

Attn: Mr. Jacob S. Polochak
382 W. Chestnut St., Suite 107
Washington, PA 15301

Mr. Nicholas J. Seitanakis
6021 Wallace Rd. Ext., Suite 300
Wexford, PA 15090

RE: Letter of Intent ("LOI")
Mt. Jackson Group 4: Stoneboro
Mercer County, Pennsylvania

June 2, 2012

Gentlemen:

Morascyzk & Polochak, Attorneys at Law and Co-eXprise, Inc. ("*Representatives*") have represented to Halcón Energy Properties, Inc. ("*Halcón*") that they have entered into agreements ("*MarketPlace Agreements*") with certain mineral interest owners in Mercer County, Pennsylvania ("*Mt. Jackson Group 4: Stoneboro*") to market their interests for the purpose of securing oil and gas leases on their property (each a "*Property*" or collectively, the "*Properties*") listed in Schedule I, insofar as the Properties are located within the AOI, as defined below). Representatives and Halcón are herein collectively called the "*Parties*" and individually a "*Party*". Halcón has identified an Area of Interest defined as Mercer County, Pennsylvania ("*AOI*"), and desires to obtain oil and gas leases from the Mt. Jackson Group 4: Stoneboro within the AOI under the following terms and conditions:

- I. Each member of Mt. Jackson Group 4: Stoneboro (sometimes individually referred to herein as "*Lessor*", and sometimes collectively referred to herein as "*Lessors*") shall have executed an offer letter ("*Offer Letter*"), in form and substance acceptable to Halcón, pursuant to which they would (i) offer to execute, have notarized, deliver and grant to Halcón an oil and gas lease, in substantially the form attached hereto as part of Schedule II (together with the associated addendum thereto, also in substantially the form attached hereto as part of Schedule II) (the "*Lease*"), and together with the associated memorandum of oil and gas lease, also in substantially the form attached hereto as part of Schedule II (the "*Memorandum*"), (ii) execute and deliver any non-foreign affidavits and other instruments or certificates as may be required by Halcón, and (iii) offer to execute and deliver an Order of Payment ("*OOP*"), in connection with the granting of such Lease, in substantially the form attached hereto as Schedule II (the agreements, instruments and certificates described in subparts (i)-(iii) above, together with the Offer Letter, are collectively referred to as the "*Lessor Documents*"). Each member of Mt. Jackson Group 4: Stoneboro would also agree to provide Halcón with copies of and access to any books, title, land, deed, tax, and other records relating to the Properties within the possession or reasonable control of such member of Mt. Jackson Group 4: Stoneboro. The offer to grant such Lease under the Offer Letter would be based on the terms set forth in Section 2, together

518998 000012 HOUSTON 777521.2

HAL0001



with the other terms and conditions set forth in the form attached hereto as part of Schedule II, and the total consideration that would be paid to the individual Mt. Jackson Group 4: Stoneboro lessor would be based on a lease bonus of \$3,850 net mineral acre attributable to such individual lessor's interest delivered to Halcón under such Lease, subject to the delivery and confirmation by Halcón of Marketable Title (as hereinafter defined).

2. Each Lease shall include the following key terms: (i) an initial primary term commencing on the date executed and delivered by and continuing until the date that is five (5) years from the Initial Closing (as defined below), unless otherwise agreed upon by respective Lessors and Halcón; (ii) an 18.5% royalty interest; (iii) shall cover and include the oil, gas and associated hydrocarbons, any products therefrom, as well as any substances produced in connection therewith, in, to, and under all depths located below one hundred (100) feet below the stratigraphic equivalent of the base of the Speechley Sandstone Formation (as hereinafter defined) covering the Properties described therein, (iv) shall expressly permit the pooling, unitization and communitization of the Lease with other oil and gas leases or mineral interests, pursuant to provisions acceptable to Halcón, and (v) prior to expiration of the initial primary term, the option by Lessee to extend the lease an additional term of five (5) years by tendering to Lessor an extension payment of \$3,850.00 per net mineral acre. For purposes hereof, the term "Speechley Sandstone Formation" shall mean the stratigraphic equivalent of that formation found between the depths of 1,825 feet and 1,870 feet MD and reflected on the well logs from the Energy Resources of America, Inc. - SGL #P1 Well, API No. 3712144287, completed in June 2008 in Venango County, Pennsylvania.
3. Each member of Mt. Jackson Group 4: Stoneboro that agrees to these terms will execute the form of Lease, Memorandum and OOP as agreed and attached hereto as Schedule II, and NOTWITHSTANDING ANYTHING STATED IN THIS LOI TO THE CONTRARY, HALCÓN RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ACCEPT OR REJECT ANY PROPOSED CHANGES TO SUCH LEASE, MEMORANDUM OR OOP. Unless already included in Schedule I, such acreage shall be incorporated as Properties into the attached Schedule I, and a Final Schedule I shall be prepared by Representatives and submitted to Halcón by the earlier of 5:00 pm, Eastern Time, on June 30, 2012 or the last Mass Signing (as described below). Properties on the Final Schedule I shall not exceed sixty thousand (60,000) net mineral acres, absent written modification to this LOI.
4. The Representatives shall arrange to have available and coordinate one or more venues having sufficient facilities and space for the Mt. Jackson Group 4: Stoneboro to have at least one three (3) day opportunity, prior to June 30, 2012, where individual members of the Mt. Jackson Group 4: Stoneboro can execute, have notarized, and deliver to Halcón the Lessor Documents (or such Lessor Documents which have not previously been executed by such individual member of the Mt. Jackson Group 4: Stoneboro) (each, a "Mass Signing"). Each Mass Signing shall be approved in writing by Halcón or its representatives. Representatives shall coordinate the specific dates of such Mass Signings with Halcón, so Halcón representatives can be present.

No Mass Signings under this LOI shall be held after June 30, 2012, without Halcón's prior written approval and Halcón shall not commit to considering, exercising or accepting any offer by any members of the Mt. Jackson Group 4: Stoneboro after such date.

5. Halcón shall have ninety (90) business days from the date of the Mass Signing (if such Lease was executed and delivered at such Mass Signing) or from June 30, 2012 (if such Lease was executed and delivered prior to June 30, 2012 but was not otherwise executed and delivered at the Mass Signing, and any additional time granted pursuant to the Order of Payment executed by respective Lessors, to complete its title, environmental, and other due diligence review of the Properties covered by the Leases actually received by Halcón at the Mass Signings. Except for those Properties without Marketable Title or that may be subject to other Defects, as provided for in Section 10 below, payment of the bonus consideration shall occur prior to the expiration of said ninety (90) business days ("*Diligence Period*"). On or before three (3) business days following the expiration of the applicable Diligence Period, Halcón shall provide Representatives with a summary of those Properties which have been examined by Halcón and for which Halcón does not intend to assert Title Defects or other Defects (as hereinafter defined); those Properties on which Halcón elects to assert Title Defects or other Defects (as hereinafter defined); and those Properties which require additional time for completion of due diligence review. With regard to those Properties on which Halcón elects to assert Title Defects or other Defects, Halcón shall provide to Representatives enough information to identify the nature of such Title Defects or other Defects.
6. Subject to the other terms and conditions herein, with regard to those Leases and Properties Halcón has not elected to assert any Title Defects or other Defects, on or before the date that is *ten (10)* business days following the expiration of the applicable Diligence Period, Halcón would pay the applicable lessor member of Mt. Jackson Group 4: Stoneboro the aggregate bonus consideration of \$3,850.00 per net mineral acre with Marketable Title covered by such Lease as payment in full for the primary term of said Lease (such payment is herein called the "*Initial Closing*" of such Lease); and Halcón may require a Lease ratification as of such closing from the lessor, as a condition to payment. Any such bonus payments would be made directly to the individual members of the Mt. Jackson Group 4: Stoneboro, in accordance with the applicable OOP. With regard to those Leases and Properties Halcón on which has elected to assert any Title Defects or other Defects, Halcón shall have no obligation or liability (whether to pay the bonus or otherwise), unless such Title Defects or other Defects are cured to Halcón's reasonable satisfaction as described under Section 11 below.
7. Halcón shall have the right to enter into the proposed transaction and any Lease through Halcón or any other affiliate.
8. The Parties have agreed on the following procedure for the proper execution of the Lease, the Memorandum, the OOP:

- a. Halcón and/or Representatives shall prepare a Lease, Memorandum, OOP and W-9 forms for execution. Representatives shall be responsible for obtaining from the owners of the Properties, and shall provide same to Halcón, the parcel ID's, names, legal descriptions of the Properties, addresses and other relevant information necessary to properly prepare the Lease, Memorandum of Lease, OOP and W-9 forms.
 - b. Representatives shall coordinate dates, time and venue for the execution of the Lease, Memorandum, OOP and W-9 and other Lessor Documents by the owners of the Properties at the Mass Signings, as described above. Halcón/agrees to pay all of the expenses associated with such informational meetings and lease signings (including without limitation, the room or space rental fees and any food and drinks), but Representatives will provide Halcón with written estimates for such expenses.
 - c. Upon Halcón's receipt of each signed Lease, Memorandum and OOP and other Lessor Documents, Halcón will conduct its title and other due diligence that it deems appropriate.
9. In the MarketPlace Agreements, Representatives has agreed to a fee (to be paid from each respective member of the Mt. Jackson Group 4: Stoneboro) for its assistance in negotiating the terms of the Lease and facilitating the execution of the Lease, Memorandum, OOP and W-9 forms by the owners of the Properties. Representatives represents that the fee shall be equal to the amount negotiated with each of the members of the Mt. Jackson Group 4: Stoneboro which is an up-front fee of \$231.00 (6% of \$3,850.00) or \$308.00 (8% of \$3,850.00) per net mineral acre, depending on when a customer joins the group, for each acre that Halcón determines an owner has Marketable Title that allows for oil and gas development (the "*Representatives' Fee*") unless the MarketPlace Agreement and OOP state differently. Representatives represent to Halcón that the Representatives' Fee applies to the up-front initial primary term bonus payment consideration only (and not to any renewal, extension or replacement lease). Representatives agree that Halcón is not a party to the MarketPlace Agreements and shall have no rights or obligations or liabilities under such agreements, including without limitation, no obligation to pay any portion of the Representatives' Fee. Notwithstanding the foregoing, the form OOP to be signed by each owner shall contain provisions: (i) directing payment of the final agreed bonus consideration owed to them; (ii) authorizing Halcón to deduct the Representatives' Fee directly from the bonus consideration amount (the "*Fee Payment*") and (iii) directing Halcón to deliver such Fee Payment directly to Representatives on the same date that it pays the respective member of Mt. Jackson Group 4: Stoneboro. Halcón shall have no obligation to deliver any bonus payment or Fee Payment until such time that Halcón receives an executed OOP in the form attached hereto and containing the provisions set forth above in the immediately preceding sentence. REPRESENTATIVES AGREE TO INDEMNIFY, DEFEND AND HOLD HARMLESS HALCÓN AND ITS AFFILIATES FROM ANY AND ALL CLAIMS, LIABILITIES, EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, COURT COSTS AND OTHER COSTS OF INVESTIGATION OR DEFENSE) RELATED IN ANY MANNER WHATSOEVER TO THE

REPRESENTATIVES' FEE, REGARDLESS OF THE SOLE, JOINT, CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OR RESPONSIBILITY OF REPRESENTATIVES, ANY MEMBER(S) OF MT. JACKSON GROUP 4: STONEBORO, HALCÓN OR ANY OTHER PERSON.

10. Halcón shall have no obligation to execute or accept any Leases on any of the Properties that have, or may be subject to, any Title Defects or which are subject to any other Defects. For purposes hereof, the following terms shall have the following meanings attributed to them:

(a) "*Claims*" shall mean any and all debts, losses, liabilities, duties, claims, damages, obligations, payments (including, without limitation, those arising out of any demand, assessment, settlement, judgment or compromise relating to any actual or threatened legal proceeding), taxes, costs and expenses (including, without limitation, attorney fees, court costs and other administrative costs, and costs of investigation or defense), matured or unmatured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, known or unknown, including, without limitation, any of the foregoing arising under, out of or in connection with any legal proceeding; any order or consent decree of any governmental authority, any award of any arbitrator, or any law or regulation, contract, commitment or undertaking.

(b) "*Encumbrances*" means Liens, royalties (including, without limitation, any non-participating royalty interests), overriding royalties, net profits interests, production payments, carried interests, reversionary interests, and other burdens or calls on production, contract obligations, easements, restrictions, consent or approval requirements, preferential purchase rights, rights of first refusal, or similar rights, options, and Claims.

(c) "*Good and Defensible Title*" means and includes all of the following with regard the mineral fee interest of any member of Mt. Jackson Group 4: Stoneboro: (1) is not subject to an existing oil and gas lease; (2) is free and clear of liens or encumbrances; (3) would entitle Halcón, after receipt of the applicable Lease from such member of the Mt. Jackson Group 4: Stoneboro, to a net revenue interest in any oil, gas or other minerals produced therefrom or allocable thereto, of not less than an undivided 81.5% (of 100%) throughout the life of the Lease (as to all depths below 100 feet below the base of the Speechley Sandstone Formation); (4) would obligate Halcón (throughout the life of the Lease and as to all depths below 100 feet below the base of the Speechley Sandstone Formation), after receipt of the applicable Lease from such member of the Mt. Jackson Group 4: Stoneboro, to bear costs and expenses relating to the maintenance, development and operation thereof in an amount not greater than the respective working interest (expense interest) set forth in Schedule 1 attached hereto; (5) would result in Halcón, after receipt of the applicable Lease from such member of the Mt. Jackson Group 4: Stoneboro, having not less than the number of net mineral acres

attributable to such Lease set forth in Schedule 1 attached hereto; (6) is not subject to, and will not subject Halcón to, any area of mutual interest, nor to any consent or approval to transfer; (7) is not subject to any surface waivers or restrictions that would impede or hinder any drilling or development activities thereon under the applicable Lease to be granted to Halcón; (8) is free and clear of any other adverse terms, claim, burden, restriction, requirement or imperfection, which if asserted would cause a material impairment of the use and enjoyment of or loss of interest in such properties which would not be acceptable to reasonable and prudent lessees, operators, interest owners or purchasers of oil and gas properties.

(d) "*Lien*" shall mean any (i) security interest, lien, mortgage, pledge, hypothecation, encumbrance, charge, restriction on transfer, including any conditional sale or other title retention contract or lease in the nature thereof, including, without limitation, any lien or security interest covering or affecting the interest of the Lessor in any Properties unless such lien or security interest is subordinated to Halcón's interests in the Lease on terms satisfactory to Halcón in its sole discretion; (ii) any filing or agreement to file a financing statement as debtor under the applicable Uniform Commercial Code or any similar statute; and (iii) any subordination arrangement in favor of another entity or person.

(e) "*Marketable Title*" means, with respect to the Properties covered by a Lease, as both (i) having Good and Defensible Title to such Properties, and (ii) title to the mineral and leasehold estate underlying the Properties which is otherwise free of any existing burden, defect, demand, lawsuit, third party claim, Lien, or Encumbrance; which would grant to Halcón, with minimal legal risk of adverse Claims by third parties, all of the rights considered usual and necessary to explore for and produce the oil and gas, and to the Properties.

(f) "*other Defect*" means and includes:

(1) any Properties (or portions thereof) with respect to which Halcón determines that there are adverse environmental Claims or liabilities that are unacceptable to Halcón, in the exercise of Halcón's reasonable discretion, including, without limitation, any conditions or circumstances that could be in violation of any applicable local, state or federal law, regulation, order, judgment or rule governing the protection of health or the environment; and

(2) any Properties (or portions thereof) with respect to which Halcón determines are subject to any restriction on the ability of Halcón to explore and drill for, develop and produce the oil, gas, and associated hydrocarbons.

(g) "*Title Defect*" means any condition, fact or circumstance which could result in Lessor not having Marketable Title to any Properties (or portions thereof).

11. In the event Halcón discovers and asserts such Title Defects or other Defects, as contemplated above, it shall give Representatives written notice thereof, as described above. Representatives shall have the opportunity for up to six (6) months from the date of the Mass Signing (the "*Cure Period*") to take action to cure such Title Defects or other Defects to the satisfaction of Halcón. To the extent that the same are cured to Halcón's satisfaction within the Cure Period, then the Parties and the applicable Lessors shall schedule and coordinate a subsequent closing, at which the Lessors shall execute such Lease ratifications as requested by Halcón, the initial primary term of such Lease shall be extended by another six (6) months, and Halcón shall pay the Lease bonus described in Section 6 attributable to such Lease.
12. The Parties agree to coordinate the following meetings at a location and date yet to be determined with the Mt. Jackson 4: Stoneboro Group: (i) an informational meeting and reception, and (ii) Mass Signings (the "*Initial Meetings*"). Halcón agrees to pay all of the expenses associated with such Initial Meetings (including without limitation, the room or space rental fees and any food and drinks, etc.), subject to Halcón's prior agreement as to the amounts and types of expenses.
13. All notices required or permitted under this Agreement shall be in writing and shall be delivered personally or by certified mail, postage prepaid and return receipt requested to the people and addresses set forth in the first and last pages hereof or by telecopier, facsimile or electronic mail addresses provided in writing by each of the parties.
14. THIS LOI AND THE OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PRINCIPLES; PROVIDED, HOWEVER, THAT THE LEASES SHALL BE GOVERNED BY THE LAW OF THE JURISDICTION IN WHICH THE LEASES ARE LOCATED AND SUCH LEASES OR MEMORANDUM ARE FILED OF RECORD.
15. Notwithstanding the preceding sentence, except as permitted below, Representatives shall not assign this LOI or its rights hereunder without the prior, written consent of Halcón.
16. This LOI, together with the Exhibits and Schedules hereto, constitute the entire agreement and understanding of the Parties in respect of its subject matter and supersedes all prior understandings, agreements, or representations by or between the

Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

17. No amendment, modification, replacement, termination or cancellation of any provision of this LOI will be valid, unless the same shall be in writing and signed by all of the Parties hereto.
18. The Parties agree that prior to making any public announcement or statement with respect to the transactions contemplated by this LOI, the Party desiring to make such public announcement or statement shall consult with the other Parties hereto and endeavor in good faith to obtain the prior written approval of the other Parties to the text of a public announcement or statement; provided, however, if such disclosure is required by applicable law or the rules of a trading exchange to make such public announcement or statement, then the same may be made without the approval of the other Parties. From and after the execution of this Agreement and continuing after the Initial Closings and any subsequent closings, Representatives further agree not to publish or otherwise disclose the terms of this LOI, other than to landowners located in the AOI, the Lessors and third party representatives that communicate with landowners that are potential lessors that have agreed in writing to covenants of confidentiality (and Representatives shall also not disclose the identity of Halcón in any press release or similar public disclosure (not including the filing of the Leases or Memorandum in the county records) without Halcón's express written consent) except to its respective directors, officers, employees, accountants, investors, members, bank lenders, and attorneys, without the express written consent of Halcón; provided, however, that nothing herein shall prevent or prohibit disclosures that are required under applicable law or under the rules of a stock exchange on which the securities of Halcón or its affiliate are publicly traded, or as necessary to enforce the terms, rights and remedies of this Agreement.
19. Except as permitted under Section 18 above, Representatives shall not use or disclose any terms of this LOI, or the existence of this LOI, including, without limitation, the identity of Halcón or the per-net mineral acre bonus and royalty contemplated herein.

Should you find these terms and conditions acceptable, please acknowledge your acceptance in the space provided below, and return an executed copy to 1000 Louisiana St., Suite 6700, Houston, TX 77002.

Sincerely,

HALCÓN ENERGY PROPERTIES, INC.


Mary Ellen Brook, Senior Land Manager

AGREED TO AND ACCEPTED
THIS 2nd DAY OF JUNE, 2012

MORASCYK & POLOCHAK

By: 

Printed Name: Joseph E. Morascyzk, Esq.

Title: Partner

AGREED TO AND ACCEPTED
THIS 2nd DAY OF JUNE, 2012

CO-EXPRIZE, INC.

By: 

Printed Name: Greg S. Andraon

Title: President & CEO