholders**” has the meaning assigned to that term in [Section 8.02](#) hereof.

“**Registration Rights Agreement**” means the Registration Rights Agreement dated [•], 2011 entered into between Enduro and the Trust.

“**Responsible Officer**” means (a) with respect to the Delaware Trustee, any officer in the Corporate Trust Administration office of the Delaware Trustee having direct responsibility for the administration of this Agreement, and with respect to a particular corporate trust matter, any officer of the Delaware Trustee to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject, and (b) with respect to the Trustee, any officer in the Corporate Trust Administration office of the Trustee having direct responsibility for the administration of this Agreement, and with respect to a particular corporate trust matter, any officer of the Trustee to whom such a matter is referred because of his or her knowledge of and familiarity with the subject.

“**Respondent**” has the meaning assigned to that term in [Article XI](#).

“**Rules**” has the meaning assigned to that term in [Article XI](#).

“**Sarbanes-Oxley Act**” means the Sarbanes-Oxley Act of 2002, as amended.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Securities Act Registration Statement**” means the Registration Statement on Form S-1 (Registration No. 333-174225-01) as it has been or as it may be amended or supplemented from time to time, filed by Enduro and the Trust with the Commission under the Securities Act to register the offering and sale of up to [•] Trust Units.

“**Services**” has the meaning assigned to that term in [Section 5.05](#) thereof.

“**Special Provisions**” has the meaning assigned to that term in [Article XI](#).

“**Transaction Documents**” means this Agreement, the Underwriting Agreement, the Conveyance and the Registration Rights Agreement.

“**Transferee**” means, as to any Trust Unitholder or former Trust Unitholder, any Person succeeding to the interest of such Trust Unitholder or former Trust Unitholder in one or more Trust Units, whether as purchaser, donee, legatee or otherwise.

“**Trust**” means Enduro Royalty Trust, the Delaware statutory trust created pursuant to the Organizational Trust Agreement and continued by and administered under the terms of this Agreement.

“**Trust Act**” means the Delaware Statutory Trust Act, Title 12, Chapter 38 of the Delaware Code, Sections 3801 et seq., as amended from time to time during the term of this Agreement.

“**Trust Estate**” means the assets held by the Trust under this Agreement, including both income and principal.

“**Trust Units**” means uncertificated, undivided pro rata fractional interests in the Beneficial Interest, determined as hereinafter provided.

“**Trust Unitholder**” means the owner of one or more Trust Units as reflected on the books of the Trustee pursuant to [Section 4.01](#) or in the records of The Depository Trust Company.

“**Trustee**” means the Entity serving as a trustee (other than the Delaware Trustee) under this Agreement, not in its individual capacity but solely in its fiduciary capacity. Furthermore, any benefit, indemnity, release or protection granted to the Trustee herein shall extend to and shall be fully applicable and effective with regard to any Entity serving as Trustee, including, without limitation, the Bank. The term “principal office” of the Trustee shall mean the principal office of the Trustee in Austin, Texas, or the principal office at which at any particular time its institutional or corporate trust business may be administered.

“**Trustee Release**” means a recordable instrument (in a form reasonably acceptable to Enduro or its Affiliates, as applicable) that terminates and releases the Net Profits Interest with respect to the Underlying Properties being conveyed.

“**Underlying Properties**” means the Subject Interests subject to the Net Profits Interest, as “Subject Interests,” is defined in the Conveyance.



“**Underwriters**” means each Person named as an underwriter in Schedule 1 to the Underwriting Agreement who purchases Trust Units pursuant thereto.

“**Underwriting Agreement**” means the Underwriting Agreement dated as of [•], 2011 among the Underwriters, the Trust and Enduro, providing for the purchase of [•] Trust Units and any additional Trust Units to be sold pursuant to the Underwriters’ overallotment option.

“**Wilmington Trust**” means Wilmington Trust Company, a corporation organized under the laws of the State of Delaware, and its successors and assigns.

**ARTICLE II**  
**NAME AND PURPOSE OF THE TRUST; DECLARATION OF TRUST**

Section 2.01 *Name; Certificate of Trust.* The Trust continued by this Agreement shall remain a Delaware statutory trust under the Trust Act. The Trust shall continue to be known as “Enduro Royalty Trust”, and the Trustee may transact the Trust’s affairs in that name. The continuation and operation of the Trust shall be in accordance with this Agreement, which shall constitute the “governing instrument” of the Trust within the meaning of Section 3801(f) of the Trust Act. In the event that a Responsible Officer of either the Delaware Trustee or the Trustee becomes aware that any statement contained or matter described in the Trust’s Certificate of Trust has changed, making it false in any material respect, it will notify the other trustee and the Delaware Trustee shall promptly file or cause to be filed in the office of the Secretary of State of Delaware an amendment of same at the written direction of the Trustee, duly executed in accordance with Section 3811 of the Trust Act, in order to effect such change thereto, such filing to be in accordance with Section 3810(b) of the Trust Act.

Section 2.02 *Purpose.* The purposes of the Trust are, and the Trust (and the Trustee on behalf of the Trust) shall have the power and authority and is hereby authorized:

- (a) to acquire, hold, protect and conserve the Trust Estate for the benefit of the Trust Unitholders;
- (b) to receive and hold the Net Profits Interest and the other assets of the Trust Estate;
- (c) to issue [•] Trust Units on the Closing Date and to perform its obligations with respect thereto;
- (d) to invest cash reserves as provided in Section 3.04;

(e) to convert the Net Profits Interest into cash either by (1) retaining the Net Profits Interest and collecting the proceeds of production payable with respect to the Net Profits Interest until production has ceased or the Net Profits Interest has been sold or transferred or the Net Profits Interest has otherwise terminated or (2) selling or otherwise disposing of all or any portion of the Net Profits Interest in accordance with the terms of this Agreement;

- (f) to pay, or provide for the payment of, any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts of cash received by the

Trust to the Trust Unitholders on a pro rata basis determined by the number of Trust Units held by each Trust Unitholder in accordance with Section 5.02:

(g) to distribute the Monthly Cash Distribution;

(h) to incur indebtedness and grant security interests in or otherwise encumber the Trust Estate in order to pay the liabilities of the Trust as they become due, if necessary;

(i) to enter into, execute, deliver and perform its obligations and enforce its rights under the Transaction Documents to which it is a party;

(j) to cause to be prepared and file (i) reports required to be filed under the Exchange Act, (ii) any reports required by the rules of any securities exchange or quotation system on which the Trust Units are listed or admitted to trading, and (iii) any reports, forms or returns required to be filed pursuant to tax laws and other applicable laws and regulations, and to establish, evaluate and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act;

(k) to conduct or wind up its business as described in the Securities Act Registration Statement; and

(l) to engage in such other activities as are necessary or convenient for the attainment of any of the foregoing or are incident thereto, including activities required or permitted by the terms of the Conveyance, and which may be engaged in or carried on by a statutory trust under the Trust Act.

The Trust hereby authorizes the Transaction Documents and the activities contemplated therein.

**Section 2.03 *Transfer of Trust Property to the Trust.*** Upon the formation of the Trust, Enduro paid good and valuable consideration to the Trust, in trust, for the uses and purposes provided in the Organizational Trust Agreement and in this Agreement. At (and subject to the occurrence of) the Closing the following transactions will occur:

(a) Enduro shall, or shall cause its Affiliates to, grant, bargain, sell, convey and assign to the Trust for the uses and purposes provided herein the Net Profits Interest pursuant to the Conveyance in consideration for [•] Trust Units to be issued by the Trust to Enduro, which Trust Units shall collectively represent the entire Beneficial Interest in accordance with Section 4.01. The issuance of [•] Trust Units is hereby duly authorized and, upon issuance at the Closing, such Trust Units shall be duly and validly issued and outstanding and, upon receipt by the Trust at the Closing of the consideration described above, the Trust Units will be fully paid and nonassessable without the requirement of any further consideration.

(b) Enduro and the Trustee, on behalf of the Trust, shall enter into the Registration Rights Agreement.

**Section 2.04 *Creation of the Trust.*** The Trustee declares that it shall hold the Trust Estate in trust for the benefit of the Trust Unitholders, upon the terms and conditions set forth in

this Agreement. As set forth above and amplified herein, the Trust is intended to be a passive entity limited to the receipt of revenues attributable to the Net Profits Interest and the distribution of such revenues, after payment of or provision for Trust expenses and liabilities, to the Trust Unitholders. It is not the intention of the parties hereto to create, and nothing in this Agreement shall be construed as creating, for any purpose, a partnership, joint venture, joint stock company or similar business association, between or among Trust Unitholders, present or future, or between or among Trust Unitholders, or any of them, the Delaware Trustee, the Trustee and/or Enduro. Neither the Trustee nor the Delaware Trustee, in its individual capacity, or otherwise, makes any representation as to the validity or sufficiency of this Trust Agreement.

Section 2.05 *Principal Offices*. Unless and until changed by the Trustee, the address of the principal office of the Trustee is 919 Congress Avenue, Suite 500, Austin, Texas 78701. Unless and until changed by the Delaware Trustee, the principal place of business of the Delaware Trustee is 1100 North Market Street, Wilmington, Delaware 19890-1615, Attention: Corporate Trust Administration. The Trust may maintain offices at such other place or places within or without the State of Delaware as the Trustee deems advisable.

**ARTICLE III  
ADMINISTRATION OF THE TRUST AND POWERS OF THE TRUSTEE  
AND THE DELAWARE TRUSTEE**

Section 3.01 *General Authority*.

(a) The Trustee accepts the trust hereby continued and agrees to perform its duties hereunder with respect to the same, but only upon the express terms of this Agreement. Subject to the limitations set forth in this Agreement, the Trustee, acting alone, without the approval or consent of, or notice to, the Delaware Trustee or any Trust Unitholder, is authorized to take such action as in its judgment is necessary, desirable or advisable to best achieve the purposes and powers of the Trust set forth in Section 2.02 hereof, including the execution and delivery of the Transaction Documents. The Trustee shall not (i) dispose of any part of the Trust Estate except as expressly provided herein or (ii) except as permitted by Section 10.02, agree to amend or waive any provision of, give any consent or release with respect to, or terminate this Agreement or the Conveyance without the express approval of Trust Unitholders of record holding at least 75% of the then outstanding Trust Units at a meeting held in accordance with the requirements of Article VIII.

(b) The Delaware Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirements of Section 3807(a) of the Trust Act that the Trust have at least one trustee with a principal place of business in the State of Delaware, or if a natural person, who is a resident of the State of Delaware. It is understood and agreed by the parties hereto that the Delaware Trustee shall have none of the duties, obligations or liabilities of any other Person, including, without limitation, the Trustee. The Delaware Trustee shall satisfy the requirements of Section 3807(a) of the Trust Act. The Delaware Trustee accepts the Trust hereby continued and agrees to perform its duties hereunder with respect to the same, but only upon the express terms of this Agreement. The Delaware Trustee is authorized to take only such actions, and shall be required to perform only such duties and obligations, with respect to the Trust as are specifically set forth in this Agreement, and no implied duties,

obligations or powers shall be read into this Agreement in respect to the Delaware Trustee. The Delaware Trustee shall not otherwise manage or take part in the business or affairs of the Trust in any manner.

(c) The duties of the Delaware Trustee shall be limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Delaware Trustee is required to execute under Section 3811 of the Trust Act, and, the filing of any such certificates with the Delaware Secretary of State upon the written request of the Trustee. Except for the purpose of the foregoing sentence, the Delaware Trustee shall not be deemed a trustee, and shall have no management responsibilities or owe any fiduciary duties to the Trust or the Trust Unitholders. To the extent that, at law or in equity, the Delaware Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or the Trust Unitholders, it is hereby understood and agreed by the other parties hereto that such duties and liabilities are replaced by the duties and liabilities of the Delaware Trustee expressly set forth in this Agreement. Notwithstanding any other provision of this Agreement, the Delaware Trustee shall not participate in any decisions or possess any authority with respect to the administration of the Trust, the investment of the Trust's property or the payment of dividends or other distributions of income or principal to the Trust Unitholders.

*Section 3.02 Limited Power of Disposition.*

(a) The Trustee shall not release, sell or otherwise dispose of all or any part of the Trust Estate, including, without limitation, all or any portion of the Net Profits Interest, or any interest therein, except that the Trustee is directed to release, sell and convey all or any portion of the Net Profits Interest as provided in Section 3.02(b), Section 3.02(c), Section 3.07 and Section 9.03, as applicable. No Trust Unitholder approval shall be required for any release, sale or conveyance of the Net Profits Interest under Section 3.02(c), Section 3.07 and Section 9.03, as applicable.

(b) In the event that Enduro notifies the Trustee that it desires the Trustee to sell or dispose of (except for releases, which are addressed under Section 3.02(c)) all or any part of the Trust Estate, including, without limitation, all or any portion of the Net Profits Interest, or any interest therein, the Trustee shall sell the applicable portion of the Trust Estate for cash if approved by the Trust Unitholders of record holding at least 75% of the then outstanding Trust Units at a meeting held in accordance with the requirements of Article VIII. This Section 3.02(b) shall not be construed to require approval of the Trust Unitholders for any sale or other disposition of all or any part of the Trust Estate pursuant to Section 3.02(c), Section 3.07 or Section 9.03.

(c) Enduro and its Affiliates may at any time and from time to time sell a divided or undivided portion of their interests in the Underlying Properties, free from and unburdened by the Net Profits Interest (without the consent of the Trustee), subject to the following terms and conditions:

(i) no sale of a portion of Enduro's or its Affiliates' interests in the Underlying Properties shall be permitted under this paragraph (c) if (A) the sale is to a

Person who is an Affiliate of Enduro, (B) the sale relates to an interest in the Underlying Properties that accounted for in excess of 0.25% of the total production from the Underlying Properties during the most recently completed 12 calendar months or (C) the aggregate Fair Value of all portions of the Net Profits Interest released by the Trustee would exceed \$500,000 during any consecutive 12-month period;

(ii) in connection with any sale pursuant to this paragraph (c), the Gross Fair Value of the portion of the Net Profits Interest released by the Trustee shall be an "Offset Amount" (as defined in the Conveyance) against the Gross Deductions when determining the amount of cash attributable to the Net Profits Interest; and

(iii) the Trustee shall have received a certificate from Enduro certifying to the Trustee and the Trust that the amount to be offset pursuant to clause (ii) above represents the Gross Fair Value of the portion of the Net Profits Interest to be released by the Trustee.

Upon receipt of (a) written notice of such a sale given by Enduro or its Affiliates, (b) an accurate description of the Net Profits Interest to be conveyed, and (c) a certification of Enduro or other sufficient information to evidence conclusively that the conditions to transfer described in the Conveyance have been satisfied, the Trustee shall (subject to clauses (i) through (iii) above) terminate and release the Net Profits Interest with respect to the applicable Underlying Properties through execution and delivery of a Trustee Release at the closing of such sale, and such other instruments, agreements and documents as Enduro or its Affiliates may reasonably request, to evidence or effect the transfer of such portion of Enduro's or its Affiliates' interests in the Underlying Properties, free from and unburdened by the Net Profits Interest.

(d) Following the sale of all or any portion of the Underlying Properties, Enduro will be relieved of its obligations with respect to the Net Profits Interest that burdens such portion of the Underlying Properties. Promptly after completion of any such sale, Enduro shall so notify the Trustee in writing. Any purchaser of such Underlying Properties shall be the assignee of Enduro to the extent of the interest sold and shall be bound by the obligations of Enduro under this Agreement and the Conveyance to such extent.

(e) Anything herein to the contrary notwithstanding, the Trustee shall not agree to any distribution of the Net Profits Interest or any other asset of the Trust that would cause the interest of a Trust Unitholder to be treated (except for tax purposes) as an interest other than an intangible personal property interest. Unless required to sell pursuant to this Section 3.02, or pursuant to Section 9.03, or to distribute the Monthly Cash Distribution pursuant to Section 5.02, the Trustee is authorized to retain any part of the Trust Estate in the form in which such property was transferred to the Trustee, without regard to any requirement to diversify investments or other requirements.

(f) Any conveyance, transfer or other disposition not expressly addressed in this Agreement shall be governed by the provisions of the Conveyance. In the event that there is a conflict between the provisions of the Conveyance and this Agreement, the provisions of the Conveyance shall control to the extent of such conflict.

Section 3.03 *No Power to Engage in Business or Make Investments or Issue Additional Securities*. Neither the Trustee nor the Delaware Trustee shall cause or permit the Trust to (a) acquire any asset other than the Net Profits Interest and profits therefrom, other than in connection with the rights of the Trust to enforce the terms and provisions of the Transaction Documents to which it is a party, and to collect other amounts paid to the Trust as set forth herein, (b) engage in any business or investment activity of any kind whatsoever, except for the activities permitted herein, or (c) issue Trust Units or other securities after the Closing Date. Neither the Trustee nor the Delaware Trustee shall have any responsibility or authority relating to the development or operations of the Underlying Properties or the marketing of any production therefrom or any other business decision affecting the assets of the Trust.

Section 3.04 *Interest on Cash Reserves*. Cash being held by the Trustee as a reserve for, or in anticipation of, the payment of a Monthly Cash Distribution or for the payment of any liabilities, other than current routine administrative costs, shall be placed by the Trustee with one or more banks or financial institutions (which, to the extent to which authorized pursuant to the Trust Act and other applicable laws, may be, or may include, any bank serving as the Trustee or the Delaware Trustee) and be invested in (a) accounts payable on demand without penalty (which may be non-interest bearing), (b) interest bearing obligations issued by (or unconditionally guaranteed by) the United States of America or any agency or instrumentality thereof (provided such agency or instrumentality obligations are guaranteed by the full faith and credit of the United States of America), (c) money market funds that invest only in United States government securities; (d) repurchase agreements secured by obligations qualifying under (b) above or (e) certificates of deposit of any bank or banks having combined capital, surplus and undivided profits in excess of \$100,000,000 which, in the case of (b), (d) and (e) above, mature prior to the date on which such Monthly Cash Distribution is to be distributed or any such liability is to be paid. Any government obligation, repurchase agreement or certificate of deposit held by the Trustee shall be held until maturity. The interest rate on reserves placed with any bank or financial institution serving as the Trustee or the Delaware Trustee shall be the interest rate that such bank pays in the normal course of business on amounts placed with it, taking into account the amount involved, the period held and other relevant factors. Subject to [Section 6.01](#), the Trustee shall not be liable for its selection of permitted investments or for any investment losses resulting from such investments. Notwithstanding anything herein to the contrary, the Delaware Trustee shall not be obligated to accept any such cash or other assets for investment or otherwise. To the extent that the Delaware Trustee decides in its sole and absolute discretion to accept cash for investment pursuant to this [Section 3.04](#), the Delaware Trustee shall invest such cash pursuant to the written instructions of the Trustee, and the Delaware Trustee shall not be liable to the Trust or any other Person for any losses resulting from such investments absent its own fraud, gross negligence or willful misconduct.

Section 3.05 *Power to Settle Claims*.

(a) The Trustee is authorized to prosecute or defend, and to settle by arbitration or otherwise, any claim of or against the Trustee, the Trust or the Trust Estate, to waive or release rights of any kind, to settle any dispute with Enduro or any other Person, and to pay or satisfy any debt, tax or claim upon any evidence by it deemed sufficient, without the joinder or consent of any Trust Unitholder, including enforcing the rights of the Trust under the Transaction Documents; *provided, however*, that the Trustee shall not settle any dispute involving the Net

Profits Interest part of the Conveyance if such actions would change the character of the Net Profits Interest in such a way that the Net Profits Interest becomes a working interest or that the trust would fail to continue to qualify as a grantor trust for U.S. federal income tax purposes. The Trust Unitholders shall have no power to prosecute any claim of the Trust or the Trust Estate against any Person other than to prosecute a claim to compel performance by the Trustee on behalf of the Trust or the Trust Estate.

(b) The Trustee is authorized and empowered to require any Trust Unitholder to dispose of his Trust Units if an administrative or judicial proceeding seeks to cancel or forfeit any of the property in which the Trust holds an interest because of the nationality or any other status of such Trust Unitholder. If a Trust Unitholder fails to dispose of his Trust Units as required by the Trustee pursuant to this [Section 3.05\(b\)](#), the Trustee is authorized to purchase such Trust Units on behalf of the Trust and to borrow funds to make that purchase.

**Section 3.06 Power to Contract for Services.** In the administration of the Trust, the Trustee is empowered to employ oil and natural gas consultants (which may include the Independent Reserve Engineers), accountants (with the consent of Enduro, which consent shall not be unreasonably withheld or delayed), attorneys (who may, but need not be, counsel to Enduro or any of its Affiliates) and other professional and expert Persons, to employ or contract for clerical and other administrative assistance (including assistance from Enduro or any of its Affiliates), to delegate to Agents any matter, whether ministerial or discretionary, and to act through such Agents and to make payments of all fees for services or expenses in any manner thus incurred out of the Trust Estate.

**Section 3.07 Payment of Liabilities of Trust.**

(a) Except as otherwise provided herein, the Trustee may and shall use any money received by it for the payment or reimbursement of all liabilities of the Trust, including, but without limiting the generality of the foregoing, all expenses, taxes, liabilities incurred of all kinds, compensation to it for its services hereunder, as provided for in [Article VII](#), and compensation to such parties as may be employed as provided for in [Section 3.06](#). With respect to any liability that is contingent or uncertain in amount or any anticipated liability that is not currently due and payable, the Trustee may, but is not obligated to, establish a cash reserve for the payment of such liability. Except to the extent permitted under applicable law, the Trustee shall not pay any liability of the Trust with funds set aside pursuant to [Section 5.02](#) for the payment of a Monthly Cash Distribution.

(b) If at any time the cash on hand and to be received by the Trustee and available to pay liabilities is not, or will not be, in the judgment of the Trustee, sufficient to pay liabilities of the Trust as they become due, the Trustee is authorized to cause the Trust to borrow the funds required to pay such liabilities. In such event, no further distributions will be made to Trust Unitholders (except in respect of any previously determined Monthly Cash Distribution) until the indebtedness created by such borrowings, including interest thereon, has been paid in full. Such funds may be borrowed from any Person, including, without limitation, the Bank (to the extent permitted by law), including its Affiliates, while serving as Trustee or any other Entity serving as a fiduciary hereunder; *provided, however*, that neither the Bank nor any other Entity shall be required to make any such loan. Under no circumstances shall the Trustee or the Delaware Trustee be personally liable for

any indebtedness or other liability of the Trust. To secure payment of such indebtedness (including any indebtedness to the Bank or any other Entity serving as a fiduciary hereunder), the Trustee is authorized to (i) mortgage, pledge, grant security interests in or otherwise encumber the Trust Estate, or any portion thereof, including the Net Profits Interest, (ii) include any and all terms, powers, remedies, covenants and provisions deemed necessary or advisable in the Trustee's discretion, including, without limitation, confession of judgment and the power of sale with or without judicial proceedings and (iii) provide for the exercise of those and other remedies available to a secured lender in the event of a default on such loan. If such funds are loaned to the Trust by the Trustee or any other such Entity while the Trustee or such other Entity is serving as a fiduciary hereunder, the terms of such indebtedness and security interest shall be similar to the terms which the Trustee or such other Entity would grant to a similarly situated commercial customer with whom it did not have, directly or indirectly, a fiduciary relationship, and the Trustee or such other Entity shall be entitled to enforce its rights with respect to any such indebtedness and security interest as if it were not, directly or indirectly, and had never been, directly or indirectly, the Trustee or a fiduciary hereunder.

(c) Enduro will, upon written request of the Trustee, provide the Trust with a \$1 million letter of credit. If the Trust requires more than the \$1 million under the letter of credit to pay administrative expenses, Enduro will, upon written request of the Trustee, loan funds to the Trust in such amount as is necessary to pay such Trust expenses. Any funds drawn under the letter of credit or loaned by Enduro pursuant to this Section 3.07(c) shall be limited to the payment of current accounts or other obligations to trade creditors in connection with obtaining goods or services or for the payment of other accrued current liabilities arising in the ordinary course of the Trust's business, and shall not be used to satisfy any indebtedness of the Trust. Any loan made by Enduro to the Trust pursuant to this Section 3.07(c) shall: (i) be evidenced by a written promissory note executed by the Trustee on behalf of the Trust, (ii) be on an unsecured basis, (iii) have terms (including interest rate) that are no less favorable to Enduro as those that would be obtained in an arm's-length transaction between Enduro and an unaffiliated third party and (iv) be without recourse to the Trustee and the Bank, it being agreed that any such note shall be payable solely out of the assets of the Trust.

(d) In the event that the Trust draws on the letter of credit or Enduro loans funds to the Trust pursuant to Section 3.7(c), no further distributions will be made to Trust Unitholders (except in respect of any previously determined Monthly Cash Distribution) until the indebtedness created by such amounts drawn or borrowed, including interest thereon, has been paid in full.

(e) No provision of this Trust Agreement shall require either the Delaware Trustee, the Trustee or any other Entity serving as a fiduciary hereunder to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers. In no event shall the Trustee be responsible for the payment of any Monthly Cash Distribution or other amount except to the extent that it has sufficient cash on hand on behalf of the Trust to make such payment.



Section 3.08 *Income and Principal*. The Trustee shall not be required to keep separate accounts or records for income and principal. However, if the Trustee does keep such separate accounts or records, then the Trustee is authorized to treat all or any part of the receipts from the Net Profits Interest as income or principal, without having to maintain any reserve therefor, and in general to determine all questions as between income and principal and to credit or charge to income or principal or to apportion between them any receipt or gain and any charge, disbursement or loss as is deemed advisable under the circumstances of each case.

Section 3.09 *Term of Contracts*. To the fullest extent permitted by law, in exercising the rights and powers granted hereunder, the Trustee is authorized to make the term of any transaction or contract or other instrument extend beyond the term of the Trust.

Section 3.10 *Transactions with Entity Serving as the Trustee or the Delaware Trustee*. To the extent such conduct is not prohibited by applicable law and except as otherwise provided herein, each of the Trustee and the Delaware Trustee is authorized in exercising its powers under this Agreement to make contracts and have dealings with itself or its Affiliates, directly and indirectly, in any other fiduciary or individual capacity.

Section 3.11 *No Security Required*. No Entity serving as a trustee hereunder shall be required to furnish any bond or security of any kind.

Section 3.12 *Filing of Securities Act Registration Statement, Exchange Act Registration Statement and Other Reports, Listing of Trust Units, etc.; Certain Fees and Expenses*.

(a) After the registration of the Trust Units pursuant to the Exchange Act and/or the listing of the Trust Units for trading on the New York Stock Exchange, Inc. or another national securities exchange, the Trustee, on behalf of the Trust and acting upon the advice of counsel, shall cause the Trust to comply with all applicable rules, orders and regulations of the Commission and the national securities exchange on which the Trust Units are listed or admitted for quotation and to take all such other reasonable actions necessary for the Trust Units to remain registered under the Exchange Act and listed or quoted on such national securities exchange or quotation system, respectively, until the Trust is terminated. In addition, the Trustee is authorized to make, and the Trustee shall take, all reasonable actions to prepare and, to the extent required by this Agreement or by law, mail to Trust Unitholders any reports, press releases or statements, financial or otherwise, that the Trustee determines are required to be provided to Trust Unitholders by applicable law or governmental regulation or the requirements of any securities exchange or quotation system on which the Trust Units are listed or admitted to trading. In addition, the Trustee, on behalf of the Trust and acting upon the advice of counsel, shall cause the Trust to comply with all of the provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission related thereto, including but not limited to, establishing, evaluating and maintaining a system of internal control over financial reporting in compliance with the requirements of Section 404 thereof and making all required certifications pursuant to the Sarbanes-Oxley Act and the rules and regulations adopted by the Commission related thereto.

(b) The Trustee shall execute, by and on behalf of the Trust, any documents incidental or related to the initial public offering of the Trust Units and the listing of the Trust Units on the New York Stock Exchange.

(c) The Trust is hereby authorized and empowered to take all steps, make all filings and applications and pay all fees necessary, customary or appropriate to the accomplishment of the objectives set forth in paragraph (a) of this Section 3.12.

(d) Except as otherwise provided in Article VI, the fees, charges, expenses, disbursements and other costs incurred by the Trustee or the Delaware Trustee in connection with the discharge of its duties pursuant to this Agreement, including, without limitation, trustee fees, engineering, audit, accounting and legal fees, printing and mailing costs, amounts reimbursed or paid to Enduro pursuant to Section 3.06 or Section 7.02 hereof, and the fees and expenses of legal counsel for the Trustee, the Delaware Trustee, and the Trust (including legal fees and expenses incurred by the Trustee or the Delaware Trustee in connection with the formation of the Trust and issuance of Trust Units), shall be paid out of the Trust Estate as an administrative expense of the Trust; *provided, however*, that the Trustee's and the Delaware Trustee's acceptance fees paid by Enduro upon execution hereof shall be reimbursed to Enduro by the Trust. All other organizational expenses of the Trust will be paid by Enduro, and Enduro shall not be entitled to reimbursement thereof.

(e) The Trustee is hereby authorized and empowered to take all steps, make all filings and applications and pay all fees necessary, customary or appropriate in order to perform the obligations of the Trust under the Registration Rights Agreement.

Section 3.13 Reserve Report. The Trustee shall cause a reserve report to be prepared by or for the Trust by the Independent Reserve Engineers as of December 31 of each year in accordance with criteria established by the Commission showing estimated proved oil, natural gas and natural gas liquids reserves attributable to the Net Profits Interest as of December 31 of such year and other reserve information required to comply with Section 5.03. Enduro, to the extent it is the operator of the Underlying Properties, shall, and to the extent any of its Affiliates is the operator of the Underlying Properties, shall cause such Affiliate or Affiliates to, use commercially reasonable efforts to cooperate with the Trust and the Independent Reserve Engineers in connection with the preparation of any such reserve report, and to the extent it is not the operator of the Underlying Properties and has not sold its interest in the same pursuant to Section 3.02(b), shall use commercially reasonable efforts to obtain and provide to the Trustee and the Independent Reserve Engineers such information as may be reasonably necessary in connection with the preparation of the reserve reports. The Trustee shall cause each reserve report prepared pursuant to this Section 3.13 to be completed and delivered to it within 75 days of the last day of the prior calendar year or such shorter period as may be required to enable the Trustee to comply with the provisions of Section 5.03.

Section 3.14 No Liability for Recordation. Enduro shall be solely responsible, and the Trustee and the Delaware Trustee shall have no responsibility, for the filing of the Conveyance in the real property records of any jurisdiction in which the Underlying Properties are located. Neither the Trustee, the Delaware Trustee, the Bank nor any of their respective Agents shall be liable to the Trust Estate or any Trust Unitholder for any loss, claim or damage resulting from, or arising out of, the failure to file, or failure to properly file, the Conveyance in any real property records of any jurisdiction.

**ARTICLE IV**  
**TRUST UNITS AND UNCERTIFICATED BENEFICIAL INTEREST**

Section 4.01 *Creation and Distribution*. Ownership of the entire Beneficial Interest shall be divided into [•] Trust Units. The Trust Units shall be uncertificated and ownership thereof shall be evidenced by entry of a notation in an ownership ledger maintained for such purpose by the Trustee or a transfer agent designated by the Trustee. The Trust Unitholders from time to time shall be the sole beneficial owners of the Trust Estate.

Section 4.02 *Rights of Trust Unitholders; Limitation on Personal Liability of Trust Unitholders*. Each Trust Unit shall represent pro rata undivided ownership of the Beneficial Interest and shall entitle its holder to participate pro rata in the rights and benefits of Trust Unitholders under this Agreement. A Trust Unitholder (whether by assignment or otherwise) shall take and hold each Trust Unit subject to all the terms and provisions of this Agreement and the Conveyance which shall be binding upon and inure to the benefit of the successors, assigns, legatees, heirs and personal representatives of such Trust Unitholder. By an assignment or a transfer of one or more Trust Units, the assignor thereby shall, with respect to such assigned or transferred Trust Unit or Trust Units, except as required by federal or state tax laws and as provided in Section 4.03 hereof in the case of a transfer after a Monthly Record Date and prior to the corresponding Monthly Payment Date, part with (a) all of its Beneficial Interest attributable to such Trust Unit or Trust Units and (b) all interests, rights and benefits of a Trust Unitholder under the Trust and this Agreement that are attributable to such Trust Unit or Trust Units as against all other Trust Unitholders, the Trust and the Trustee. The Trust Units and the rights, benefits and interests evidenced thereby (including, without limiting the foregoing, the entire Beneficial Interest) are and, for all purposes, shall be construed (except for tax purposes), to be in all respects intangible personal property, and the Trust Units shall be bequeathed, assigned, disposed of and distributed as intangible personal property. No Trust Unitholder as such shall have any title, legal or equitable, in or to any real property interest or tangible personal property interest that may be considered a part of the Trust Estate, including, without limiting the foregoing, the Net Profits Interest or any part thereof, or in or to any asset of the Trust Estate to the extent that an interest in such asset would cause the interest of a Trust Unitholder to be treated as other than an intangible personal property interest, but the sole interest of each Trust Unitholder shall be his ownership in the Beneficial Interest. No Trust Unitholder shall have the right to call for or demand or secure any partition or distribution of the Net Profits Interest or any other asset of the Trust Estate or any accounting during the continuance of the Trust or during the period of liquidation and winding up under Section 9.03. Pursuant to Section 3803(a) of the Trust Act, the Trust Unitholders shall be entitled, to the fullest extent permitted by law, to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 4.03 *Effect of Transfer*. As to matters affecting the title, ownership, warranty or transfer of Trust Units, Article 8 of the Uniform Commercial Code and the Uniform Act for Simplification of Fiduciary Security Transfers, each as adopted and then in force in the State of Delaware, and other statutes and rules pertaining to the transfer of securities, each as is adopted and then in force in the State of Delaware, shall govern and apply. The death of any Trust Unitholder shall not entitle the Transferee of such Trust Unitholder to an accounting or valuation for any purpose pursuant to the terms hereof.

Section 4.04 *Determination of Ownership*. In the event of any disagreement between Persons claiming to be Transferees of any Trust Unit, or in the event of any question on the part of the Trustee when presented with a request for transfer of a Trust Unit, which the Trustee believes is not fully resolved by opinions of counsel or other documents obtained in connection therewith, then, in addition to other rights which it may have under applicable law, the Trustee shall be entitled at its option to refuse to recognize any such claim so long as such disagreement or question shall continue. In so refusing, the Trustee, and any Entity serving in such capacity, may elect to refrain or refuse to act with respect to the interest represented by the Trust Unit involved, or any part thereof, or of any sum or sums of money accrued or accruing thereunder, and, in so doing, the Trustee shall not be or become liable to any Person for the failure or refusal of the Trustee to comply with such conflicting claims or requests for transfer, and shall be entitled to continue so to refrain and refuse so to act, until:

(a) the rights of the adverse claimants or the questions of the Trustee have been adjudicated by a final nonappealable judgment of a court assuming and having jurisdiction of the parties and the interest and money involved; or

(b) all differences have been adjusted by valid agreement between said parties and the Trustee shall have been notified thereof in writing signed by all of the interested parties.

#### **ARTICLE V ACCOUNTING AND DISTRIBUTIONS; REPORTS**

Section 5.01 *Fiscal Year and Accounting Method*. The Trust shall adopt the calendar year as its fiscal year and shall maintain its books on an appropriate basis to comply with Sections 5.03 and 5.04, except to the extent such books must be maintained on any other basis pursuant to applicable law.

Section 5.02 *Monthly Cash Distributions*. On (or, to the extent reasonably practicable, prior to) the Monthly Record Date, the Trustee shall, in the manner required by the rules of any securities exchange or quotation system on which the Trust Units are listed or admitted to trading, communicate to the Trust Unitholders the amount of the Monthly Cash Distribution for the relevant Monthly Period. On each Monthly Payment Date, the Trustee shall distribute pro rata to Trust Unitholders of record on the Monthly Record Date the Monthly Cash Distribution for the immediately preceding Monthly Period.

Section 5.03 *Reports to Trust Unitholders and Others*.

(a) Within 75 days following the end of each calendar quarter, or such shorter period of time as may be required by the rules and regulations of the Commission adopted with respect to the Exchange Act or by the rules of any securities exchange or quotation system on which the Trust Units are listed or admitted to trading, the Trustee shall mail to each Person who was a Trust Unitholder of record on a Monthly Record Date during such quarter a report, which may be a copy of the Trust's Quarterly Report on Form 10-Q under the Exchange Act, which shall show in reasonable detail the assets and liabilities and receipts and disbursements of the Trust for such quarter; *provided, however*, the obligation to mail a report to each Trust Unitholder of record shall be deemed to be satisfied if the Trustee files a copy of the Trust's quarterly report on Form

10-Q on the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) maintained by the Commission or any successor system or otherwise makes such report publicly available on an Internet website that is generally accessible to the public.

(b) Within 120 days following the end of each fiscal year or such shorter period of time as may be required by the rules and regulations of the Commission adopted with respect to the Exchange Act or by the rules of any securities exchange or quotation system on which the Trust Units are listed or admitted to trading, the Trustee shall mail to each Person who was a Trust Unitholder of record on a date to be selected by the Trustee an annual report, containing financial statements audited by an independent registered public accounting firm selected by the Trustee, plus such annual reserve information regarding the Net Profits Interest as may be required under [Section 3.13](#) by any regulatory authority having jurisdiction.

(c) Notwithstanding any time limit imposed by [Section 5.03\(a\)](#) or (b), if, due to a delay in receipt by the Trustee of information necessary for preparation of a report or reports required by such paragraphs, the Trustee shall be unable to prepare and mail such report or reports within such time limit, the Trustee shall prepare and mail such report or reports as soon thereafter as practicable.

**Section 5.04 Federal Income Tax Provisions.** For federal or state income tax purposes, the Trustee shall file for the Trust such returns and statements as in its judgment are required to comply with applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and any applicable state laws and regulations, in either case to permit each Trust Unitholder to report such Trust Unitholder's share of the income and deductions of the Trust. The Trustee will treat all income and deductions of the Trust for each month as having been realized on the Monthly Record Date for such month unless otherwise advised by its counsel. The Trustee will treat the Trust and report with respect to the Trust as a grantor trust until and unless it receives an opinion of tax counsel that such reporting is no longer proper. Within 75 days following the end of each fiscal year, the Trustee shall mail to each Person who was a Trust Unitholder of record on a Monthly Record Date during such fiscal year, a report which shall show in reasonable detail such information as is necessary to permit such Trust Unitholder to make calculations necessary for tax purposes.

**Section 5.05 Information and Services.** Enduro shall provide the Trust and Trustee on a timely basis with (a) all information and services as are reasonably necessary to fulfill the purposes of the Trust as set forth in this Agreement, including such accounting, bookkeeping and informational services as may be necessary for the preparation of reports the Trust is or may be required to prepare and/or file in accordance with applicable tax and securities laws, exchange listing rules and other requirements, including reserve reports and tax returns, that the Trustee may reasonably request during the term of this Agreement; (b) information and services of a similar character and scope to those described in the foregoing clause (a) that the Trust or Trustee may reasonably request for any other purpose reasonably related to the Trust; and (c) information and services that may be required to satisfy the Trust's obligations under the Registration Rights Agreement (all of the foregoing information and services, the "Services"). As a component of the Services, Enduro shall, upon request of the Trust or Trustee at any time, certify to the Trust or Trustee any information provided or necessary to make or confirm calculations, computations or determinations that may be necessary from time to time in order to fulfill the purposes of the Trust.

## ARTICLE VI LIABILITY OF DELAWARE TRUSTEE AND TRUSTEE AND METHOD OF SUCCESSION

**Section 6.01 Liability of Delaware Trustee, Trustee and Agents.**

(a) Notwithstanding any other provision of this Agreement, each of the Delaware Trustee and the Trustee, in carrying out its powers and performing its duties, may act directly or in its discretion, at the expense of the Trust, through Agents (including attorneys) pursuant to agreements entered into with any of them, and each Entity serving as Delaware Trustee or Trustee shall be personally or individually liable only for (i) its own fraud, gross negligence or willful misconduct and (ii) taxes, fees or other charges on, based on or measured by any fees, commissions or compensation received by it in connection with any of the transactions contemplated by this Agreement, and shall not otherwise be individually or personally liable

under any circumstances whatsoever, including but not limited to any act or omission of any Agent unless such Entity has acted with fraud, gross negligence or willful misconduct in the selection, retention or supervision of such Agent. Notwithstanding any other provision of this Agreement, each Agent of the Delaware Trustee and the Trustee (including Enduro and any of the Affiliates when acting as Agents), in carrying out its powers and performing its duties, may act directly or in its discretion, at the expense of the Trust, through agents or attorneys engaged by such Agent, and shall not otherwise be individually or personally liable for any act or omission unless such Agent has acted with fraud, gross negligence or willful misconduct. Neither the Trustee nor the Delaware Trustee shall have any liability to any Persons other than the Trust Unitholders in accordance with Section 3803 of the Trust Act and, for the avoidance of any doubt, shall not have any liability hereunder to the Trust Unitholders absent its own fraud or gross negligence or willful misconduct. No Entity serving as Trustee or Delaware Trustee shall be individually liable by reason of any act or omission of any other Entity serving as Trustee or Delaware Trustee.

(b) Each of the Delaware Trustee and the Trustee, and each Entity serving in any such fiduciary capacity or as an Agent of the Delaware Trustee or the Trustee (including Enduro and any of its Affiliates when acting as Agents), shall be protected in relying or reasonably acting upon any notice, certificate, opinion or advice of counsel or tax advisors, report of certified accountant, petroleum engineer, geologist, auditor or other expert, or other parties the Trustee believes to be an expert on matters for which advice is sought, or any other document or instrument. Each of the Delaware Trustee and the Trustee, and each Entity serving in any such fiduciary capacity or as an Agent of the Delaware Trustee or the Trustee (including Enduro and any of its Affiliates when acting as Agents), is specifically authorized to rely upon the application of Article 8 of the Uniform Commercial Code, the application of the Uniform Act for Simplification of Fiduciary Security Transfers and the application of other statutes and rules with respect to the transfer of securities, each as adopted and then in force in the State of Delaware, as to all matters affecting title, ownership, warranty or transfer of the Trust Units, without any personal liability for such reliance, and the indemnity granted under Section 6.02 shall specifically extend to any matters arising as a result thereof. Further, and without limiting the foregoing, each of the Delaware Trustee, the Trustee and each Entity serving in either such capacity is specifically authorized and directed to rely upon the validity of the Conveyance and the title held by the Trust in the Net Profits Interest pursuant thereto, and is further specifically authorized and directed to rely upon opinions of counsel in the States of Texas, Louisiana and New Mexico where the Underlying Properties are located, and on any notice, certificate or other statement of Enduro or information furnished by Enduro without any liability in any capacity for such reliance.

*Section 6.02 Indemnification of Trustee or Delaware Trustee.*

(a) Each Entity serving as the Trustee or the Delaware Trustee, individually and as Trustee, as well as each of their respective Agents (including Enduro and any of its Affiliates when acting as Agents) and equityholders, shall be indemnified and held harmless by, and receive reimbursement from, the Trust Estate against and from any and all liabilities, obligations, actions, suits, costs, expenses, claims, damages, losses, penalties, taxes, fees and other charges (collectively, "**Expenses**," excluding, however, any taxes and fees payable by the Trustee and the Delaware Trustee on, based on or measured by any fees, commissions or compensation received

by the Trustee and the Delaware Trustee for their services hereunder) incurred by it individually in the administration of the Trust and the Trust Estate or any part or parts thereof, or in the doing of any act done or performed or omission occurring on account of its being Trustee or Delaware Trustee, as applicable, except such Expenses as to which it is liable under Section 6.01 (it being understood that each Entity serving as the Trustee or the Delaware Trustee (and their respective Agents (including Enduro and any of its Affiliates when acting as Agents) and equityholders) shall be indemnified by, and receive reimbursement from, the Trust Estate against such Entity's own negligence which does not constitute gross negligence). Each Entity serving as the Trustee or the Delaware Trustee shall have a lien upon the Trust Estate for payment of such indemnification and reimbursement (including, without limitation, repayment of any funds borrowed from any Entity serving as a fiduciary hereunder), as well as for compensation to be paid to such Entity, in each case entitling such Entity to priority as to payment thereof over payment to any other Person under this Agreement. Neither the Trustee, the Delaware Trustee nor any Entity serving in either of such capacities, nor any Agent thereof shall be entitled to any reimbursement or indemnification from any Trust Unitholder for any Expense incurred by the Delaware Trustee or the Trustee or any such Entity or Agent thereof, their right of reimbursement and indemnification, if any, except as provided in Section 6.02(b), being limited solely to the Trust Estate, whether or not the Trust Estate is exhausted without full reimbursement or indemnification of the Trustee, the Delaware Trustee or any such Entity or Agent thereof. All legal or other expenses reasonably incurred by the Trustee or the Delaware Trustee in connection with the investigation or defense of any Expenses as to which such Entity is entitled to indemnity under this Section 6.02(a) shall be paid out of the Trust Estate.

(b) If the Trust Estate is exhausted without the Trustee, the Delaware Trustee or any Agent or equityholder thereof being fully reimbursed as provided in Section 6.02(a) above, Enduro shall fulfill the remaining indemnity obligation to the Trustee and the Delaware Trustee.

(c) If any action or proceeding shall be brought or asserted against the Trustee or the Delaware Trustee or any Agent or equityholder thereof (each referred to as an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") in respect of which indemnity may be sought from Enduro (the "**Indemnifying Party**") pursuant to Section 6.02(b) hereof, of which the Indemnified Party shall have received notice, the Indemnified Party shall promptly notify the Indemnifying Party in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all expenses. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (i) the Indemnifying Party has agreed to pay such fees and expenses, (ii) the Indemnifying Party shall have failed to assume the defense of such action or proceeding and employ counsel reasonably satisfactory (including the qualifications of such counsel) to the Indemnified Party in respect of any such action or proceeding or (iii) the named parties to any such action or proceeding include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party (in which case, if the Indemnified Party 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 action or proceeding on behalf of the Indemnified Party

and the Indemnified Party may employ such counsel for the defense of such action or proceeding as is reasonably satisfactory to the Indemnifying Party; it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys for the Indemnified Parties at any time). The Indemnifying Party shall not be liable for any settlement of any such action or proceeding effected without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed), but, if settled with such written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the Indemnifying Party agrees (to the extent stated above) to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

(d) Any claim for indemnification pursuant to this Section 6.02 shall survive the termination of this Agreement and the resignation or removal of any Indemnified Party.

(e) Except as expressly set forth in this Agreement, none of the Trustee, the Delaware Trustee or any other Indemnified Party shall have any duties or liabilities, including fiduciary duties, to the Trust or any Trust Unitholder, and the provisions of this Agreement, to the extent they restrict, eliminate or otherwise modify the duties and liabilities, including fiduciary duties, of the Trustee, the Delaware Trustee or any other Indemnified Party otherwise existing at law or in equity, are agreed by the Trust Unitholders to replace such other duties and liabilities of the Trustee, the Delaware Trustee or any other Indemnified Party. To the extent that, at law or in equity, any of the Trustee, the Delaware Trustee or any other Indemnified Party has duties, including fiduciary duties, and liabilities relating thereto to the Trust or any Trust Unitholder, such Trustee, Delaware Trustee or other Indemnified Party shall not be liable to the Trust or to any Trust Unitholder for its good faith reliance on the provisions of this Agreement. For the avoidance of doubt, to the fullest extent permitted by law, no Person other than the Trustee and the Delaware Trustee shall have any duties (including fiduciary duties) or liabilities at law or in equity to the Trust, any Trust Unitholder or any other Person.

Section 6.03 Resignation of Delaware Trustee and Trustee. Any Entity serving as the Delaware Trustee or the Trustee may resign, as such, with or without cause, at any time by written notice to Enduro and to any other Entity serving as the Delaware Trustee or the Trustee. Upon receiving the notice of resignation from the Delaware Trustee or the Trustee, as applicable, the resigning Delaware Trustee or the Trustee, as the case may be, shall provide notice to each of the then Trust Unitholders of record in accordance with Section 12.09. Such notice shall specify a date when such resignation shall take effect, which shall be a Business Day not less than 60 days after the date such notice is mailed; *provided, however*, that in no event shall any resignation of the Trustee be effective until a successor Trustee has accepted its appointment as Trustee (including a temporary trustee appointed pursuant to Section 6.05) pursuant to the terms hereof; and *provided, further*, that in no event shall any resignation of the Delaware Trustee be effective until a successor Delaware Trustee has accepted its appointment as Delaware Trustee pursuant to the terms hereof.

Section 6.04 Removal of Delaware Trustee and Trustee. Each Entity serving as the Delaware Trustee or the Trustee may be removed as trustee hereunder, with or without cause, by



the affirmative vote of not less than a majority of the Trust Units present in person or by proxy at a meeting held in accordance with the requirements of Article VIII; *provided, however*, that any removal of the Delaware Trustee shall be effective only at such time as a successor Delaware Trustee, fulfilling the requirements of Section 3807(a) of the Trust Act, has been appointed and has accepted such appointment; and *provided, further*, that any removal of the Trustee shall be effective only at such time as a successor Trustee has been appointed and has accepted such appointment in accordance with Section 6.05. The Trust Unitholders present or represented at any such meeting where a trustee is removed may elect, in accordance with the requirements of Article VIII, a successor trustee at such meeting, who may accept such appointment effective as of the close of such meeting.

Section 6.05 *Appointment of Successor Delaware Trustee or Trustee*. In the event of the resignation or removal of the Entity serving as the Delaware Trustee or the Trustee or if any such Entity has given notice of its intention to resign as the Delaware Trustee or the Trustee, (i) with respect to the Delaware Trustee, the Trustee may appoint a successor Delaware Trustee, or (ii) with respect to either the Delaware Trustee or the Trustee, the Trust Unitholders represented at a meeting held in accordance with the requirements of Article VIII may appoint a successor trustee. Nominees for appointment may be made by (i) Enduro, (ii) the resigned, resigning or removed trustee or (iii) any Trust Unitholder or Trust Unitholders owning of record at least 10% of the then outstanding Trust Units. Any successor to the Trustee shall be a bank or trust company having combined capital, surplus and undivided profits of at least \$100,000,000. Any successor to the Delaware Trustee shall be a bank or trust company having its principal place of business in the State of Delaware and having combined capital, surplus and undivided profits of at least \$20,000,000. Notwithstanding any provision herein to the contrary, in the event that a new trustee has not been approved within 60 days after a notice of resignation, a vote of Trust Unitholders removing a Trustee or other occurrence of a vacancy, a successor trustee may be appointed by any State or Federal District Court having jurisdiction in New Castle County, Delaware, upon the application of any Trust Unitholder, Enduro or the Entity tendering its resignation or being removed as trustee filed with such court, and in the event any such application is filed, such court may appoint a temporary trustee at any time after such application is filed, which shall, pending the final appointment of a trustee, have such powers and duties as the court appointing such temporary trustee shall provide in its order of appointment, consistent with the provisions of this Agreement. Any such temporary trustee need not meet the minimum standards of capital, surplus and undivided profits otherwise required of a successor trustee under this Section 6.05. Nothing herein shall prevent the same Entity from serving as both the Delaware Trustee and the Trustee if it meets the qualifications thereof.

Immediately upon the appointment of any successor trustee, all rights, titles, duties, powers and authority of the predecessor trustee hereunder (except to the predecessor trustee's rights to amounts payable under Article VII or Section 6.02 accruing through the appointment of such successor trustee) shall be vested in and undertaken by the successor trustee, which shall be entitled to receive from the predecessor trustee all of the Trust Estate held by it hereunder and all records and files of the predecessor trustee in connection therewith. Any resigning or removed trustee shall account to its successor for its administration of the Trust. All successor trustees shall be fully protected in relying upon such accounting and no successor trustee shall be obligated to examine or seek alteration of any account of any preceding trustee, nor shall any successor trustee be personally liable for failing to do so or for any act or omission of any

preceding trustee. The preceding sentence shall not prevent any successor trustee or anyone else from taking any action otherwise permissible in connection with any such account.

Section 6.06 *Laws of Other Jurisdictions*. If notwithstanding the other provisions of this Agreement (including, without limitation, Section 12.07) the laws of jurisdictions other than the State of Delaware (each being referred to below as "such jurisdiction") apply to the administration of the Trust or the Trust Estate under this Agreement, the following provisions shall apply. If it is necessary or advisable for a trustee to serve in such jurisdiction and if the Trustee is disqualified from serving in such jurisdiction or for any other reason fails or ceases to serve there, the ancillary trustee in such jurisdiction shall be such Entity, which need not meet the requirements set forth in the third sentence of Section 6.05, as shall be designated in writing by Enduro and the Trustee. To the extent permitted under the laws of such jurisdiction, Enduro and the Trustee may remove the trustee in such jurisdiction, without cause and without necessity of court proceeding, and may or may not appoint a successor trustee in such jurisdiction from time to time. The trustee serving in such jurisdiction shall, to the extent not prohibited under the laws of such jurisdiction, appoint the Trustee to handle the details of administration in such jurisdiction. The trustee in such jurisdiction shall have all rights, powers, discretions, responsibilities and duties as are delegated in writing by the Trustee, subject to such limitations and directions as shall be specified by the Trustee in the instrument evidencing such appointment. Any trustee in such jurisdiction shall be responsible to the Trustee for all assets with respect to which such trustee is empowered to act. To the extent the provisions of this Agreement and Delaware law cannot be made applicable to the administration in such jurisdiction, the rights, powers, duties and liabilities of the trustee in such jurisdiction shall be the same (or as near the same as permitted under the laws of such jurisdiction if applicable) as if governed by Delaware law. In all events, the administration in such jurisdiction shall be as free and independent of court control and supervision as permitted under the laws of such jurisdiction. The fees and expenses of any ancillary trustee shall constitute an administrative expense of the Trust payable from the Trust Estate. Whenever the term "Trustee" is applied in this Agreement to the administration in such jurisdiction, it shall refer only to the trustee then serving in such jurisdiction.

Section 6.07 *Reliance on Experts*. The Trustee and the Delaware Trustee may, but shall not be required to, consult with counsel (which may but need not be counsel to Enduro), accountants, tax advisors, geologists, engineers and other parties (including employees of the Trustee or Delaware Trustee, as applicable) deemed by the Trustee or the Delaware Trustee to be qualified as experts on the matters submitted to them, and, subject to Section 6.01, but notwithstanding any other provision of this Agreement, the opinion or advice of any such party on any matter submitted to it by the Trustee or the Delaware Trustee shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by the Trustee or the Delaware Trustee hereunder in good faith in reliance upon and in accordance with the opinion or advice of any such party. The Trustee is hereby authorized and directed to make payments of all reasonable fees for services and expenses thus incurred by the Trustee or the Delaware Trustee out of the Trust Estate. Neither the Delaware Trustee nor the Trustee shall incur any liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. The Delaware Trustee and the Trustee may accept a certified copy of a resolution of the board of

directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that the same is in full force and effect. As to any fact or matter the manner or ascertainment of which is not specifically prescribed herein, the Delaware Trustee and the Trustee may for all purposes hereof rely on a certificate, signed by the president or any vice president or by the treasurer or any assistant treasurer and by the secretary or any assistant secretary of the relevant party (including without limitation Enduro), as to such fact or matter, and such certificate shall constitute full protection and authorization to the Delaware Trustee and the Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

Section 6.08 *Force Majeure*. The Trustee and the Delaware Trustee shall not incur any liability to any Trust Unitholder if, by reason of any current or future law or regulation thereunder of the federal government or any other governmental authority, or by reason of any act of God, war or other circumstance beyond its control (whether or not similar to any of the foregoing), the Trustee or the Delaware Trustee is prevented or forbidden from doing or performing any act or thing required by the terms hereof to be done or performed; nor shall the Trustee or the Delaware Trustee incur any liability to any Trust Unitholder by reason of any nonperformance or delay caused as aforesaid in the performance of any act or thing required by the terms hereof to be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for herein caused as aforesaid.

Section 6.09 *Failure of Action by Enduro*. In the event that Enduro shall fail or is unable to take any action as required under any provision of the Transaction Documents, the Trustee is empowered (but shall not be required) to take such action.

Section 6.10 *Action Upon Instructions*. Whenever the Delaware Trustee is unable to decide between alternative courses of action permitted or required by the terms of this Agreement, or is unsure as to the application, intent, interpretation or meaning of any provision of this Agreement, the Delaware Trustee shall promptly give notice (in such form as shall be appropriate under the circumstances) to the Trustee requesting instruction as to the course of action to be adopted, and, to the extent the Delaware Trustee acts in good faith in accordance with any such instruction received, the Delaware Trustee shall not be liable on account of such action to any Person. If the Delaware Trustee shall not have received appropriate instructions within ten calendar days of sending such notice to the Trustee (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action which is consistent, in its view, with this Agreement, and the Delaware Trustee shall have no liability to any Person for any such action or inaction.

Section 6.11 *Management of Trust Estate*. The Delaware Trustee shall have no duty or obligation to manage, control, prepare, file or maintain any report, license or registration, use, sell, dispose of or otherwise deal with the Trust Estate, or otherwise to take or refrain from taking any action under or in connection with this Agreement, or any other document or instrument, except as expressly required hereby.

Section 6.12 *Validity*. The Delaware Trustee shall not be responsible for or in respect of and makes no representations as to the validity or sufficiency of any provision of this

Agreement or for the due execution hereof by the other parties hereto or for the form, character, genuineness, sufficiency, value or validity of any of the Trust Estate, and the Delaware Trustee shall in no event assume or incur any liability, duty or obligation to Enduro, the Trustee or any Trust Unitholder, other than as expressly provided for herein. Neither the Trustee nor the Delaware Trustee shall at any time have any responsibility or liability for or with respect to the legality, validity and enforceability of any of the Trust Units.

Section 6.13 *Rights and Powers; Litigation*. The Delaware Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement, or to institute, conduct or defend any litigation or arbitration under this Agreement or otherwise or in relation to this Agreement, at the request, order or direction of the Trustee, any Trust Unitholder or Enduro unless the Trustee, Trust Unitholder or Enduro, as the case may be, has or have offered to the Delaware Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that may be incurred by the Delaware Trustee therein or thereby. The Delaware Trustee shall be under no obligation to appear in, prosecute or defend any action, or to take any other action other than the giving of notices, which in its opinion may require it to incur any out-of-pocket expense or any liability unless it shall be furnished with such security and indemnity against such expense or liability as it may reasonably require. The right of the Delaware Trustee to perform any discretionary act enumerated in this Agreement shall not be construed as a duty, and the Delaware Trustee shall not be personally liable or accountable for the performance of any such act except as specifically provided in [Section 6.01](#).

Section 6.14 *No Duty to Act Under Certain Circumstances*. Notwithstanding anything contained herein to the contrary, the Delaware Trustee will not be required to take any action in any jurisdiction other than in the State of Delaware if the taking of such action would (i) require the consent of approval or authorization or order of or the giving of notice to, or the registration with or taking of any action in respect of, any state or other governmental authority or agency of any jurisdiction other than in the State of Delaware, (ii) result in any fee, tax or governmental charge under the laws of any jurisdiction or any political subdivisions thereof other than the State of Delaware becoming payable by the Delaware Trustee or (iii) subject the Delaware Trustee to personal jurisdiction in any jurisdiction other than the State of Delaware for causes of action arising from acts unrelated to the consummation of the transactions by the Delaware Trustee contemplated hereby.

Section 6.15 *Indemnification of Trust*. Enduro Sponsor agrees to indemnify and hold harmless the Trust from and against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and attorney's fees and expenses, (i) incurred under Section [ ] of the Underwriting Agreement and (ii) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus (as defined in the Underwriting Agreement), the Securities Act Registration Statement, the Pricing Disclosure Package (as defined in the Underwriting Agreement), any Issuer Free Writing Prospectus (as defined in the Underwriting Agreement) or the Prospectus (as defined in the Underwriting Agreement) or in any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Preliminary Prospectus, the Pricing Disclosure Package, any Issuer Free Writing Prospectus or the Prospectus or in any amendment or supplement thereto, in the light of the circumstances under which they were made) not misleading.

## ARTICLE VII COMPENSATION OF THE TRUSTEE AND THE DELAWARE TRUSTEE

Section 7.01 *Compensation of Trustee and Delaware Trustee*. The Entity serving as the Trustee hereunder shall receive an annual fee of \$200,000 as compensation for its services as the Trustee hereunder. The Entity serving as the Delaware Trustee hereunder shall receive an annual fee of \$2,000 as compensation for its services as the Delaware Trustee hereunder. Entities serving as the Trustee or the Delaware Trustee hereunder shall be reimbursed for all actual expenditures made in connection with administration of the Trust, including those made on account of any unusual duties in connection with matters pertaining to the Trust and the reasonable compensation and expenses of their counsel, accountants or other skilled persons and of all other persons not regularly in their employ. Any unusual or extraordinary services rendered by the Entity serving as Trustee or by the Entity serving as Delaware Trustee in

connection with the administration of the Trust shall be treated as trustee administrative services for purpose of computing the respective administrative fee to be paid to each Entity serving as trustee hereunder.

Section 7.02 *Reimbursement of Enduro*. Enduro shall be entitled to reimbursement from the Trust for all out-of-pocket costs and expenses paid by Enduro, acting in its capacity as Agent of the Trust (including without limitation legal, accounting, engineering and printing costs), but excluding those costs and expenses specified in [Section 3.12\(d\)](#) and in [Section 6.02\(b\)](#) as costs and expenses to be paid by Enduro, promptly upon submission of written evidence thereof to the Trustee.

Section 7.03 *Source of Funds*. Except as provided in [Section 3.12\(d\)](#) and [Section 6.02\(b\)](#), all compensation, reimbursements, and other charges owing to any Entity as a result of its services as a trustee hereunder shall constitute indebtedness hereunder, shall be payable by the Trust out of the Trust Estate and such Entity shall have a lien on the Trust Estate for payment of such compensation, reimbursements and other charges, entitling such Entity to priority as to payment thereof over payment to any other Person under this Agreement.

Section 7.04 *Ownership of Units by Enduro, the Delaware Trustee and the Trustee*. Each of the Delaware Trustee and the Trustee, in its individual or other capacity, may become the owner or pledgee of Trust Units with the same rights it would have if it were not a trustee hereunder. Enduro is an owner of Trust Units, and each of Enduro and its Affiliates may become the owner of additional Trust Units, with the same rights and entitled to the same benefits as any other Trust Unitholder.

#### ARTICLE VIII MEETINGS OF TRUST UNITHOLDERS

Section 8.01 *Purpose of Meetings*. A meeting of the Trust Unitholders may be called at any time and from time to time pursuant to the provisions of this [Article VIII](#) to transact any matter that the Trust Unitholders may be authorized to transact.

Section 8.02 *Call and Notice of Meetings*. Any such meeting of the Trust Unitholders may be called by the Trustee or by Trust Unitholders owning of record not less than 10% in number of the then outstanding Trust Units. The Trustee may, but shall not be obligated to, call meetings of Trust Unitholders to consider amendments, waivers, consents and other changes relating to the Transaction Documents to which the Trust is a party. In addition, at the written request of the Delaware Trustee, unless the Trustee appoints a successor Delaware Trustee in accordance with [Section 6.05](#), the Trustee shall call such a meeting but only for the purpose of appointing a successor to the Delaware Trustee upon its resignation. All such meetings shall be held at such time and at such place as the notice of any such meeting may designate. Except as may otherwise be required by any applicable law or by the rules of any securities exchange or quotation system on which the Trust Units may be listed or admitted to trading, the Trustee shall provide notice of every meeting of the Trust Unitholders authorized by the Trustee or the Trust Unitholders calling the meeting, setting forth the time and place of the meeting and in general terms the matters proposed to be acted upon at such meeting, which notice shall be given in accordance with [Section 12.09](#) of this Agreement not more than 60 nor less than 20 days before

such meeting is to be held to all of the Trust Unitholders of record at the close of business on a record date selected by the Trustee (the "**Record Date Trust Unitholders**"), which shall be not more than 60 days before the date of such notice. If such notice is given to any Trust Unitholder by mail, it shall be directed to such Trust Unitholder at its last address as shown by the ownership ledger of the Trustee and shall be deemed duly given when so addressed and deposited in the United States mail, postage paid. No matter other than that stated in the notice shall be acted upon at any meeting unless such action is approved by the Trust Unitholders. Only Record Date Trust Unitholders shall be entitled to notice of and to exercise rights at or in connection with the meeting. All costs associated with calling any meeting of the Trust Unitholders shall be borne by the Trust other than a meeting of the Trust Unitholders called by Trust Unitholders owning of record not less than 10% in number of the then outstanding Trust Units, which costs shall be borne by the Trust Unitholders that called such meeting of Trust Unitholders.

Section 8.03 *Method of Voting and Vote Required*. Each Record Date Trust Unitholder shall be entitled to one vote for each Trust Unit owned by such Record Date Trust Unitholder, and any Record Date Trust Unitholder may vote in person or by duly executed written proxy. Abstentions and broker non-votes shall not be deemed to be a vote cast. At any such meeting, the presence in person or by proxy of Record Date Trust Unitholders holding a majority of the Trust Units held by all Record Date Trust Unitholders shall constitute a quorum, and, except as otherwise provided herein, any matter shall be deemed to have been approved by the Trust Unitholders (including, but not limited to, appointment of a successor trustee) if it is approved by the affirmative vote of Record Date Trust Unitholders holding a majority of the Trust Units present in person or by proxy at a meeting where there is a quorum present.

Section 8.04 *Conduct of Meetings*. The Trustee may make such reasonable regulations consistent with the provisions hereof as it may deem advisable for any meeting of the Trust Unitholders, for the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, the preparation and use at the meeting of a list authenticated by or on behalf of the Trustee of the Trust Unitholders entitled to vote at the meeting and such other matters concerning the conduct of the meeting as it shall deem advisable.

#### **ARTICLE IX DURATION, REVOCATION AND TERMINATION OF TRUST**

Section 9.01 *Revocation*. Subject to the third sentence of this [Section 9.01](#), the Trust is and shall be irrevocable, and Enduro, as trustor, after the Closing, retains no power to alter, amend (except as provided otherwise in this [Article IX](#) and in [Section 10.02](#) hereof), revoke or terminate the Trust. The Trust shall be terminable only as provided in [Section 9.02](#), and shall continue until so terminated.

Section 9.02 *Termination*. The Trust shall dissolve and commence winding-up its business and affairs upon the first to occur of the following events or times:

(a) the disposition of all of the Net Profits Interest and any assets (other than cash), tangible or intangible, including accounts receivable and claims or rights to payment, constituting the Trust Estate in accordance with [Section 3.02\(a\)](#);

(b) the action by Trust Unitholders of record holding at least 75% of the then outstanding Trust Units at a meeting held in accordance with the requirements of [Article VIII](#) to terminate the Trust;

(c) annual cash proceeds received by the Trust attributable to the Net Profits Interest are less than \$2.0 million for each of any two consecutive years; and

(d) the entry of a decree of judicial dissolution of the Trust.

[Section 9.03 Disposition and Distribution of Assets and Properties](#). Notwithstanding the dissolution of the Trust pursuant to [Section 9.02](#), the Trustee and the Delaware Trustee shall continue to act as trustees of the Trust Estate and as such shall exercise the powers granted under this Agreement until their duties have been fully performed and the Trust Estate finally distributed so that the affairs of the Trust may be liquidated and wound up. Upon the dissolution of the Trust, the Trustee shall sell for cash in one or more sales all the properties other than cash then constituting the Trust Estate. The net proceeds from any sale of the Net Profits Interest made as provided in [Section 3.02](#) or the properties other than cash then constituting the Trust Estate shall be treated as cash receipts of the Trust during the Monthly Period in which the net proceeds are received; provided that the Trustee shall first pay, satisfy and discharge all liabilities of the Trust, or if necessary, set up cash reserves in such amounts as the Trustee in its discretion deems appropriate for contingent liabilities in accordance with Section 3808 of the Trust Act. The Trustee shall not be required to obtain approval of the Trust Unitholders prior to performing any of its duties pursuant to this [Section 9.03](#). Notwithstanding anything herein to the contrary, in no event may the Trustee distribute the Net Profits Interest to the Trust Unitholders. Upon completion of the dissolution and winding up of the Trust in accordance with [Section 9.02](#) and [Section 9.03](#) hereof and Section 3808 of the Trust Act, the Trustee shall direct the Delaware Trustee to file, and Delaware Trustee shall file or cause to be filed at the expense of Enduro, a certificate of cancellation of the Trust's Certificate of Trust in accordance with [Section 2.01](#) and Section 3811 of the Trust Act. Upon the filing of such certificate of cancellation, neither of the Trustees nor the Entities serving in such capacity shall have any further duty or obligation hereunder, and neither of the Trustees nor the Entities serving in such capacity shall be under further liability except as provided in [Section 6.01](#).

[Section 9.04 Reorganization or Business Combination](#).

(a) The Trust may merge or consolidate with or convert into one or more limited partnerships, general partnerships, corporations, statutory trusts, common law trusts, limited liability companies, associations, or unincorporated businesses in accordance with the Trust Act if such transaction (i) except in the case of the Merger is agreed to by the Trustee and by the affirmative vote of holders of a majority of the Trust Units present in person or by proxy at a meeting where a quorum is present, and (ii) is permitted under the Trust Act and any other applicable law. The Merger is hereby authorized and approved and the Trust, and the Trustee, on behalf of the Trust, acting alone is hereby authorized to execute and deliver the Agreement and Plan of Merger, to consummate the Merger and to execute and file a certificate of merger with the Delaware Secretary of State without the need for any further action or approval by any Person. The Trustee shall give prompt notice of such reorganization or business combination to the Delaware Trustee. Pursuant to and in accordance with the provisions of Section 3815(f) of the Trust Act,

and notwithstanding anything else herein, an agreement of merger or consolidation approved in accordance with this Section 9.04 and Section 3815(a) of the Trust Act may effect any amendment to this Agreement or effect the adoption of a new trust agreement if it is the surviving or resulting trust in the merger or consolidation.

(b) Upon the effective date of a certificate of merger duly filed in accordance with the Trust Act, the following shall be deemed to occur, in addition to such effects as may be specified under the Trust Act as then in effect:

(i) all of the rights, privileges and powers of each of the business entities that have merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities shall be vested in the surviving business entity and, after the merger or consolidation, shall be the property of the surviving business entity to the extent they were part of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and shall not be in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interest in property of any of those constituent business entities shall be preserved unimpaired;

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the surviving or resulting business entity, and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it; and

(v) if the Trust is the surviving or resulting entity, the certificate of trust of the Trust may be amended as set forth in the certificate of merger.

(c) A merger or consolidation effected pursuant to this Section 9.04 shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred.

#### **ARTICLE X AMENDMENTS**

Section 10.01 *Prohibited Amendments*. After the Closing, no amendment may be made to any provision of this Agreement that would:

(a) increase the power of the Delaware Trustee or the Trustee to engage in business or investment activities;

(b) alter the rights of the Trust Unitholders vis-a-vis each other; or

(c) unless consented to in writing by Enduro, have the effect of amending Sections 3.02, 6.02, 7.02, 9.02, 9.03, 10.01 or 10.02 hereof.



Section 10.02 *Permitted Amendments*. Subject to Section 10.01, the Trustee and the Delaware Trustee may amend the Transaction Documents to which the Trust is a party as follows:

(a) The Delaware Trustee and the Trustee may, jointly, from time to time supplement or amend this Agreement, and the Trustee on behalf of the Trust may from time to time supplement or amend the other Transaction Documents to which the Trust is a party, without the approval of Trust Unitholders in order to cure any ambiguity, to correct or supplement any provision contained herein or therein which may be defective or inconsistent with any other provisions herein or therein, to grant any benefit to all of the Trust Unitholders, to comply with changes in applicable law or to change the name of the Trust; *provided* that such supplement or amendment does not materially adversely affect the interests of the Trust Unitholders; and *provided, further*, that any amendment to this Agreement made to change the name of the Trust in accordance with Section 12.05 or otherwise shall be conclusively deemed not to materially affect adversely the interests of the Trust Unitholders or result in a material variance of the investment of the Trust or the Trust Unitholders. Additionally, the Trustee may, from time to time, supplement or amend the Transaction Documents without the approval of the Trust Unitholders; *provided* that such supplement or amendment would not increase the costs or expenses of the Trust or adversely affect the economic interest of the Trust Unitholders; and *provided, further*, that the Trustee shall not modify or amend the Conveyance if such modification or amendment would change the character of the Net Profits Interest in such a way that the Net Profits Interest becomes a working interest or that the trust would fail to continue to qualify as a grantor trust for U.S. federal income tax purposes. The Trustee and the Delaware Trustee, subject to the provisions of Section 6.01 and Section 6.07, are entitled to, and may rely upon, a written opinion of counsel as conclusive evidence that any amendment or supplement pursuant to the immediately preceding sentences is authorized and permitted under this Agreement and the other Transaction Documents and complies with the provisions of this Section 10.02.

(b) All other permitted amendments to the provisions of this Agreement may be made only by the affirmative vote of the Trust Unitholders of record holding at least 75% of the then outstanding Trust Units at a meeting held in accordance with the requirements of Article VIII.

(c) No amendment that increases the obligations, duties or liabilities or affects the rights of the Delaware Trustee, the Trustee or any Entity serving in any such capacity shall be effective without the express written approval of such trustee or Entity.

#### ARTICLE XI ARBITRATION

THE TRUST UNITHOLDERS, TRUSTEE AND ENDURO AGREE THAT, EXCEPT AS PROVIDED IN PARAGRAPH (I) OF THIS ARTICLE XI, ANY DISPUTE, CONTROVERSY OR CLAIM THAT MAY ARISE BETWEEN OR AMONG ENDURO (ON THE ONE HAND) AND THE TRUST OR THE TRUSTEE (ON THE OTHER HAND) IN CONNECTION WITH OR OTHERWISE RELATING TO THE TRANSACTION DOCUMENTS TO WHICH THE TRUST IS A PARTY, OR THE APPLICATION, IMPLEMENTATION, VALIDITY OR BREACH OF THE TRANSACTION DOCUMENTS

TO WHICH THE TRUST IS A PARTY OR ANY PROVISION OF THE TRANSACTION DOCUMENTS TO WHICH THE TRUST IS A PARTY (INCLUDING, WITHOUT LIMITATION, CLAIMS BASED ON CONTRACT, TORT OR STATUTE), SHALL BE FINALLY, CONCLUSIVELY AND EXCLUSIVELY SETTLED BY BINDING ARBITRATION IN FORT WORTH, TEXAS IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES (THE "**RULES**") OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THERETO ("**AAA**") THEN IN EFFECT. THE TRUST UNITHOLDERS, THE TRUSTEE (FOR ITSELF AND ON BEHALF OF THE TRUST) AND ENDURO HEREBY EXPRESSLY WAIVE THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO TRIAL BY JURY, WITH RESPECT TO ANY MATTER SUBJECT TO ARBITRATION PURSUANT TO THIS ARTICLE XI. THE TRUST UNITHOLDERS, TRUSTEE OR ENDURO MAY BRING AN ACTION, INCLUDING, WITHOUT LIMITATION, A SUMMARY OR EXPEDITED PROCEEDING, IN ANY COURT HAVING JURISDICTION, TO COMPEL ARBITRATION OF ANY DISPUTE, CONTROVERSY OR CLAIM TO WHICH THIS ARTICLE XI APPLIES. EXCEPT WITH RESPECT TO THE FOLLOWING PROVISIONS (THE "**SPECIAL PROVISIONS**") WHICH SHALL APPLY WITH RESPECT TO ANY ARBITRATION PURSUANT TO THIS ARTICLE XI, THE INITIATION AND CONDUCT OF ARBITRATION SHALL BE AS SET FORTH IN THE RULES, WHICH RULES ARE INCORPORATED IN THIS AGREEMENT BY REFERENCE WITH THE SAME EFFECT AS IF THEY WERE SET FORTH IN THIS AGREEMENT.

(a) In the event of any inconsistency between the Rules and the Special Provisions, the Special Provisions shall control. References in the Rules to a sole arbitrator shall be deemed to refer to the tribunal of arbitrators provided for under subparagraph (c) below in this Article XI.

(b) The arbitration shall be administered by AAA.

(c) The arbitration shall be conducted by a tribunal of three arbitrators. Within ten days after arbitration is initiated pursuant to the Rules, the initiating party or parties (the "**Claimant**") shall send written notice to the other party or parties (the "**Respondent**"), with a copy to the Fort Worth, Texas office of AAA, designating the first arbitrator (who shall not be a representative or agent of any party but may or may not be an AAA panel member and, in any case, shall be reasonably believed by the Claimant to possess the requisite experience, education and expertise in respect of the matters to which the claim relates to enable such person to completely perform arbitral duties). Within ten days after receipt of such notice, the Respondent shall send written notice to the Claimant, with a copy to the Fort Worth, Texas office of AAA and to the first arbitrator, designating the second arbitrator (who shall not be a representative or agent of any party, but may or may not be an AAA panel member and, in any case, shall be reasonably believed by the Respondent to possess the requisite experience, education and expertise in respect of the matters to which the claim relates to enable such person to competently perform arbitral duties). Within ten days after such notice from the Respondent is received by the Claimant, the Respondent and the Claimant shall cause their respective designated arbitrators to select any mutually agreeable AAA panel member as the third arbitrator. If the respective designated arbitrators of the Respondent and the Claimant cannot so agree within said ten day period, then the third arbitrator will be determined pursuant to the Rules. For purposes of this Article XI, Enduro (on the one hand) and the Trust and the Trustee

(on the other hand) shall each be entitled to the selection of one arbitrator. Prior to commencement of the arbitration proceeding, each arbitrator shall have provided the parties with a resume outlining such arbitrator's background and qualifications and shall certify that such arbitrator is not a representative or agent of any of the parties. If any arbitrator shall die, fail to act, resign, become disqualified or otherwise cease to act, then the arbitration proceeding shall be delayed for 15 days and the party by or on behalf of whom such arbitrator was appointed shall be entitled to appoint a substitute arbitrator (meeting the qualifications set forth in this Article XI) within such 15-day period; *provided, however*, that if the party by or on behalf of whom such arbitrator was appointed shall fail to appoint a substitute arbitrator within such 15-day period, the substitute arbitrator shall be a neutral arbitrator appointed by the AAA arbitrator within 15 days thereafter.

(d) All arbitration hearings shall be commenced within 120 days after arbitration is initiated pursuant to the Rules, unless, upon a showing of good cause by a party to the arbitration, the tribunal of arbitrators permits the extension of the commencement of such hearing; *provided, however*, that any such extension shall not be longer than 60 days.

(e) All claims presented for arbitration shall be particularly identified and the parties to the arbitration shall each prepare a statement of their position with recommended courses of action. These statements of position and recommended courses of action shall be submitted to the tribunal of arbitrators chosen as provided hereinabove for binding decision. The tribunal of arbitrators shall not be empowered to make decisions beyond the scope of the position papers.

(f) The arbitration proceeding will be governed by the substantive laws of the State of Delaware and will be conducted in accordance with such procedures as shall be fixed for such purpose by the tribunal of arbitrators, except that (i) discovery in connection with any arbitration proceeding shall be conducted in accordance with the Federal Rules of Civil Procedure and applicable case law, (ii) the tribunal of arbitrators shall have the power to compel discovery and (iii) unless the parties otherwise agree and except as may be provided in this Article XI, the arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1-16, to the exclusion of any provision of state law or other applicable law or procedure inconsistent therewith or which would produce a different result. The parties shall preserve their right to assert and to avail themselves of the attorney-client and attorney-work-product privileges, and any other privileges to which they may be entitled pursuant to applicable law. No party to the arbitration or any arbitrator may compel or require mediation and/or settlement conferences without the prior written consent of all such parties and the tribunal of arbitrators.

(g) The tribunal of arbitrators shall make an arbitration award as soon as possible after the later of the close of evidence or the submission of final briefs, and in all cases the award shall be made not later than 30 days following submission of the matter. The finding and decision of a majority of the arbitrators shall be final and shall be binding upon the parties. Judgment upon the arbitration award or decision may be entered in any court having jurisdiction thereof or application may be made to any such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The tribunal of arbitrators shall have the authority to assess liability for pre-award and post-award interest on the claims, attorneys' fees, expert witness fees and all other expenses of arbitration as such arbitrators shall deem appropriate based

on the outcome of the claims arbitrated. Unless otherwise agreed by the parties to the arbitration in writing, the arbitration award shall include findings of fact and conclusions of law.

(h) Nothing in this Article XI shall be deemed to (i) limit the applicability of any otherwise applicable statute of limitations or repose or any waivers contained in this Agreement, (ii) constitute a waiver by any party hereto of the protections afforded by 12 U.S.C. § 91 or any successor statute thereto or any substantially equivalent state law, (iii) restrict the right of the Trustee to make application to any state or federal district court having jurisdiction in Fort Worth, Texas, to appoint a successor Trustee or to request instructions with regard to any provision in this Agreement when the Trustee is unsure of its obligations thereunder, or (iv) apply to the Delaware Trustee.

(i) This Article XI shall preclude participation by the Trust in any class action brought against Enduro by any Person who is not a Trust Unitholder and the Trustee shall opt out of any such class action in which the Trust is a purported class member, but shall not preclude participation by the Trust in any such action brought by Trust Unitholders or in which Trust Unitholders holding more than 50% of the Trust Units represented at a duly called and held meeting of the Trust Unitholders in accordance with Section 8.02 request the Trustee to participate.

## **ARTICLE XII MISCELLANEOUS**

Section 12.01 *Inspection of Books*. Each Trust Unitholder and its duly authorized agents and attorneys shall have the right, at its own expense and during reasonable business hours upon reasonable prior notice, to examine and inspect the records (including, without limitation, the ownership ledger) of the Trust and the Trustee in reference thereto for any purpose reasonably related to the Trust Unitholder's interest as a Trust Unitholder. The Trustee and its duly authorized Agents (including attorneys) shall have the right, at the expense of the Trust and during reasonable business hours upon reasonable prior written notice, to examine and inspect the records of Enduro relating to the Net Profits Interest and the Underlying Properties.

Section 12.02 *Disability of a Trust Unitholder*. Any payment or distribution to a Trust Unitholder may be made by check of the Trustee drawn to the order of the Trust Unitholder, regardless of whether or not the Trust Unitholder is a minor or under other legal disability, without the Trustee having further responsibility with respect to such payment or distribution. This Section 12.02 shall not be deemed to prevent the Trustee from making any payment or distribution by any other method that is appropriate under law.

Section 12.03 *Interpretation*. It is intended that this Agreement shall be interpreted in a manner such that the Trustee shall be prohibited from taking any action if the effect of such action would constitute a power under this Trust Agreement to "vary the investment of the certificate holders" as set forth in Section 301.7701-4(c)(1) of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended, as such regulations may be amended, and as further interpreted by Revenue Ruling 2004-86, 2004-2 C.B. 191, or any successor ruling, notice or other pronouncement by the Internal Revenue Service.

Section 12.04 *Merger or Consolidation of Delaware Trustee or Trustee.* Neither a change of name of either the Delaware Trustee or the Trustee, nor any merger or consolidation of its corporate powers with another bank or with a trust company or other business entity, nor the sale or transfer of all or substantially all of its institutional and corporate trust operations to a separate bank, trust company, corporation or other business entity shall adversely affect such resulting or successor party's right or capacity to act hereunder and any such successor shall be the successor Delaware Trustee or the Trustee hereunder without the execution, delivery or filing of any paper or instrument or further act to be done on the part of the parties hereto, except as may be required by law; *provided, however*, that the Delaware Trustee or any successor thereto shall maintain its principal place of business in the State of Delaware; and *provided, further*, that, in the case of any successor Trustee or Delaware Trustee, it shall continue to meet the requirements of [Section 6.05](#).

Section 12.05 *Change in Trust Name.* Upon the written request by Enduro submitted to the Trustee and the Delaware Trustee, the Trustee shall, without the vote or consent of any Trust Unitholders, take all action necessary to change the name of the Trust to a name mutually agreeable to the Trustee and Enduro and, upon effecting such name change, the Delaware Trustee, acting pursuant to the written instructions of the Trustee, shall amend the Certificate of Trust on file in the office of the Secretary of State of Delaware to reflect such name change.

Section 12.06 *Filing of this Agreement.* There is no obligation on the part of the Trustee that this Agreement or any executed copy hereof be filed in any county in which any of the Trust Estate is located or elsewhere, but the same may be filed for record in any county by the Trustee. In order to avoid the necessity of filing this Agreement for record, each of the Delaware Trustee and the Trustee agrees that for the purpose of vesting the record title to the Trust Estate in any successor trustee, the succeeded trustee shall, upon appointment of any successor trustee, execute and deliver to such successor trustee appropriate assignments or conveyances.

Section 12.07 *Choice of Law.* This Agreement and the Trust shall be governed by the laws of the State of Delaware (without regard to the conflict of laws principles thereof) in effect at any applicable time in all matters, including the validity, construction and administration of this Agreement and the Trust, the enforceability of the provisions of this Agreement, all rights and remedies hereunder, and the services of the Delaware Trustee and Trustee hereunder. Furthermore, except as otherwise provided in this Agreement, the rights, powers, duties and liabilities of the Delaware Trustee, the Trustee and the Trust Unitholders shall be as provided under the Trust Act and other applicable laws of the State of Delaware in effect at any applicable time; *provided, however*, that to the fullest extent permitted by applicable law there shall not be applicable to the Trustee, the Delaware Trustee, the Trust Unitholders, the Trust or this Agreement any provision of the laws (common or statutory) of the State of Delaware pertaining to trusts (other than the Trust Act) that relate to or regulate, in a manner inconsistent with the terms hereof, (i) the filing with any court or governmental body or agency of trustee accounts or schedules of trustee fees and charges, (ii) affirmative requirements to post bonds for trustees, officers, agents or employees of a trust, (iii) the necessity for obtaining court or other governmental approval concerning the acquisition, holding or disposition of real or personal property, (iv) fees or other sums payable to trustees, officers, agents or employees of a trust, (v) the allocation of receipts and expenditures to income or principal, (vi) restrictions or limitations on the permissible nature, amount or concentration of trust investments or

requirements relating to the titling, storage or other manner of holding or investing trust assets or (vii) the establishment of fiduciary or other standards of responsibility or limitations on the acts or powers of trustees that are inconsistent with the limitations or authorities and powers of the trustees hereunder as set forth or referenced in this Agreement. Section 3540 of Title 12 of the Delaware Code shall not apply to the Trust.

Section 12.08 *Separability*. If any provision of this Agreement or the application thereof to any Person or circumstances shall be finally determined by a court of proper jurisdiction to be illegal, invalid or unenforceable to any extent, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those as to which it is held illegal, invalid or unenforceable shall not be affected thereby, and every remaining provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

Section 12.09 *Notices*. Any and all notices or demands permitted or required to be given under this Agreement shall be in writing (or be capable of being reproduced in paper format) and shall be validly given or made if (a) personally delivered, (b) delivered and confirmed by facsimile or like instantaneous transmission service, or by Federal Express or other overnight courier delivery service, which shall be effective as of confirmation of receipt by the courier at the address for notice hereinafter stated, (c) solely in the case of notice to any Trust Unitholder, by press release in a nationally recognized and distributed media or by means of electronic transmission or as otherwise permitted by applicable law, or (d) deposited in the United States mail, first class, postage prepaid, certified or registered, return receipt requested, addressed as follows:

If to the Trustee, to:

The Bank of New York Mellon Trust Company, N.A.  
Institutional Trust Services  
919 Congress Avenue, Suite 500  
Austin, Texas 78701  
Attention: Michael J. Ulrich  
Facsimile No.: (512) 479-2253

With a copy to:

Bracewell & Giuliani LLP  
111 Congress Avenue, Suite 2300  
Austin, Texas 78701  
Attention: Thomas Adkins  
Facsimile No.: (512) 479-3940

If to the Delaware Trustee, to:

Wilmington Trust Company  
1100 North Market Street  
Wilmington, Delaware 19890-1615  
Attention: Corporate Trust Administration  
Facsimile No.: (302) 636-4140

With a copy to:

Richards, Layton & Finger, P.A.  
920 N. King Street  
Wilmington, Delaware 19801  
Attention: Eric A. Mazie  
Facsimile No.: (302) 498-7678

If to Enduro, to:

777 Main Street, Suite 800  
Fort Worth, Texas 76102  
Attention: Jon S. Brumley  
Facsimile No.: [•]

With a copy to:

Latham & Watkins LLP  
717 Texas Avenue, 16th Floor  
Houston, Texas 77002  
Attention: Sean T. Wheeler  
Facsimile No.: (713) 546-5401

If to a Trust Unitholder, to:

The Trust Unitholder at its last address as shown on the ownership records maintained by the Trustee.

Notice that is mailed in the manner specified shall be conclusively deemed given three days after the date postmarked or upon receipt, whichever is sooner. Any party to this Agreement may change its address for the purpose of receiving notices or demands by notice given as provided in this [Section 12.09](#).

Section 12.10 *Counterparts*. This Agreement may be executed in a number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

Section 12.11 *No Fiduciary Duty of Enduro or its Affiliates*. The parties hereto and the Trust Unitholders expressly acknowledge and agree that Enduro and its Affiliates are entering into the Transaction Documents and may exercise their rights and discharge their obligations fully, without hindrance or regard to conflict of interest principles, duty of loyalty principles or other breach of fiduciary duties, all of which defenses, claims or assertions are hereby expressly waived by the other parties hereto and the Trust Unitholders. Neither Enduro nor any of its Affiliates shall be a fiduciary with respect to the Trust or the Trust Unitholders. To the extent that, at law or in equity, Enduro or its Affiliates have duties (including fiduciary duties) and liabilities relating thereto to the Trust or to the Trust Unitholders, such duties and liabilities are hereby eliminated to the fullest extent permitted by law.

[Signature page follows]

IN WITNESS WHEREOF, Enduro, the Trustee and the Delaware Trustee have caused this Agreement to be duly executed the day and year first above written.

**ENDURO RESOURCE PARTNERS LLC**

By: Enduro Resource Holdings LLC,  
its sole member

By: \_\_\_\_\_  
Name: Jon S. Brumley  
Title: President and Chief Executive Officer

**WILMINGTON TRUST COMPANY**

By: \_\_\_\_\_  
Name: Jessica Williams  
Title: Financial Services Officer

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**

By: \_\_\_\_\_  
Name: Michael Ulrich  
Title: Vice President

[Signature Page to Amended and Restated Trust Agreement]



**FORM OF CONVEYANCE OF NET PROFITS INTEREST**

This Conveyance of Net Profits Interest (as may be amended, supplemented or otherwise modified from time to time, this "Conveyance") has been executed on [ \_\_\_\_\_ ], 2011 (the "Execution Date"), but is made effective as of the Effective Time (as defined below), from Enduro Operating LLC, a Delaware limited liability company ("Grantor") and wholly owned subsidiary of Enduro Resource Partners LLC, a Delaware limited liability company ("Enduro Sponsor"), to Enduro Texas LLC, a Delaware limited liability company and wholly owned subsidiary of Enduro Sponsor ("Grantee"). The Parties acknowledge and agree that this Conveyance has been effected pursuant to the terms and conditions of that certain Agreement and Plan of Merger, dated as of the Effective Date, between Grantor and Grantee (the "Grantee Merger").

Grantor and Grantee are sometimes referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms used in this Conveyance shall have the respective meanings ascribed to them in Article II.

**ARTICLE I  
GRANT OF NET PROFITS INTEREST**

For and in consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration to Grantor paid by Grantee, the receipt and sufficiency of which are hereby acknowledged by Grantor, Grantor has bargained, sold, granted, conveyed, transferred, assigned, set over, and delivered, and by this Conveyance does hereby bargain, sell, grant, convey, transfer, assign, set over, and deliver unto Grantee, its successors and assigns, effective as of the Effective Time, the Net Profits Interest, which shall be calculated in accordance with the provisions of Article IV and payable solely out of the Net Profits derived from the gross proceeds attributable to the sale of the Subject Hydrocarbons, all as more fully provided hereinbelow.

TO HAVE AND TO HOLD the Net Profits Interest, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee, its successors and assigns, subject, however, to the following terms and provisions:

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**ARTICLE II  
INTERPRETATION; DEFINITIONS**

Section 2.1 Interpretation

(a) All references in this Conveyance to Exhibits, Articles, Sections, subsections, clauses and other subdivisions refer to the corresponding Exhibits, Articles, Sections, subsections, clauses and other subdivisions of or to this Conveyance unless expressly provided otherwise. Titles or headings appearing at the beginning of any Exhibits, Articles, Sections, subsections, clauses and other subdivisions of this Conveyance are for convenience only, do not constitute any part of this Conveyance and shall be disregarded in construing the language hereof. The words "this Conveyance," "herein," "hereby," "hereunder" and "hereof," and words of similar import, refer to this Conveyance as a whole and not to any particular Article, Section, subsection, clause or other subdivision unless expressly so limited. The words "this Article," "this Section," "this subsection," "this clause," and words of similar import, refer only to the Article, Section, subsection and clause hereof in which such words occur. The word "including" (in its various forms) means including without limitation. All references to "\$" or "dollars" shall be deemed references to United States dollars. Each accounting term not defined herein will have the meaning given to it under GAAP as interpreted as of the date of this Conveyance. Unless expressly provided to the contrary, the word "or" is not exclusive. Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Exhibits referred to herein are attached to and by this reference incorporated herein for all purposes. Reference herein to any federal, state, local or foreign Law shall be deemed to also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The terms "grant," "convey," "transfer" and "assign" or words of a similar nature, when used in relation to the Grantee Merger, shall mean "allocated to" and "vested in."

(b) As used in this Conveyance, in regard to Subject Interests located in Louisiana:

(i) Each reference to "person" will include "juridical persons" as such term is used in the Louisiana Civil Code.

(ii) Each reference to "lien" will include a reference to "privilege."

(iii) Each reference to "sale" or "conveyance" (and derivations thereof) will, if the context requires, include a reference to "assignment" and "transfer of ownership" as such terms are used in the Louisiana Civil Code.

(iv) The term "fee interest" will refer to the rights of a landowner or a mineral servitude owner in minerals as used in the Louisiana Mineral Code. Each reference to "leaseholds" or "leasehold interests" will include a reference to "interests in a mineral lease" as contemplated by the Louisiana Mineral Code.

(v) Each reference to "pooling or unitization agreement" will include a reference to "unitization orders," and each reference to "pooled unit" will include a

reference to units created by order or by agreement or declared pursuant to contractual authority.

(vi) Each reference to "property" will include, as the context may require, "corporeals" and "incorporeals" and "movables" and "immovables" as such terms are used in the Louisiana Civil Code. Each reference to "real property" will include "immovables," whether corporeal immovables or incorporeal immovables as the context may require, as such terms are used in the Louisiana Civil Code, and also "minerals rights" as such term is used in the Louisiana Mineral Code. Each reference to the term "personal property" will include "movables," whether corporeal movables or incorporeal movables as the context may require, as such terms are used in the Louisiana Civil Code. Each reference to "fixtures" will include a reference to "component parts" as such term is used in the Louisiana Civil Code. Each reference to "easement" or "right-of-way" will include a reference to "servitude" as such term is used in the Louisiana Civil Code. Each reference to "running with the Subject Interests" will include the phrase "and a real right in the Subject Interests."

Section 2.2 Definitions. As used herein, the following terms shall have the respective meanings ascribed to them below:

"Acquisition Date" shall mean the date on which Grantor or its Affiliate acquired the applicable Subject Interest.

"Administrative Hedge Costs" shall mean those costs paid by Grantor after June 30, 2011 to counter-parties under the Existing Hedges or to Persons that provide credit to maintain any Existing Hedge (in each case) after the Effective Time, but excluding any Hedge Settlement Costs.

"Affiliate" shall mean with respect to a specified Person, any Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person. As used in this definition, the term "control" (and the related terms "controlling," "controlled by," and "under common control") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"BOE" shall mean (a) for Oil included in the Subject Hydrocarbons, one barrel, (b) for Gas Liquids included in the Subject Hydrocarbons, one (1) barrel, and (c) for Gas included in the Subject Hydrocarbons, the amount of such hydrocarbons equal to one barrel, determined using the ratio of six (6) Mcf of Gas to one barrel of Oil.

"Business Day," shall mean any day that is not a Saturday, Sunday, a holiday determined by the New York Stock Exchange as affecting "'ex' dates" or any other day on which national banking institutions in New York, New York are closed as authorized or required by law.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Conveyance" shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Credits” shall have the meaning given such term in Section 4.1(b).

“Debit Balance” shall have the meaning given such term in Section 4.2(b).

“Debit Balance Amount” shall have the meaning given such term in Section 4.2(b).

“Debits” shall have the meaning given such term in Section 4.1(b).

“Effective Time” shall mean 7:00 a.m., Central Standard Time, on May 1, 2011.

“Eligible Materials” shall mean Materials for which amounts in respect of the cost of such Materials were properly debited to the Net Profits Account.

“Enduro Sponsor” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Environmental Laws” shall mean, as the same have been amended to the date hereof, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; and all similar laws as of the date hereof of any governmental body having jurisdiction over the property in question addressing pollution or protection of the environment and all regulations implementing the foregoing that are applicable to the operation and maintenance of the Subject Interests.

“Excluded Deductions” shall mean deduction amounts related to any of the following items: (a) any amount that has also been used to reduce or offset the amount of the Subject Hydrocarbons (or proceeds of production thereof) or has otherwise not been included therein (including proceeds attributable to royalties, overriding royalties, production payments and other charges burdening the Subject Interests as of the Effective Time); (b) any overriding royalty, production payment or other charge burdening the Subject Interests which was created by Grantor after the Acquisition Date; (c) any general, administrative or overhead costs paid or incurred by Grantor or its Affiliates, except for those expressly permitted hereunder; (d) any interest, premiums, fees or similar charges arising out of borrowings or purchases of any goods, equipment or other items on credit, whether or not used on or otherwise related to the Subject Interests; (e) all Manufacturing Costs; (f) any amounts paid by Grantor (initial or a successor) to such Grantor’s predecessor in interest with respect to part or all of the Subject Interests (including without limitation any purchase price or other consideration paid by Grantor to such predecessor in interest to acquire all or part of the Subject Interests); (g) any amount arising from any condition, circumstance, activity, practice, incident, action, or plan that gives rise to any material liability, or otherwise form the basis of any claim, action, suit, proceeding, hearing or investigation, based on or related to the processing, distribution, use, treatment, storage, disposal, transport, or handling, or the emission, discharge, Release or threatened Release into the environment, of any pollutant, contaminant, or hazardous substance or other toxic material or waste from or attributable to the use or operation of any of the Subject Interests which either

occurred prior to, on or after the Effective Time and are attributable to Grantor's gross negligence or willful misconduct; and (h) costs and expenses (not to exceed, in the aggregate, \$9,098,000) arising out of operations covered by the AFEs for the wells set forth on Exhibit B.

"Excluded Proceeds" shall mean the following proceeds and amounts:

(a) any Offset Amounts, except that, for purposes of determining the proceeds and amounts that constitute "Excluded Proceeds" for purposes hereof, (i) there shall not be any deductions to such proceeds and amounts, in the cases of subsections (c), (h) and (j) of the definition for "Offset Amounts," for the actual costs of salvage or disposition or any Manufacturing Costs, as applicable, (ii) cash payments received by Grantor as a result of any pooling or unitization of the Subject Interests shall be considered Excluded Proceeds regardless of whether the costs giving rise to such payments were charged to the Net Profits Interest and (iii) insurance proceeds received by Grantor shall be considered Excluded Proceeds regardless of whether the cost of such insurance was charged to the Net Profits Account;

(b) any proceeds that are withheld from Grantor for any reason (other than at the request of Grantor), until such time that the proceeds are actually received by Grantor, *provided* that proceeds that are received by Grantor and promptly deposited by it with an escrow agent in order to resolve a dispute with respect thereto shall not be considered to be "received" by Grantor for purposes of this definition until the time that such amounts are actually collected by Grantor;

(c) if Grantor becomes an underproduced party under any Gas balancing or similar arrangement affecting the Subject Interests, any amounts for any Gas attributable to the Subject Interests for which Grantor is entitled to receive as "make-up" Gas that would otherwise be attributable to the Subject Interests;

(d) if Grantor becomes an overproduced party under any Gas balancing or similar arrangement affecting the Subject Interests, any amounts for any Gas taken by an underproduced party as "make-up" Gas that would otherwise be attributable to the Subject Interests;

(e) any amount received by Grantor in respect of any production of Subject Hydrocarbons prior to the Effective Time;

(f) any amount to which Grantor is entitled by virtue of a judgment of a court of competent jurisdiction resolving a dispute hereunder between Grantee and Grantor in favor of Grantor, or any amount paid to Grantor in settlement of such dispute;

(g) except as set forth in Section 6.2, any amounts or compensation received by Grantor in connection with any Prior Reversionary Interest; and

(h) any additional proceeds (*i.e.*, proceeds attributable to the non-participating party) from the sale of Hydrocarbons related to any Subject Well with respect to which Grantor elects to be a participating party (whether such rights are available pursuant to an operating agreement or other agreement or arrangement) with respect to any operation with respect to such Subject Well for which another party or parties have elected not to participate in such operation

(or have elected to abandon such Subject Well) and Grantor elects to pay the costs of such nonparticipating or abandoning party and as a result of which Grantor becomes entitled to receive, either temporarily (*i.e.*, through a period of recoupment) or permanently such additional proceeds from the sale of Hydrocarbons related to such Subject Well.

“Execution Date” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Existing Hedges” shall mean the Hedges entered into by Grantor and described on Exhibit C.

“Fair Value” shall mean an amount equal to the excess, if any, of (a) the proceeds which could reasonably be expected to be obtained from the sale of such portion of the Net Profits Interest to a party which is not an Affiliate of either Grantor or the Grantee on an arms-length negotiated basis, taking into account relevant market conditions and factors existing at the time of any such proposed sale or release, over (b) Grantee’s proportionate share of any sales costs, commissions and brokerage fees related to such sales.

“GAAP” shall mean U.S. generally accepted accounting principles.

“Gas” shall mean natural gas and other gaseous hydrocarbons or minerals, including helium, but excluding any Gas Liquids.

“Gas Liquids” shall mean those natural gas liquids and other liquid hydrocarbons, including ethane, propane, butane and natural gasoline, and mixtures thereof, that are removed from a Gas stream by the liquids extraction process of any field facility or gas processing plant and delivered by the facility or plant as natural gas liquids.

“Grantee” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Grantee Merger” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Grantor” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Gross Deductions” shall mean the following costs and expenses (and, where applicable, losses, liabilities and damages), to the extent that the same (x) are properly allocable to the Subject Interests (and any related equipment or property used in connection therewith) and the production and marketing of Subject Hydrocarbons therefrom and (y) have been incurred or accrued by Grantor, from and after the Effective Time, but that are not attributable to a production month that occurs prior to the Effective Time (*excluding*, in all instances, the Excluded Deductions):

(a) all costs paid by Grantor (i) for drilling, development, production and abandonment operations (including activities necessary to gain access to and prepare well locations for drilling; operations and activities related to drilling and equipping Subject Wells and service wells; operations constituting or associated with workovers; the plugging and abandoning of any well or facility on the Subject Interests; and secondary recovery, pressure

maintenance, repressuring, recycling and other operations conducted for the purpose of enhancing production from the Subject Interests), (ii) for all direct labor (including employee and fringe benefits) and other services necessary for drilling, operating, producing and maintaining the Subject Interests and workovers of any Subject Well, (iii) for treatment, dehydration, compression, separation and transportation of the Subject Hydrocarbons (including activities related to the acquisition, construction and installation of production and injection facilities), (iv) for all Materials purchased for use on, or in connection with, any of the Subject Interests and (v) for any other operations with respect to the exploration, development or operation of Subject Hydrocarbons (including costs for the maintenance of any Subject Well or facility on the Leases; replacement of any facilities; the restoration or remediation of the surface or subsurface sites associated with the Subject Interests or lands pooled or unitized therewith; and any marketing fees paid to non-Affiliates of Grantor); *provided, however*, that (A) the costs charged to the Net Profits Account for such items shall be made (1) on the same basis as such costs are charged under the operating agreement associated with the applicable portion of the Subject Interests at the time the transaction giving rise to such costs occurred, or (2) in the absence of such operating agreement, on the same basis as Grantor is charged under existing third party arrangements; and (B) if Grantor elects to pay the costs of a nonconsenting party or nonparticipating party with respect to which the gross proceeds derived from such costs are not credited to the Net Profits Account, Grantor shall be solely responsible for such costs;

(b) (i) all losses, costs, expenses, liabilities and damages (including outside legal, accounting and engineering services) attributable to, or incident to the operation or maintenance of, the Subject Interests associated with (A) defending, prosecuting, handling, investigating or settling litigation, administrative proceedings, claims (including lien claims other than liens for borrowed funds), damages, judgments, fines, penalties and other liabilities, (B) the payment of judgments, penalties and other liabilities (including interest thereon), paid by Grantor and not reimbursed under insurance maintained by Grantor or others (including all losses, costs, expenses, liabilities and damages arising from third-party claims, lawsuits or causes of action for personal injury or death or damage to personal or real property (both surface and subsurface), including those losses, costs, expenses, liabilities and damages arising under Environmental Laws with respect to the Subject Interests or in any way from the environmental condition of the Subject Interests), (C) the payment or restitution of any proceeds of Subject Hydrocarbons, (D) complying with applicable local, state and federal statutes, ordinances, rules and regulations, and (E) tax or royalty audits, and (ii) any other loss, cost, expense, liability or damage (including settlement costs and reasonable attorneys' fees) incurred by Grantor in relation to the Subject Interests not paid or reimbursed under insurance; *excluding*, in each instance, any expenses incurred by Grantor in litigation of any claim or dispute arising hereunder between the Parties or amounts paid by Grantor to Grantee pursuant to a final order entered by a court of competent jurisdiction resolving any such claim or dispute or amounts paid by Grantor to Grantee in connection with the settlement of any such claim or dispute;

(c) all taxes, charges and assessments (*excluding* federal and state income, transfer, mortgage, inheritance, estate, franchise and like taxes) incurred, accrued or paid by Grantor with respect to the ownership of the Subject Interests or the extraction of the Subject Hydrocarbons, including production, severance or excise and other similar taxes, charges and assessments assessed against, or measured by, the production of (or the proceeds or value of production of) Subject Hydrocarbons, occupation taxes, gathering, pipeline, excise, sales, use

and other taxes, and ad valorem and property taxes, charges and assessments assessed against or attributable to the Subject Interests or any equipment used in connection with production from any of the Subject Interests and any extraordinary or windfall profits taxes, charges and assessments that may be assessed in the future based upon profits realized or prices received from the sale of Subject Hydrocarbons;

(d) all insurance premiums attributable to the ownership or operation of the Subject Interests paid by Grantor for insurance actually carried for periods after the Effective Time with respect to the Subject Interests, or any equipment located on any of the Subject Interests, or incident to the operation or maintenance of the Subject Interests;

(e) all amounts and other consideration paid by Grantor for (i) rent and the use of or damage to the surface, (ii) delay rentals, shut-in well payments, minimum royalties and similar payments, and (iii) fees for renewal, extension, modification, amendment, replacement or supplementation of the Leases included in the Subject Interests;

(f) all amounts charged by the relevant operator as overhead, administrative or indirect charges specified in the applicable operating agreements or other arrangements now or hereafter covering the Subject Interests or operations with respect thereto;

(g) to the extent Grantor is the operator of certain of the Subject Interests and there is no operating agreement covering such portion of the Subject Interests, those overhead, all administrative or indirect charges that are allocated by Grantor to such portion of the Subject Interests, to the extent that such charges are allocated in the same manner that Grantor allocates to other similarly owned and operated properties;

(h) if, as a result of the occurrence of the bankruptcy or insolvency or similar occurrence of the purchaser of Subject Hydrocarbons, any and all amounts previously credited to the Net Profits Account are reclaimed from Grantor or its representative, then the amounts reclaimed as promptly as practicable following Grantor's payment thereof;

(i) all costs and expenses paid by Grantor for recording this Conveyance and, immediately prior to the last Payment Period, costs estimated in good faith to record the termination or release of this Conveyance;

(j) all Administrative Hedge Costs paid by Grantor;

(k) all Hedge Settlement Costs paid by Grantor;

(l) all amounts previously included, or otherwise accounted for, in the calculation of Gross Profits but subsequently paid by Grantor as a refund, interest or penalty; and

(m) at the option of Grantor, all amounts reserved for approved development expenditure projects, including amounts for drilling, recompletion and workover costs, *provided* that, such amounts, (i) to the extent not already spent or incurred by Grantor, will at no time exceed two million dollars (\$2,000,000) in the aggregate, and (ii) shall not be included as part of the Gross Deductions in subsequent Payment Periods.



“Gross Fair Value” means an amount equal to the Fair Value divided by eighty percent (80%).

“Gross Profits” shall mean, for each Payment Period following the Effective Time, an amount equal to the sum of (*excluding*, in all instances, the Excluded Proceeds) the gross proceeds received by Grantor during the applicable Payment Period (and that are not attributable to a production month that occurs prior to the Effective Time) from the sale of all Subject Hydrocarbons, including the following proceeds and amounts: (a) all proceeds and consideration received, directly or indirectly, for advance payments and payments under take-or-pay and similar provisions of Production Sales Contracts when credited against the price for delivery of production; and (b) all proceeds and amounts received by Grantor (i) from any “make up” Gas taken by Grantor as a result of its position as an underproduced party under any Gas balancing or similar arrangement affecting the Subject Interests, (ii) received as a balancing of accounts under a Gas balancing or other similar arrangement affecting the Subject Interests either as an interim balancing or at the depletion of the reservoir, and (iii) for any Gas taken by Grantor attributable to the Subject Interests in excess of its entitlement share of such Gas; *provided, however*, that Gross Profits (A) shall not include any Manufacturing Proceeds and (B) in the event that Subject Hydrocarbons are Processed prior to sale, shall only include the Payment Value of such Subject Hydrocarbons before any such Processing.

“Gross Reversionary Compensation” means an amount equal to (a) that portion of the Reversionary Compensation that is attributable to the Net Profits Interest released pursuant to Section 6.2 divided by (b) eighty percent (80%).

“Hedge” shall mean any commodity hedging transaction pertaining to Hydrocarbons, whether in the form of (a) forward sales and options to acquire or dispose of a futures contract solely on an organized commodities exchange, (b) derivative agreements for a swap, cap, collar or floor of the commodity price, or (c) similar types of financial transactions classified as “notional principal contracts” pursuant to Treasury Regulation § 1.988-1(a)(2)(iii)(B)(2).

“Hedge Settlement Costs” shall mean any and all payments required to be made by Grantor after June 30, 2011 to the counterparties in connection with the settlement or mark-to-market of trades made under any Existing Hedge and all payments made by Grantor for any early termination of any Existing Hedge.

“Hedge Settlement Revenues” shall mean any and all payments received by Grantor after June 30, 2011 from the counterparties in connection with the settlement or mark-to-market of trades made under any Existing Hedge and all payments received by Grantor for any early termination of any Existing Hedge.

“Hydrocarbons” shall mean Oil, Gas and Gas Liquids.

“Lease” shall mean, subject to the depth limitations and other restrictions that may be set forth therein, (a) the oil and gas leases, oil, gas and mineral leases, subleases and other leaseholds, contractual rights, and other rights to hydrocarbons set forth on Exhibit A as to all lands and depths described in such lease (or the applicable part or portion thereof, if limited in depth or areal extent in Exhibit A) and any interest therein and any leasehold interest in any other

lease of Hydrocarbons derived from the pooling or unitization of each such lease (or portion thereof, if limited in depth or areal extent in Exhibit A) with other leases, together with any interest acquired or maintained in any and all renewals and extensions of such lease, (b) any replacement lease taken upon or in anticipation of termination of such lease (if executed and delivered during the term of or within one year after the expiration of the predecessor lease), as to all lands and depths described in the predecessor lease and in which Grantor had an interest under the predecessor lease (unless the extended or predecessor lease is specifically limited in depth or areal extent in Exhibit A, in which event only the corresponding portion of such lease shall be considered a renewal or extension or a replacement lease subject to this Conveyance), and (c) any other leasehold, royalty, overriding royalty or fee interest described on Exhibit A.

“Manufacturing Costs” shall mean the costs of Processing that generate Manufacturing Proceeds received by Grantor.

“Manufacturing Proceeds” shall mean the excess, if any, of (a) proceeds received by Grantor from the sale of Subject Hydrocarbons that are the result of any Processing over (b) the part of such proceeds that represents the Payment Value of such Subject Hydrocarbons before any Processing.

“Materials” shall mean materials, supplies, equipment and other personal property or fixtures located on or used in connection with the Subject Interests.

“Mcf” shall mean one thousand cubic feet.

“Monthly Statement” shall have the meaning given such term in Section 4.5.

“Net Deductions” shall mean, for each Payment Period following the Effective Time, an amount equal to the excess, if any, of (a) the sum of the Gross Deductions over (b) the sum of the Offset Amounts.

“Net Profits” shall have the meaning given such term in Section 4.2(a).

“Net Profits Account” shall mean the account maintained in accordance with the provisions of Section 4.1.

“Net Profits Interest” shall mean an overriding royalty calculated as a variable undivided percentage interest in and to the Subject Hydrocarbons entitling Grantee to receive a sum equal to the Proceeds Percentage of the Net Profits for each Payment Period for the term of this Conveyance.

“NPI Calculation” shall have the meaning given such term in Section 4.2(a).

“NPI Payout” shall have the meaning given such term in Section 4.2(a).

“Offset Amounts” shall mean the following amounts (net of any applicable taxes):

- (a) any amounts received by Grantor as delay rentals, bonus, royalty or other similar payments;

(b) any amounts received by Grantor in connection with, or for dry hole, bottom hole or other similar contributions related to, the Subject Interests;

(c) upon salvage or other disposition, the applicable actual salvage value (determined in accordance with the applicable operating agreement then in effect and binding upon Grantor or, in the absence of such agreement, based on the fair market value of such items in the region in which they are located) of any Eligible Materials, less, in each instance, the actual costs of salvage or other disposition paid or incurred by Grantor in connection with such sale;

(d) any cash payments received by Grantor as a result of any pooling or unitization of the Subject Interests if the costs giving rise to such payments were charged to the Net Profits Account, directly or indirectly;

(e) any insurance proceeds received by Grantor as a result of any loss, liability or damage relating to the Subject Interests, Eligible Materials or Subject Hydrocarbons if the cost of such insurance was charged to the Net Profits Account;

(f) any amounts received by Grantor from third parties as rental or use fees for Eligible Materials;

(g) the gross proceeds of any judgments or claims received by Grantor for damages occurring on or after the Effective Time to (i) the Subject Interests, (ii) any Eligible Materials and (iii) any Subject Hydrocarbons;

(h) to the extent not covered under subsection (c) above, any proceeds received by Grantor from the sale of Eligible Materials less the actual costs paid or incurred by Grantor in connection with such sale;

(i) any payments made to Grantor in connection with the drilling or deferring of drilling of any Subject Well;

(j) for any Subject Hydrocarbons that are Processed before sale, the excess, if any, of the Manufacturing Proceeds arising therefrom (that are received by Grantor) over the Manufacturing Costs of such Processing (that are paid or incurred by Grantor);

(k) any interest, penalty or other amount not derived from the sale of the Subject Hydrocarbons that is paid to Grantor by the purchaser of production or escrow agent in connection with proceeds withheld or deposited with an escrow agent;

(l) any Hedge Settlement Revenues;

(m) in the event that any such Transfers occur, the Gross Fair Value of the Net Profits Interest released during the relevant Payment Period in connection with the Transfers described in Section 6.1(a)(ii); and

(n) any amounts of Gross Reversionary Compensation associated with a conveyance of all or any portion of the Subject Interests, or cessation of production from any Subject Well, in connection with a Prior Reversionary Interest pursuant to Section 6.2.

“Oil” shall mean crude oil, condensate and other liquid hydrocarbons recovered by field equipment or facilities, excluding Gas Liquids.

“Party” or “Parties” shall have the meaning ascribed to it in the Preamble to this Conveyance.

“Payment Period” shall mean a calendar month, *provided* that for purposes of the Net Profits Interest, (a) the first Payment Period shall mean the period from and after the Effective Time until [\_\_\_\_\_], 2011, and (b) the last Payment Period shall mean any portion of the calendar month during which the expiration of the term of this Agreement occurs from the beginning of such calendar month until and including the date of such expiration.

“Payment Value” of any Subject Hydrocarbons shall mean:

(a) With respect to Oil and Gas Liquids, (i) the highest price available to Grantor for such Oil and Gas Liquids at the Lease on the date of delivery pursuant to a bona fide offer, posted price or other generally available marketing arrangement from or with a non-Affiliate purchaser, or (ii) if no such offer, posted price or arrangement is available, the fair market value of such Oil or Gas Liquids, on the date of delivery at the Lease, determined in accordance with generally accepted and usual industry practices; and

(b) With respect to Gas, (i) the price specified in any Production Sales Contract for the sale of such Gas, or (ii) if such Gas cannot be sold pursuant to a Production Sales Contract, (A) the average of the three highest prices (adjusted for all material differences in quality) being paid at the time of production for Gas produced from the same field in sales between non-affiliated Persons (or, if there are not three such prices within such field, within a 50-mile radius of such field) but, for any Gas subject to price restrictions established, prescribed or otherwise imposed by any governmental authority having jurisdiction over the sale of such Gas, no more than the highest price permitted for such category or type of Gas after all applicable adjustments (including tax reimbursement, dehydration, compression and gathering allowances, inflation and other permitted escalations), or (B) if subsection (b)(i)(A) above is not applicable, the fair market value of such Gas, on the date of delivery, at the Lease, determined in accordance with generally accepted and usual industry practices.

“Permitted Encumbrances” shall mean the following insofar as they cover, describe or relate to the Subject Interests or the lands described in any Lease:

(a) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the agreements, instruments and documents that create or reserve to Grantor its interests in any of the Leases, including any Prior Reversionary Interest;

(b) any (i) undetermined or inchoate liens or charges constituting or securing the payment of expenses that were incurred incidental to maintenance, development, production or operation of the Leases or for the purpose of developing, producing or processing

Hydrocarbons therefrom or therein, and (ii) materialman's, mechanics', repairman's, employees', contractors', operators' or other similar liens or charges for liquidated amounts, in each case, arising in the ordinary course of business that Grantor has agreed to pay or is contesting in good faith in the ordinary course of business;

(c) any liens for taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith by Grantor in the ordinary course of business;

(d) any liens or security interests created by law or reserved in any Lease for the payment of royalty, bonus or rental, or created to secure compliance with the terms of the agreements, instruments and documents that create or reserve to Grantor its interests in the Leases;

(e) any obligations or duties affecting the Leases to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules, regulations and orders of any governmental authority;

(f) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, lodging, canals, ditches, reservoirs or the like, and (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over or in respect of the lands described in the Leases;

(g) all lessors' royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on the Subject Interests or deductions from the proceeds of production attributable to the Subject Interests created or in existence as of the Acquisition Date;

(h) preferential rights to purchase or similar agreements and required third party consents to assignments or similar agreements created or in existence as of the Acquisition Date;

(i) all rights to consent by, required notices to, filings with, or other actions by any Person in connection with the Transfer of the Leases or interests therein;

(j) production sales contracts; division orders; contracts for sale, purchase, exchange, refining or processing of Hydrocarbons; unitization and pooling designations, declarations, orders and agreements; operating agreements; agreements for development; area of mutual interest agreements; gas balancing or deferred production agreements; processing agreements; plant agreements; pipeline, gathering and transportation agreements; injection, repressuring and recycling agreements; salt water or other disposal agreements; seismic or geophysical permits or agreements; and any and all other agreements entered into by Grantor or its Affiliates in connection with the exploration or development of the Leases or the extraction, processing or marketing of production therefrom or to which any of the Leases were subject as of the Acquisition Date; and

(k) conventional rights of reassignment that obligate Grantor to reassign all or part of a property to a third party if Grantor intends to release or abandon such property, including any Prior Reversionary Interest.

“Person” shall mean any individual, partnership, limited liability company, corporation, trust, unincorporated association, governmental agency, subdivision, instrumentality, or other entity or association.

“Prime Rate” means the rate of interest published from time to time as the “Prime Rate” in the “Money Rates” section of The Wall Street Journal.

“Prior Reversionary Interest” shall mean any contract, agreement, lease, deed, conveyance or operating agreement that exists as of the Effective Time or that burdened the Subject Interests at the Acquisition Date, that by the terms thereof requires a Person to convey a part of the Subject Interests (or the Net Profits Interest with respect to any part of the Subject Interests) to another Person or to permanently cease production of any Subject Well, including obligations arising pursuant to any operating agreements, Leases, and other similar agreements or instruments affecting or burdening the Subject Interests.

“Proceeds Percentage” shall mean eighty percent (80%).

“Processing” or “Processed” shall mean to manufacture, fractionate or refine Subject Hydrocarbons, but such terms do not mean or include activities involving the use of normal lease or well equipment (such as dehydrators, gas treating facilities, mechanical separators, heater-treaters, lease compression facilities, injection or recycling equipment, tank batteries, field gathering systems, pipelines and equipment and similar items) to treat or condition Hydrocarbons or other normal operations on any of the Subject Interests.

“Production Sales Contracts” shall mean all contracts, agreements and arrangements for the sale or disposition of Hydrocarbons.

“Release” shall mean any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping or disposing into the environment.

“Reversionary Compensation” shall have the meaning given such term in Section 6.2.

“Subject Hydrocarbons” shall mean all Hydrocarbons in and under and that may be produced, saved, and sold from, and are attributable to, the Subject Interests from and after the Effective Time, after deducting the appropriate share of all royalties and any overriding royalties, production payments, net profits interests and other similar charges (except the Net Profits Interest) burdening the Subject Interests as of the Acquisition Date to the extent such burdens were still in force and effect at the Effective Time, *provided that*, (a) there shall not be included in the Subject Hydrocarbons (i) any Hydrocarbons attributable to non-consent operations conducted with respect to the Subject Interests (or any portion thereof) as to which Grantor shall be a non-consenting party as of the Effective Time that are dedicated to the recoupment or reimbursement of costs and expenses of the consenting party or parties by the terms of the relevant operating agreement, unit agreement, contract for development, or other instrument

providing for such non-consent operations (including any interest, penalty or other amounts related thereto), or (ii) any Hydrocarbons lost in production or marketing or used by Grantor for drilling, production or plant operations (including fuel, secondary or tertiary recovery) conducted solely for the purpose of producing Subject Hydrocarbons from the Subject Interests, and (b) there shall be included in the Subject Hydrocarbons any Hydrocarbons attributable to non-consent operations conducted with respect to the Subject Interests (or any portion thereof) as to which Grantor shall be a non-consenting party as of the Effective Time that are produced, saved, and sold from, and are attributable to the Subject Interests after the Effective Time from and after the recoupment or reimbursement of costs and expenses (including any interest, penalty or other amounts related thereto) of the consenting party or parties by the terms of the relevant operating agreement, unit agreement, contract agreement, contract development, or other instruments providing for such non-consent operations.

“Subject Interests” shall mean each kind and character of right, title, claim, or interest (solely for purposes of this definition, collectively “rights”) that Grantor has or owns in the Leases and the Subject Wells, whether such rights be under or by virtue of a lease, a unitization or pooling order or agreement, an operating agreement, a division order, or a transfer order or be under or by virtue of any other type of claim or title, legal or equitable, recorded or unrecorded, even though Grantor’s interest be incorrectly or incompletely described in, or a description thereof omitted from, Exhibit A, all as such rights shall be (a) enlarged or diminished by virtue of the provisions of Section 5.2, and (b) enlarged by the discharge of any obligations for payments out of production or by the removal of any charges or encumbrances to which any of such rights are subject at the Effective Time (*provided* that such discharge or removal is pursuant to the express terms of the instrument that created such charge, obligation or encumbrance) and any and all renewals, extensions and replacements of the right occurring within one year after the expiration of such rights.

“Subject Well” shall mean each well (whether now existing or hereinafter drilled) on the Leases in respect of which Grantor owns any interest or is entitled to any of the Hydrocarbons production or the proceeds therefrom (including directly or indirectly by virtue of the effect of any farmout or farmin provisions or other provisions).

“Transfer” shall mean any assignment, sale, transfer, conveyance, exchange, or disposition of any property (and shall include any derivative variants of each such term); *provided, however*, that, as used herein, the term “Transfer” shall not include the granting of a security interest, pledge, or mortgage in or of Grantor’s interest in any property, including the Subject Interests or the Subject Hydrocarbons.

**ARTICLE III  
SPECIAL WARRANTY OF TITLE**

Grantor warrants title to the Net Profits Interest, subject to the Permitted Encumbrances, unto Grantee, its successors and assigns, against all persons whomsoever claiming or to claim the same, or any part thereof, by, through or under Grantor, but not otherwise. Grantor transfers to Grantee by way of substitution and subrogation (to the fullest extent that same may be transferred), all rights or actions over and against all of Grantor's predecessors, covenantors or warrantors of title (other than Affiliates of Grantor). Grantor's special warranty of title set forth in this Article III is understood to include, in regard to Subject Interests located in Louisiana, an express exclusion of the warranty against eviction as provided in Article 2503 of the Louisiana Civil Code, including any obligation on the part of Grantor for return of the price or other consideration given.

**ARTICLE IV  
ESTABLISHMENT OF NET PROFITS ACCOUNT**

Section 4.1 Net Profits Account.

(a) In order to account for, track and make the payments associated with the Net Profits Interest, Grantor shall establish and maintain true and correct books and records in order to determine the credits and debits to a Net Profits Account to be maintained by Grantor at all times during the term hereof. The Net Profits Account will be maintained in accordance with the terms of this Conveyance and prudent and accepted accounting principles.

(b) From and after the Execution Date with respect to each Payment Period, (i) the Net Profits Account shall be credited with an amount equal to the sum of the Gross Profits (subject to the deduction described in Section 4.4(a)) received by Grantor from the sale of all Subject Hydrocarbons during the applicable Payment Period (the "Credits"), and (ii) the Net Profits Account shall be debited with an amount equal to the sum of the Net Deductions during the applicable Payment Period (subject to the following sentence) (the "Debits"). If, in calculating the amount of Net Deductions for any Payment Period, the Offset Amounts exceed the Gross Deductions, then the Net Deductions for that Payment Period shall be zero, and such excess, plus interest on such excess amount at the Prime Rate for the period between the last day of the preceding Payment Period and the date the excess amount has been used to reduce the Net Deductions in succeeding Payment Periods, shall be applied to reduce the Net Deductions in each succeeding Payment Period until exhausted. Under no circumstances shall the amount paid in respect of any Payment Period exceed eighty percent (80)% of Gross Profits for such Payment Period.

(c) The Credits and Debits to the Net Profits Account shall not be interpreted or applied in any manner that (i) results in any duplication of all or any part of any such Credit or Debit (or reduction thereto) under this Conveyance, or (ii) ever results in the inclusion of any charge to the Net Profits Account that is reimbursed to Grantor by any Person.



(d) GRANTEE ACKNOWLEDGES AND AGREES THAT THE PROVISIONS ESTABLISHING AND MAINTAINING THE NET PROFITS ACCOUNT AND THE DEBITING OF ITEMS THERETO SHALL BE APPLICABLE REGARDLESS OF WHETHER THE LOSSES, COSTS, EXPENSES, LIABILITIES AND DAMAGES THAT MAY BE DEBITED IN ACCORDANCE WITH THIS CONVEYANCE AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF GRANTOR OR ANY OF ITS AFFILIATES, OTHER THAN LOSSES, COSTS, EXPENSES, LIABILITIES AND DAMAGES THAT AROSE FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF GRANTOR OR ANY OF ITS AFFILIATES, WHICH SHALL NOT BE DEBITED TO THE NET PROFITS ACCOUNT. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS CONVEYANCE SHALL BE CONSTRUED AS A WAIVER OR RELEASE OF GRANTOR FROM ANY CLAIM, ACTION OR LIABILITY ARISING UNDER SECTION 5.1(a).

Section 4.2 Accounting and Payment.

(a) Following the conclusion of each Payment Period, a calculation (the "NPI Calculation") shall be made by Grantor by deducting (i) (A) the total Debits for such Payment Period and (B) the absolute value of the Debit Balance Amount, if any, carried forward in the Net Profits Account at the beginning of such Payment Period from (ii) the total Credits for such Payment Period. If the NPI Calculation results in a positive amount with respect to the Payment Period (the "Net Profits"), then (i) that positive amount shall be subtracted from the balance of the Net Profits Account to cause the Net Profits Account to have a zero balance immediately following the end of such Payment Period, (ii) that positive amount shall be multiplied by the Proceeds Percentage, and (iii) the resulting product thereof (the "NPI Payout") shall be payable to Grantee as specified in Section 4.3.

(b) If the NPI Calculation results in a negative amount with respect to a Payment Period, the negative sum shall be deemed the "Debit Balance" for purposes hereof; and no payments shall be made to Grantee in respect of the Net Profits Interest nor shall Grantee ever be liable to make any payment to Grantor in respect of the Debit Balance. Any Debit Balance, plus interest on such amount at the Prime Rate for the period between the last day of the Payment Period that resulted in such Debit Balance and the last day of the next Payment Period, (the "Debit Balance Amount") shall be carried forward in the Net Profits Account for the following Payment Period.

(c) All amounts received by Grantor from the sale of the Subject Hydrocarbons for any Payment Period shall be held by Grantor in one of its general bank accounts and Grantor shall not be required to maintain a segregated account for such funds.

Section 4.3 Payment of NPI Payout. For each Payment Period, Grantor shall transfer or cause to be transferred to Grantee an amount equal to the NPI Payout, if any, with respect to the Payment Period on or before the last day of the month that follows such period. All funds payable to Grantee on account of the Net Profits Interest shall be calculated and paid entirely and exclusively out of the Net Profits.

Section 4.4 Overpayment; Past Due Payments.

(a) If Grantor ever pays Grantee more than the amount of money then due and payable to Grantee under this Conveyance, Grantee shall not be obligated to return the overpayment, but Grantor may at any time thereafter reduce the NPI Payout by, and retain for its own account, an amount equal to the overpayment, plus interest at the Prime Rate on such amount for the period between the fifteenth (15th) day from the date of the overpayment and the date such amount is recovered by Grantor. In order to exercise its rights under this Section 4.4(a), Grantor must give Grantee written notice with respect to any such overpayment, together with supporting information and data.

(b) Any amount not paid by Grantor to Grantee with respect to the Net Profits Interest when due shall bear, and Grantor hereby agrees to pay, interest at the Prime Rate from the due date until such amount has been paid. Grantor shall give Grantee written notice with respect to any such past due payment, together with supporting information and data.

Section 4.5 Statements. For each Payment Period, Grantor shall deliver to Grantee a statement ("Monthly Statement") showing the NPI Calculation with respect to the Payment Period on or before the last day of the month that follows such period. Additionally, the Monthly Statement delivered in July shall also show the computation of the NPI Calculation for the preceding calendar year. If Grantee takes exception to any item or items included in any Monthly Statement, Grantee must notify Grantor in writing within one hundred and twenty (120) days after the end of the calendar year with respect to which such Monthly Statement relates. Such notice must set forth in reasonable detail the specific Debits or Credits to which exception is taken. Adjustments shall be made for all exceptions that are agreed to by the Parties. All matters contained in Monthly Statements that are not objected to by Grantee in the manner provided by this Section 4.5 shall be conclusively deemed correct.

Section 4.6 Information; Access. Grantor shall maintain true and correct books, records and accounts of (a) all transactions required or permitted by this Conveyance (including all financial information necessary to reflect such transactions), and (b) the financial information necessary to make the NPI Calculation with respect to any Payment Period. Grantee or its representative, at the Grantee's expense and upon reasonable prior written notice, may inspect and copy such books, records, and accounts, and such other documents, contracts and information as may be reasonably requested by the Grantee, in Grantor's office during normal business hours. At Grantee's request, subject to applicable restrictions on disclosure and transfer of information, Grantor shall give Grantee and its designated representatives reasonable access in Grantor's office during normal business hours to (i) all production data in Grantor's possession or Grantor's Affiliates' possession, relating to operations on the Subject Interests, and (ii) all reserve reports and reserve studies in the possession of Grantor or of Grantor's Affiliates, relating to the Subject Interests, whether prepared by Grantor, by Grantor's Affiliates, or by consulting engineers. GRANTOR MAKES NO REPRESENTATIONS OR WARRANTIES ABOUT THE ACCURACY OR COMPLETENESS OF ANY SUCH DATA, REPORTS, OR STUDIES REFERRED TO IN THIS SECTION 4.6 AND SHALL HAVE NO LIABILITY TO

GRANTEE OR ANY OTHER PERSON RESULTING FROM SUCH DATA, STUDIES, OR REPORTS OR THE USE THEREOF.

**ARTICLE V  
OPERATION OF THE SUBJECT INTERESTS**

**Section 5.1 Operations.**

(a) To the extent that it has the right to do so under the terms of any lease, operating agreement or similar instrument affecting or pertaining to the Subject Interests, Grantor shall conduct and carry on, or use commercially reasonable efforts to cause the operator thereof to conduct and carry on, the operation and maintenance of the Subject Interests in the same manner as a reasonably prudent operator in the State in which the applicable portion of the Subject Interests is located would under the same or similar circumstances acting with respect to its own properties (without regard to the existence of the Net Profits Interest).

(b) As to any third Person, the acts of Grantor shall be binding on Grantee, and it shall not be necessary for Grantee to join with the Grantor in the execution or ratification of any operating agreement, unit operating agreement, contract for development, or similar instrument affecting or pertaining to any of the Subject Interests.

(c) Grantee acknowledges that Grantor is not the only undivided interest owner in the properties underlying the Subject Interests. As such, Grantee agrees that the acts or omissions of Grantor's co-owners shall not be deemed to constitute a violation of the provisions of Section 5.1(a), nor shall any action required by a vote of co-owners be deemed to constitute such a violation so long as Grantor has voted its interest in a manner designed to comply with Section 5.1(a).

(d) WITHOUT LIMITING THE FOREGOING, (i) THE PARTIES ACKNOWLEDGE THAT GRANTEE HAS NO RIGHT OR POWER TO PROPOSE THE DRILLING OF A WELL OR ANY OTHER OPERATIONS, TO DETERMINE THE TIMING OR SEQUENCE OF ANY OPERATIONS, TO COMMENCE OR SHUT DOWN PRODUCTION, TO TAKE OVER OPERATIONS, OR TO SHARE IN ANY OPERATING DECISION WHATSOEVER OR IN ANY DECISION PERTAINING TO THE MARKETING AND SALE OF PRODUCTION WHATSOEVER AND, (ii) THE PARTIES HEREBY EXPRESSLY NEGATE ANY INTENT TO CREATE (AND THIS CONVEYANCE SHALL NEVER BE CONSTRUED AS CREATING) A MINING OR OTHER PARTNERSHIP OR JOINT VENTURE OR OTHER RELATIONSHIP SUBJECTING GRANTOR AND GRANTEE TO JOINT LIABILITY OR ANY OTHER DUTIES BETWEEN GRANTOR AND GRANTEE (EXCEPT THOSE EXPRESSLY SET FORTH HEREIN).

**Section 5.2 Pooling and Unitization**

(a) Certain of the Subject Interests may have been heretofore pooled or unitized for the production of Hydrocarbons. Such Subject Interests are and shall be subject to the terms and provisions of such pooling or unitization agreements, and this Conveyance shall apply to and affect only the production of Hydrocarbons from such units which accrues to such Subject Interests under and by virtue of the applicable pooling and unitization agreements.

(b) Grantor shall have the right to pool or unitize all or any of the Subject Interests (and the Net Profits Interest) and to alter, change, amend or terminate any pooling or unitization agreements heretofore or hereafter entered into, as to all or any part of the lands covered by the Leases, as to one or more of the formations or horizons thereunder, when, in the reasonable judgment of Grantor, it is necessary or advisable to do so in order to facilitate the orderly development of the Subject Interests or to comply with the requirements of any law or governmental order or regulation relating to the spacing of wells or proration of the production therefrom. For purposes of computing Net Profits, there shall be allocated to the Subject Interests included in such unit a pro rata portion of the Hydrocarbons produced from the pooled unit on the same basis that production from the pool or unit is allocated to other working interests in such pool or unit by virtue of the applicable pooling or unitization agreement. The interest in any such unit allocable to the Subject Interests included therein shall become a part of the Subject Interests and shall be subject to the Net Profits Interest.

Section 5.3 Non-Consent. Grantor shall have the right to elect not to participate in any operations that are to be conducted under the terms of any operating agreement, unit operating agreement, contract for development, or similar instrument affecting or pertaining to any of the Subject Interests. If Grantor elects to be a non-participating party under any such arrangement with respect to any operation on any portion of the Subject Interests or elects to be an abandoning party with respect to a Subject Well, the consequence of which election is that Grantor's interest in such Subject Well is temporarily (*i.e.*, during a recoupment period) or permanently relinquished to the parties participating in such operations, or electing not to abandon such Subject Well, then the costs and proceeds attributable to such relinquished interest shall not, for the period of such relinquishment (which may be a continuous and permanent period), be debited or credited to the Net Profits Account and such relinquished interest shall not, for the period of such relinquishment, be considered to be subject to the Net Profits Interest. Notwithstanding the foregoing, Grantor shall not elect, as to any portion of the Subject Interests, to be a non-participating party with respect to any operation contemplated in this Section 5.3 in the event any Affiliate of Grantor will also be a participating party in such operation.

Section 5.4 Marketing. Grantor shall have exclusive charge and control of the marketing of all Subject Hydrocarbons. Grantor shall market or cause to be marketed all commercial quantities of the Subject Hydrocarbons in accordance with Section 5.1(a), and shall not be entitled to deduct from the calculation of the Net Profits any fee for marketing the Subject Hydrocarbons allocable to the Net Profits Interest other than fees for marketing paid to non-Affiliates. Grantor shall not enter into any Hedges (other than the Existing Hedges) with respect to the Subject Hydrocarbons from and after the Effective Time or modify or terminate the Existing Hedges. Grantee shall have no right to take in kind any Subject Hydrocarbons.

Section 5.5 Leases. Grantor shall have the right to renew, extend, modify, amend or supplement the Leases with respect to any of the lands covered thereby without the consent of Grantee. The Net Profits Interest shall apply to all such renewals, extensions, modifications, amendments and supplements of the Leases (as to all lands and depths described in the predecessor lease and in which Grantor had an interest under the predecessor lease), and no renewal, extension, modification, amendment, or supplement shall adversely affect any of Grantee's rights hereunder. Any fees payable with respect to such renewal, extension, modification, amendment or supplement shall be considered Gross Deductions for purposes

hereof. Grantor shall promptly furnish Grantee with written notice of any renewal, extension, modification, amendment, or supplementation that materially affects the Net Profits Interest identifying the location and the acreage covered thereby.

Section 5.6 Abandonment. Grantor shall have the right to release, surrender or abandon its interest in any portion of the Subject Interests that Grantor reasonably believes, in accordance with the standard set forth in Section 5.1(a), will no longer produce (or be capable of producing) Subject Hydrocarbons in paying quantities. The effect of such release, surrender or abandonment will be to release, surrender or abandon the Net Profits Interest insofar as the Net Profits Interest covers the applicable portion of the Subject Interests so released, surrendered or abandoned by Grantor. Following any such release, surrender or abandonment, Grantor will promptly notify Grantee in writing of the portion of the Subject Interests that has been released, surrendered or abandoned, and the date on which such release, surrender or abandonment has occurred. Further, Grantor shall have the right to abandon any portion of the Subject Interests if (a) such abandonment is necessary for health, safety or environmental reasons, or (b) the Subject Hydrocarbons that would have been produced from the abandoned portion of the Subject Interests would reasonably be expected to be produced from Subject Wells located on the remaining portion of the Subject Interests.

Section 5.7 Contracts with Affiliates. Grantor and its Affiliates may perform services and furnish supplies or equipment with respect to the Subject Interests that are required to operate the Subject Interests and treat the costs of such services or furnishing of such supplies or equipment as Gross Deductions for purposes hereof. The terms of the provision of such services or furnishing of supplies or equipment shall be substantially similar to those terms available from non-Affiliates in the same area as the applicable portion of the Subject Interests that are engaged in the business of rendering comparable services or furnishing comparable equipment and supplies, taking into consideration all such terms, including the price, term, condition of supplies or equipment, and availability of supplies or equipment.

Section 5.8 No Personal Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS CONVEYANCE, GRANTEE SHALL NEVER BE PERSONALLY RESPONSIBLE FOR THE PAYMENT OF ANY PART OF THE LOSSES, COSTS, EXPENSES, LIABILITIES OR DAMAGES INCURRED IN CONNECTION WITH THE EXPLORING, DEVELOPING, OPERATING AND MAINTAINING OF THE SUBJECT INTERESTS, AND, SUBJECT TO SECTION 4.1(d), ALL SUCH LOSSES, COSTS, EXPENSES, LIABILITIES OR DAMAGES SHALL, TO THE EXTENT THE SAME RELATE TO ACTS, OMISSIONS, EVENTS, CONDITIONS OR CIRCUMSTANCES OCCURRING FROM AND AFTER THE EFFECTIVE TIME, BE TREATED AS GROSS DEDUCTIONS FOR PURPOSES HEREOF.

Section 5.9 Real Property Interest. IT IS THE EXPRESS INTENT OF THE PARTIES THAT, AS TO SUBJECT INTERESTS LOCATED IN TEXAS AND NEW MEXICO, THE NET PROFITS INTEREST SHALL FOR ALL PURPOSES CONSTITUTE (AND THIS CONVEYANCE SHALL CONCLUSIVELY BE CONSTRUED FOR ALL PURPOSES AS CREATING) A SINGLE AND SEPARATE NON-POSSESSORY, NON-OPERATING, ROYALTY INTEREST IN AND TO THE SUBJECT INTERESTS AND A

FULLY VESTED AND FULLY CONVEYED INTEREST IN REAL PROPERTY RUNNING WITH THE SUBJECT INTERESTS.

Section 5.10 Incorporeal Immovable and Real Right. IT IS THE EXPRESS INTENT OF THE PARTIES THAT, AS TO SUBJECT INTERESTS LOCATED IN LOUISIANA, THE NET PROFITS INTEREST SHALL FOR ALL PURPOSES CONSTITUTE (AND THIS CONVEYANCE SHALL CONCLUSIVELY BE CONSTRUED FOR ALL PURPOSES AS CREATING) A SINGLE AND SEPARATE NON-POSSESSORY, NON-OPERATING, ROYALTY INTEREST IN AND TO THE SUBJECT INTERESTS AND A FULLY VESTED AND FULLY CONVEYED INCORPOREAL IMMOVABLE AND A REAL RIGHT IN THE SUBJECT INTERESTS.

**ARTICLE VI  
TRANSFERS AND CHARGES**

Section 6.1 Assignment by Grantor Subject to Net Profits Interest.

(a) Right to Sell.

(i) Grantor may from time to time Transfer its interest in the Subject Interests, or any part thereof or undivided interest therein, subject to the Net Profits Interest and this Conveyance. Grantor shall cause the assignee, purchaser, transferee or grantee of any such transaction to take the affected Subject Interests subject to the Net Profits Interest and this Conveyance and, from and after the actual date of any such Transfer, to assume Grantor's obligations under this Conveyance with respect to such Subject Interests.

(ii) Notwithstanding the foregoing, Grantor may from time to time Transfer to non-Affiliates of Grantor, free and clear of the Net Profits Interest and this Conveyance, any of the Subject Interests that accounts for less than or equal to 0.25% of the total production of Subject Hydrocarbons from the Subject Interests in the preceding twelve (12) month period. The aggregate Fair Value of all portions of the Net Profits Interest released in connection with such Transfers shall not exceed an aggregate Fair Value of five hundred thousand dollars (\$500,000) during any consecutive twelve (12) month period. In the event of any such Transfer, (A) the Gross Fair Value of the released portion of the Net Profits Interest shall be considered an Offset Amount for purposes hereof during the Payment Period in which the Transfer occurs, and (B) Grantee shall, upon receiving a written request from Grantor, immediately prior to any such Transfer, execute, acknowledge, and deliver to Grantor a recordable instrument (reasonably acceptable to Grantor) that terminates and releases the Net Profits Interest with respect to the Subject Interests being Transferred.

(b) Effect of Sale. From and after the actual date of any of the Transfers described in Section 6.1(a) by Grantor, Grantor (and in the case of Section 6.1(a)(ii) only, any grantee, purchaser, transferee or grantee of the Subject Interests) shall be relieved of all obligations, requirements, and responsibilities arising under this Conveyance with respect to the Subject Interests Transferred, except for those that accrued prior to such date.

(c) Allocation of Consideration. Grantee is not entitled to receive any share of the sales proceeds received by Grantor in any transaction permitted by this Section 6.1.

(d) Separate Interest. Effective on the effective date of any Transfer of any Subject Interest pursuant to this Section 6.1, Gross Profits, Excluded Proceeds, Net Deductions, Gross Deductions, Offset Amounts and Net Profits shall thereafter be calculated and determined separately (by the assignee, purchaser, transferee or grantee) with respect to such Subject Interests; and Debits and Credits during each Payment Period in respect of the Subject Interests Transferred shall reflect items received or incurred by the assignee, purchaser, transferee or grantee, and shall be calculated in accordance with Article IV hereof.

Section 6.2 Release of Other Properties. Notwithstanding anything herein to the contrary, in the event that any Person notifies Grantor that, pursuant to a Prior Reversionary Interest, Grantor is required to convey all or any portion of the Subject Interests (or the Net Profits Interest with respect to all or any portion of the Subject Interests) to such Person or cease production from any Subject Well, Grantor shall have the right to provide such conveyance with respect to such portion of the Subject Interests (or the Net Profits Interest with respect to such portion of the Subject Interests) or permanently cease production from any such Subject Well. If in connection with any such conveyance or permanent cessation of production pursuant to any Prior Reversionary Interest, Grantor receives compensation attributable to all or any portion of the Net Profits Interest ("Reversionary Compensation"), an amount equal to the Gross Reversionary Compensation shall be considered an Offset Amount for purposes hereof during the Payment Period in which Grantor receives the Reversionary Compensation. In connection with any such conveyance or permanent cessation of production, Grantee shall, on request, immediately prior to such event, execute, acknowledge, and deliver to Grantor a recordable instrument (reasonably acceptable to Grantor) that terminates and releases the Net Profits Interest with respect to any such portion of the Subject Interests or Subject Well, as applicable, to Grantor. From and after the actual date of any such conveyance or permanent cessation of production, Grantor and any grantee, purchaser, transferee or grantee of such Subject Interest (or the Net Profits Interest with respect to such Subject Interest) shall be relieved of all obligations, requirements, and responsibilities arising under the Net Profits Interest or this Conveyance with respect to such portion of the Subject Interests, except for those that accrued prior to such date.

Section 6.3 Mortgages and Security Interests. Nothing herein shall prevent Grantor from granting a lien, mortgage, security interest or other charge in Grantor's interest in any property, including the Subject Interests and the Subject Hydrocarbons. Grantor agrees that it shall cause each agreement, indenture, bond, deed of trust, filing, application or other instrument that creates or purports to create a lien, mortgage, security interest or other charge secured by the Subject Interests, the Subject Hydrocarbons or the proceeds from the sale of the Subject Hydrocarbons to include an express agreement and acknowledgement by the parties thereto that the Net Profits Interest is senior in right of payment and collection to any and all obligations created thereby in respect of the Subject Interests, the Subject Hydrocarbons or the proceeds from the sale of the Subject Hydrocarbons. The preceding sentence shall not apply to any agreement, indenture, bond, deed of trust, filing, application or other instrument that creates a lien, mortgage, security interest or other charge secured by not more than Grantor's residual interest in the Subject Interests, the Subject Hydrocarbons or the proceeds from the sale of the Subject Hydrocarbons.

Section 6.4 Rights of Mortgagee, Pledge or Trustee. If Grantee shall at any time execute a mortgage, pledge or deed of trust covering all or part of the Net Profits Interest, the mortgagee(s), pledge(s) or trustee(s) therein named or the holder of any obligation secured thereby shall be entitled, to the extent such mortgage, pledge or deed of trust so provides, to exercise all the rights, remedies, powers, and privileges conferred upon Grantee by the terms of this Conveyance and to give or withhold all consents required to be obtained hereunder by Grantee, but the provisions of this Section 6.4 shall in no way be deemed or construed to impose upon Grantor any obligation or liability undertaken by Grantee under such mortgage, pledge or deed of trust or under any obligation secured thereby.

Section 6.5 Assignment or Mortgage by Grantee. Grantee shall provide Grantor with written notice of any Transfer, mortgage or pledge of all or any portion of the Net Profits Interest. No such Transfer, mortgage or pledge will affect the method of computing Gross Profits, Excluded Proceeds, Net Deductions, Gross Deductions, Offset Amounts or Net Profits, or impose any additional obligation or liability on Grantor. Grantor shall never be obligated to pay the NPI Payout (or portions thereof) to more than one Person. If more than one Person is ever entitled to receive payment of any part of the NPI Payout, Grantor may suspend payments of the NPI Payout until the concurrent owners or claimants of the Net Profits Interest or the right to receive payment of the NPI Payout appoint one Person in writing to receive all payments of the Net Profits on their behalf. Grantor may thereafter conclusively rely upon the authority of that Person to receive payments of the NPI Payout and shall be under no further duty to inquire into the authority or performance of such Person.

**ARTICLE VII  
MISCELLANEOUS**

Section 7.1 Notices. All notices and other communications which are required or may be given pursuant to this Conveyance must be given in writing, in English and delivered personally, by courier, by telecopy or by registered or certified mail, postage prepaid, as follows:

*If to Grantor:*

Enduro Operating LLC  
777 Main Street, Suite 800  
Fort Worth, Texas 76102  
Attention: Jon S. Brumley  
Facsimile No.: [ \_\_\_\_\_ ]

*If to Grantee:*

Enduro Texas LLC  
777 Main Street, Suite 800  
Fort Worth, Texas 76102  
Attention: Jon S. Brumley  
Facsimile No.: [ \_\_\_\_\_ ]



Either Party may change its address for notice by notice to the other Party in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

Section 7.2 Ownership of Certain Property. The Net Profits Interest does not include any right, title, or interest in and to any personal property, fixtures, or equipment and is exclusively an interest in and to the Subject Interests and the Subject Hydrocarbons.

Section 7.3 Non-Recourse. Grantee shall look solely to the Net Profits for the satisfaction and discharge of the Net Profits Interest and, except in the event of Grantor's failure to pay as required by Section 4.3, Grantor shall not be liable for such satisfaction or discharge. Grantor shall not have any liability (and Grantee shall have no recourse or remedy against Grantor) in the event that the Subject Interests terminate without having generated the Subject Hydrocarbons, Net Profits or NPI Payouts that are expected to be generated during the term of the Net Profits Interest.

Section 7.4 Payments. Grantor shall transfer or cause to be transferred all monies to which Grantee is entitled hereunder by Federal funds wire transfer not later than the date when due, to Grantee at the bank account specified by Grantee in writing to Grantor.

Section 7.5 Amendments. This Conveyance may not be amended, altered or modified except pursuant to a written instrument executed by the Parties.

Section 7.6 Further Assurances. The Parties shall from time to time do and perform such further acts and execute and deliver such further instruments, conveyances, and documents as may be required or reasonably requested by the other Party to establish, maintain, or protect the respective rights and remedies of the Parties and to carry out and effectuate the intentions and purposes of this Conveyance.

Section 7.7 Waivers. Any failure by either Party to comply with any of its obligations, agreements or conditions herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by such Party and expressly identified as a waiver, but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Conveyance shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 7.8 Severability. The invalidity or unenforceability of any term or provision of this Conveyance in any situation or jurisdiction shall not affect the validity or enforceability of the other terms or provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction and the remaining terms and provisions shall remain in full force and effect, unless doing so would result in an interpretation of this Conveyance which is manifestly unjust.

Section 7.9 No Partition. The Parties acknowledge that Grantee has no right or interest that would permit Grantee to partition any portion of the Subject Interests, and Grantee hereby waives any such right.

Section 7.10 Governing Law. EXCEPT WHERE PROHIBITED BY THE LAW OF THE STATE IN WHICH THE RELEVANT SUBJECT INTERESTS ARE LOCATED, THIS CONVEYANCE AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO CONFLICTS OF LAW RULES OR PRINCIPLES THAT MAY REQUIRE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

Section 7.11 Rule Against Perpetuities. It is not the intent of the Parties that any provision herein violate any applicable law regarding the rule against perpetuities or other rules regarding the vesting or duration of estates, and this Conveyance shall be construed as not violating any such rule to the extent the same can be so construed consistent with the expressed intent of the Parties as set forth herein. In the event, however, that any provision hereof is determined to violate any such rule, then such provision shall nevertheless be effective for the maximum period (but not longer than the maximum period) permitted by such rule that will result in no violation. To extent that the maximum period is permitted to be determined by reference to "lives in being," the Parties agree that "lives in being" shall refer to the lifetime of the last survivor of the descendants of the late Joseph P. Kennedy (the father of the late John F. Kennedy, the 35th President of the United States of America) living as of the Effective Time.

Section 7.12 Tax Matters. Without limiting the disclaimer in Section 5.1(d)(ii), nothing herein contained shall be construed to constitute a partnership or to cause either Party (under state law or for tax purposes) to be treated as being the agent of, or in partnership with, the other party. Grantor may cause to be withheld from any payment hereunder any tax withholding required by law or regulations, including, in the case of any withholding obligation arising from income that does not give rise to any cash or property from which any applicable withholding tax could be satisfied, by way of set off against any subsequent payment of cash or property hereunder.

Section 7.13 Counterparts. This Conveyance may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one instrument. No Party shall be bound until such time as all of the Parties have executed counterparts of this Conveyance. To facilitate recordation, there may be omitted from the Exhibits to this Conveyance in certain counterparts descriptions of property located in recording jurisdictions other than the jurisdiction in which the particular counterpart is to be filed or recorded.

Section 7.14 Conspicuous. GRANTOR AND GRANTEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE OR ENFORCEABLE, THE PROVISIONS IN THIS CONVEYANCE IN ALL CAPS FONT ARE "CONSPICUOUS" FOR THE PURPOSE OF ANY APPLICABLE LAW.

Section 7.15 Binding Effect. All the covenants, restrictions and agreements of Grantor herein contained shall be deemed to be covenants running with the Subject Interests and the

lands affected thereby. All of the provisions hereof shall inure to the benefit of Grantee and its successors and assigns and shall be binding upon Grantor and its successors and assigns and all other owners of the Subject Interests or any part thereof or any interest therein.

Section 7.16 Limitation on Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY, NONE OF GRANTOR, GRANTEE OR ANY OF THEIR RESPECTIVE AFFILIATES SHALL BE ENTITLED TO SPECIAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES IN CONNECTION WITH THIS CONVEYANCE, AND EACH PARTY, FOR ITSELF AND ON BEHALF OF ITS AFFILIATES, HEREBY EXPRESSLY WAIVES ANY RIGHT TO SPECIAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES IN CONNECTION WITH THIS CONVEYANCE AND THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.17 Term. The Net Profits Interest shall remain in full force and effect as long as any portion of the Subject Interests is in full force and effect. At any time after the termination of the Net Profits Interest, Grantee shall, upon the request of Grantor, execute and deliver such instruments as may be necessary to evidence the termination of the Net Profits Interest.

Section 7.18 No Third Party Beneficiaries. Nothing in this Conveyance shall entitle any Person other than the Parties to any claims, cause of action, remedy or right of any kind.

Section 7.19 Construction. The Parties acknowledge that (a) Grantor and Grantee have had the opportunity to exercise business discretion in relation to the negotiation of the details of the transaction contemplated hereby, (b) this Conveyance is the result of arms-length negotiations from equal bargaining positions, and (c) Grantor and Grantee and their respective counsel participated in the preparation and negotiation of this Conveyance. Any rule of construction that a document be construed against the drafter shall not apply to the interpretation or construction of this Conveyance.

Section 7.20 Merger Clause. This Conveyance constitutes the entire agreement between the Parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

Section 7.21 Reliance by Third Parties. No third party (including operators, production purchasers and disbursing parties) is responsible for calculating or separately reporting and paying to Grantee any sums that are potentially attributable to the Net Profits Interest; and such third parties may include the interest of Grantee within the interest credited to Grantor for all purposes. Grantor shall attend to the actual distribution of the NPI Payout to Grantee as provided in this Conveyance. To the extent that any provision of a state oil and gas proceeds payment statute requires an operator, production purchaser or disbursing party to account for and

separately pay proceeds of production attributable to the Net Profits Interest, Grantor and Grantee specifically (a) authorize such third parties to include the Net Profits Interest within the interest credited to Grantor, and (b) waive the application of such statute, to the extent possible, and such payment shall be made to Grantor directly. No third party shall be under any obligation to inquire as to, or to see to, the application by Grantor of the proceeds received by it from any sale of production attributable to the Net Profits Interest.

**[Signature Page Follows]**

**IN WITNESS WHEREOF**, this Conveyance has been signed by each of the Parties on the Execution Date and duly acknowledged before the undersigned competent witnesses and Notary Public.

WITNESSES:

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

WITNESSES:

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

GRANTOR:

**Enduro Operating LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

GRANTEE:

**Enduro Texas LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
  §  
COUNTY OF \_\_\_\_\_ §

BE IT KNOWN, that on this \_\_\_ day of \_\_\_\_\_, 2011, before me, the undersigned authority, personally came and appeared \_\_\_\_\_ appearing herein in \_\_\_ capacity as \_\_\_\_\_ of Enduro Operating LLC, to me personally known to be the identical person whose name is subscribed to the foregoing instrument as the said officer of said company, and declared and acknowledged to me, Notary, that \_\_\_\_\_ executed the same on behalf of said company with full authority of its \_\_\_\_\_, and that the said instrument is the free act and deed of the said company and was executed for the uses, purposes and benefits therein expressed.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Notary Public for the State of \_\_\_\_\_

County of \_\_\_\_\_

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

STATE OF \_\_\_\_\_ §  
  §  
COUNTY OF \_\_\_\_\_ §

BE IT KNOWN, that on this \_\_\_ day of \_\_\_\_\_, 2011, before me, the undersigned authority, personally came and appeared \_\_\_\_\_ appearing herein in \_\_\_ capacity as \_\_\_\_\_ of Enduro Texas LLC, to me personally known to be the identical person whose name is subscribed to the foregoing instrument as the said officer of said company, and declared and acknowledged to me, Notary, that \_\_\_\_\_ executed the same on behalf of said company with full authority of its \_\_\_\_\_, and that the said instrument is the free act and deed of the said company and was executed for the uses, purposes and benefits therein expressed.

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Notary Public for the State of \_\_\_\_\_

County of \_\_\_\_\_

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

**EXHIBIT A**

ATTACHED TO AND MADE A PART OF THAT  
CERTAIN CONVEYANCE OF NET PROFITS INTEREST  
DATED AS OF [\_\_\_\_\_] , 2011

LEASES

[To be provided]

Exhibit A

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EXHIBIT B

ATTACHED TO AND MADE A PART OF THAT  
CERTAIN CONVEYANCE OF NET PROFITS INTEREST  
DATED AS OF [\_\_\_\_\_] , 2011

WELLS

<u>Operator</u>	<u>Operator AFE #</u>	<u>Enduro AFE #</u>	<u>API</u>	<u>Enduro Well ID</u>	<u>Field</u>	<u>County/Parish</u>	<u>State</u>
QEP	9*35868	N11LA-0001	1701524682	70038.012.00	ELM GROVE	BOSSIER	LA
XCO	810*20574	N10LA-0077	1703125129	70178.001.00	KINGSTON	DESOTO	LA
XCO	810*22699	N10LA-0088	1703125507	70087.014.00	KINGSTON	DESOTO	LA
XCO	810*22697	N10LA-0087	1703125249	70087.013.00	KINGSTON	DESOTO	LA
XCO	810*22777	N11LA-0010	1703125508	70087.017.00	KINGSTON	DESOTO	LA
XCO	810*22781	N11LA -0009	1703125604	70087.016.00	KINGSTON	DESOTO	LA
XCO	810*22718	N11LA-0008	1703125527	70087.018.00	KINGSTON	DESOTO	LA
XCO	810*22911	N11LA-0015	1703125588	70079.017.00	KINGSTON	DESOTO	LA
XCO	810*22721	N11LA -0007	1703125525	70079.015.00	KINGSTON	DESOTO	LA
XCO	810*22672	N11LA-0011	1703125597	70079.014.00	KINGSTON	DESOTO	LA
XCO	810*22906	N11LA -0016	1703125644	70079.018.00	KINGSTON	DESOTO	LA
XCO	810*22857	N11LA -0017	1703125556	70079.020.00	KINGSTON	DESOTO	LA
XCO	810*22912	N11LA -0018	1703125526	70079.019.00	KINGSTON	DESOTO	LA
XCO	810*21163	N11LA -0032	1703125645	70079.021.00	KINGSTON	DESOTO	LA
XCO	810*23388	N11LA -0036	1703125672	70168.003.00	KINGSTON	DESOTO	LA
XCO	810*23306	N11LA -0029	1703125652	70082.006.00	KINGSTON	DESOTO	LA
XCO	810*23549	N11LA -0034	1703125677	70082.009.00	KINGSTON	DESOTO	LA
XCO	810*23387	N11LA -0035	1703125679	70082.010.00	KINGSTON	DESOTO	LA
XCO	810*23678	N11LA -0049	1703125653	70082.007.00	KINGSTON	DESOTO	LA
XCO	810-23678	N11LA -0051	1703125673	70168.002.00	KINGSTON	DESOTO	LA
OXY	N/A	N11NM-0052	3001538254	84064.020.00	LOST TANK	EDDY	NM

Exhibit B



**EXHIBIT C**  
**EXISTING HEDGES**  
Exhibit C

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated May 12, 2011 with respect to the balance sheet of Enduro Royalty Trust, our report dated May 12, 2011 with respect to the carve out financial statements of Enduro Resource Partners LLC Predecessor, our report dated May 13, 2011 with respect to the consolidated financial statements of Enduro Resource Partners LLC, and our report dated May 11, 2011 with respect to the statements of revenues and direct operating expenses of the Predecessor Underlying Properties, in Amendment No. 4 to the Registration Statement (Form S-1 No. 333-174225) and related Prospectus of Enduro Royalty Trust dated August 1, 2011.

/s/ ERNST & YOUNG LLP

Fort Worth, Texas  
August 1, 2011

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated May 9, 2011 with respect to the statements of revenues and direct operating expenses of the Samson Permian Basin Assets, and our report dated May 9, 2011 with respect to the statements of revenues and direct operating expenses of the ConocoPhillips Permian Basin Assets, in Amendment No. 4 to the Registration Statement (Form S-1 No. 333-174225) and related Prospectus of Enduro Royalty Trust dated August 1, 2011.

/s/ ERNST & YOUNG LLP

Tulsa, Oklahoma  
August 1, 2011

CAWLEY, GILLESPIE &amp; ASSOCIATES, INC.

PETROLEUM CONSULTANTS

9601 AMBERGLEN BLVD., SUITE 117  
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512-249-7000

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1000 LOUISIANA STREET, SUITE 625  
HOUSTON, TEXAS 77002-5008  
713-651-9944

**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS**

We hereby consent to the references to our firm in this Amendment No. 4 to the Registration Statement on Form S-1 (including the related prospectus) filed by Enduro Royalty Trust and Enduro Resource Partners LLC, to our estimates of reserves and value of reserves and our reports on reserves as of December 31, 2010 for Enduro Resource Partners LLC (the "Registration Statement"). We also consent to the inclusion of our reports dated February 24, 2011, March 16, 2011, and July 30, 2011 as annexes to the prospectus included in such Registration Statement.

We also consent to the references to our firm in the prospectus included in such Registration Statement, including under the heading "Experts."



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Robert D. Ravnaas, P.E.  
Executive Vice President  
Cawley, Gillespie & Associates, Inc  
Texas Registered Engineering Firm F-693.

Fort Worth, Texas  
August 1, 2011