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

FORM 8-K

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

May 25, 2011
Date of report (Date of earliest event reported)

Arête Industries, Inc.
(Exact Name of Registrant as Specified in its Charter)

Colorado	33-16820-D	84-1508638
(State of Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification)

P. O. Box 141, Westminster, CO 80036
(Address of principal executive offices, including zip code)

(303) 427-8688
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

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

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

Item 1.01 Entry into a Material Definitive Agreement; Item 2.01 Completion of Disposition of Assets

1. On May 25, 2011, Arête Industries, Inc. (the "Company") entered into a Purchase and Sale Agreement with the Tucker Family Investments, LLLP, DNR Oil & Gas, Inc. ("DNR"), and Tindall Operating Company (collectively, the "Sellers") for the purchase of certain oil and gas operating properties in Colorado, Kansas, Wyoming, and Montana. The purchase closed on May 25, 2011 as well. The agreement has a base purchase price for the properties of $10 million. In addition, the agreement includes an operation agreement for the continued operations of the purchased properties by DNR, described below. DNR is owned by a director of the Company, Charles B. Davis. The consideration for the purchase was determined by arms-length bargaining between management of the Company and Mr. Davis, and the Company used reports of independent engineering firms to analyze the purchase price. Of the $10 million purchase price, $500,000 of the Company's funds was paid by the Company and $9.5 million was financed by the Sellers pursuant to a promissory note due July 1, 2011. The promissory note is secured by all of the purchased properties. The Company is seeking financing to pay the note. The purchase was effective on April 1, 2011 with respect to the related revenue and expenses for the period beginning April 1, 2011. A copy of the Purchase and Sale Agreement is filed herewith as Exhibit 10.4. The promissory note and security agreement are filed herewith as Exhibit 10.5.

2. On May 25, 2011, the Company entered into a Contract Operator Agreement with DNR to operate all of the properties purchased pursuant to the Purchase and Sale Agreement. The contract sets forth all of the duties and services to be provided the operator of the properties. The contract also includes the fees, reimbursements, and compensation to be paid to DNR for its services. The Contract Operator Agreement is filed as Exhibit 10.6 to this Form 8-K.

Section 8. Other Events

Item 8.01 Other Events

On May 27, 2011, the Company issued a press release announcing the purchase of the above oil and gas properties. A copy of this press release is attached as Exhibit 99.1 hereto, but is furnished and is not filed herewith.

Section 9. Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(a) *Financial statements of businesses acquired.*

Financial statements required under this Item shall be filed by amendment to the original Current Report on Form 8-K no later than 71 calendar days after June 1, 2011.

(b) Pro forma financial information.

In accordance with Item 9.01(a) (4) of Form 8-K, financial statements required under Item 1 shall be filed by amendment to this Form 8-K no later than 71 calendar days after June 1, 2011.

(c) Exhibit No.	**Exhibit Title**.
Exhibit 10.4	Purchase and Sale Agreement dated May 25, 2011
Exhibit 10.5	Note and Security Agreement effective April 1, 2011
Exhibit 10.6	Contract Operating Agreement effective April 1, 2011
Exhibit 99.1	Press Release dated May 31, 2011 (furnished, not filed)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARETE INDUSTRIES, INC.

Date: May 31, 2011

By: /s/ Donald W Prosser
Name: Donald W Prosser
Title: Chairman of the Board

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

TUCKER FAMILY INVESTMENTS, LLLP
DNR OIL & GAS, INC
TINDALL OPERATING COMPANY
AS SELLERS

AND

ARÊTE INDUSTRIES, INC.
AS BUYER

DATED MAY 25, 2011

****

EXHIBIT LIST

Exhibit A	Leases
Exhibit B	Wells/WI/NRI/Allocated Values
Exhibit C	Capital Projects
Exhibit D	Agreements
Exhibit E	Hydrocarbon Sales Contracts/Calls On Production
Exhibit F	Imbalance Volumes
Exhibit G	Assignment, Bill Of Sale And Conveyance
Exhibit H	Buyer's Officer Certificate
Exhibit I	Sellers' Officer Certificate
Exhibit J	Non-Foreign Affidavit
Exhibit K	Contract Operating Agreement

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Purchase And Sale Agreement

This Purchase and Sale Agreement (this "Agreement"), dated May 25, 2011, is by and among Tucker Family Investments, LLLP, a Colorado limited liability limited partnership ("Tucker"); DNR Oil & Gas, Inc., a Colorado corporation ("DNR"); and Tindall Operating Company, a Colorado corporation ("Tindall") whose collective address is 12741 E. Caley, Unit 142, Englewood, Colorado 80111, and Arête Industries, Inc., 7260 Osceola Street, Westminster, CO 80030, ("Buyer"). Tindall, Tucker and DNR may be referred to collectively as "Sellers." Sellers and Buyer may be referred to individually as a "Party" or collectively as the "Parties." The transaction contemplated by this Agreement may be referred to as the "Transaction."

RECITALS

A. Sellers own and desire to sell certain of their interests in oil and gas properties located in Colorado, Wyoming, Kansas, and Montana (the "Assets", all as more particularly described in Section 1.2 below).

B. Buyer has conducted and will soon complete an independent investigation of the nature and extent of the Assets and desires to purchase the Assets pursuant to the terms of this Agreement.

C. The parties recognize that Charles Davis is both a principal in Seller DNR, and a shareholder and director of Buyer, and agree that nothing in these relationships will hinder the purposes of this Agreement.

D. To accomplish the foregoing, the Parties wish to enter into this Agreement.

AGREEMENT

In consideration of the mutual promises contained herein, $100 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Sellers agree as follows:

ARTICLE 1

PURCHASE AND SALE

1.1 Purchase and Sale.

Sellers agree to sell and Buyer agrees to purchase Sellers' right, title and interest in the Assets, all pursuant to the terms of this Agreement.

1.2 The Assets.

As used herein, the term "Assets" refers to Sellers' right, title and interest in and to the following:

A. Leases, Lands, Hydrocarbons and Interests.

The oil, gas and/or mineral leases, rights-of-way and other agreements specifically described in Exhibit A (the "Leases"), the lands described in Exhibit A (the "Lands") and the oil, gas and other hydrocarbons ("Hydrocarbons") attributable to the Leases or Lands to the extent and only to the extent of the working interest ("WI") and net revenue interest ("NRI") set forth on Exhibits A and B, together with all the property and rights incident thereto, including all rights in any pooled, unitized or

communitized acreage by virtue of the Lands or Leases being a part thereof and all Hydrocarbons produced from the pool or unit allocated to any such Lands or Leases.

B. Wells.

The oil and gas wells specifically described in Exhibit B (the "Wells") to the extent and only to the extent of the WI and NRI set forth on Exhibit B, together with the personal property, equipment, fixtures, improvements, permits, water discharge permits, rights-of-way and easements associated with such WI and located on the Lands and presently used in connection with the production, gathering, treatment, processing, storing, transportation, sale or disposal of Hydrocarbons or water produced from the properties and interests described in Section 1.2 A.;

C. Rights in Unitized, Pooled or Communitized Tracts.

The unitization, pooling and communitization agreements, declarations and orders, and the units created thereby and all other such agreements relating to the properties and interests described in Sections 1.2 A. and B. and to the production of Hydrocarbons, if any, attributable to said properties and interests;

D. Other Agreements.

All existing and effective sales, purchases, exchanges, gathering agreements, service agreements and other contracts, agreements and instruments, which relate, and only insofar as they relate, to the properties and interests described in Subsections 1.2 A. through C., and including those which are described in Exhibit C (the "Agreements"); and

E. Records.

All files, records and data relating to the items described in Sections 1.2.A. through D. maintained by Sellers, including without limitation, the following, if and to the extent that such files exist: title files, lease files, land files, well files and division order files, but excluding from the foregoing those files, records and data subject to unaffiliated third party contractual restrictions on disclosure or transfer (the "Records"). If any of the Records contain interpretations of Sellers, Buyer agrees to rely on such interpretations at its own risk. The Records do not contain and Sellers are not selling any seismic or other geophysical data related to the Lands.

1.3 Effective Time.

This Agreement shall be effective at 7:00 a.m. Mountain Time on April 1, 2011 (the "Effective Time").

ARTICLE 2

PURCHASE PRICE

2.1 Base Purchase Price.

The base purchase price for the Assets shall be $10,000,000 (the "Base Purchase Price"). Buyer shall pay Sellers the Base Purchase Price at Closing.

2.2 Allocation of the Base Purchase Price.

Buyer, based on Buyer's' engineering report, has allocated the Base Purchase Price among the Assets as set forth on Exhibit B. Buyer and Sellers agree to use the values so allocated as the values for the individual Assets when filing all tax returns. The value so allocated to a particular Asset may be referred to as the "Allocated Value" for that Asset. The percentage and ownership (as between Sellers) of Wells affected by Allocated Value shall also be used by the Sellers in distributing both the Base Purchase Price and any Additional Purchase Price.

Settlement Statement.

The Base Purchase Price shall be adjusted after Closing pursuant to a "Settlement Statement" as more specifically described in Section 13.1.

ARTICLE 3

BUYER'S INSPECTION

3.1 Access to the Records.

Sellers have made the Records available to Buyer for inspection, copying, and review at Sellers' offices during normal business hours to permit Buyer to perform its due diligence review. After the execution of this Agreement and subject to Section 8.3, Sellers will continue to make the Records available to Buyer for inspection, copying, and review at Sellers' offices during normal business hours to permit Buyer to complete its due diligence review. Subject to the consent and cooperation of third parties, Sellers will assist Buyer in Buyer's efforts to obtain, at Buyer's expense, such additional information from such parties as Buyer may reasonably desire. Buyer may inspect the Records and such additional information only to the extent it may do so without violating any obligation of confidence or contractual commitment of Sellers to a third party.

3.2 Disclaimer.

Except for the representations contained in this Agreement, Sellers make no representation of any kind as to the Records or any information contained therein. Buyer agrees that any conclusions drawn from the Records shall be the result of its own independent review and judgment.

3.3 Physical Access to the Leases, Lands, and Wells.

During reasonable business hours, Sellers agree to grant Buyer physical access to the Leases, Lands, and Wells to allow Buyer to conduct, at Buyer's sole risk and expense, on-site inspections and environmental assessments of the Leases, Lands, and Wells. In connection with any such on-site inspections and assessments, Buyer agrees not to interfere with the normal operation of the Leases and Wells and agrees to comply with all operational and safety requirements of the operators of the Wells. If Buyer or its agents prepares an environmental assessment of any Lease, Lands or Well, Buyer agrees, where lawful, to keep such assessment confidential and to furnish copies thereof to Sellers. Such information shall be held confidential but may be disclosed to Buyer or Buyer's affiliates, attorneys, officers, employees and consultants used in Buyer's evaluation of the Assets. Furthermore, Buyer's obligations of confidentiality shall not apply to information (i) required to be disclosed by legal process, order, regulation, or rule, or (ii) available to the public, or (iii) acquired from third parties not known by Buyer to have confidentiality obligations to Sellers, provided that Buyer agrees to inquire of such third parties whether such third party has an obligation of confidence to Sellers. In connection with granting such access, Buyer represents that it is adequately insured and waives, releases and agrees to indemnify Sellers, and their respective directors, officers, shareholders, employees, agents and representatives against all claims for injury to, or death of, persons or for damage to property arising as a result of any act or omission committed by Buyer or its employees, agents, contractors or representatives in conducting Buyer's on-site inspections and environmental assessments of the Leases and Wells. This waiver, release and indemnity by Buyer shall survive termination of this Agreement.

3.4 Buyer's Agents.

To the extent that Buyer uses agents to conduct its due diligence activities, either in Sellers' offices or on the Lands, Buyer agrees to (i) make such agents aware of the terms and conditions set forth in this Article 3 and the confidentiality

provisions of Article 8, and (ii) ensure that such agents agree to be bound by the terms of this Article 3 and the confidentiality provisions of Article 8.

ARTICLE 4

TITLE MATTERS

4.1 Definitions.

A. Defensible Title.

The term "Defensible Title" means such title to the Assets, that, subject to and except for Permitted Encumbrances: (i) entitles Sellers to receive not less than the NRI set forth on Exhibit B for the currently producing formations in each Well or Unit; (ii) obligates Sellers to bear costs and expenses relating to the maintenance, development, operation and the production of Hydrocarbons from the currently producing formations in each Well in an amount not greater than the working interest set forth in Exhibit B ("WI"); and (iii) is free and clear of encumbrances, liens and defects.

B. Permitted Encumbrances.

The term "Permitted Encumbrances" shall mean:

1. lessors' royalties, overriding royalties, net profits interests, production payments, reversionary interests and similar burdens (payable or in suspense) if the net cumulative effect of such burdens does not operate to reduce the NRI;

2. liens for Taxes, or assessments not yet due and delinquent or, if delinquent, that are being contested in good faith in the normal course of business and for which Sellers shall retain responsibility;

3. all rights to consent by, required notices to, filings with, or other actions by federal, state, local or foreign governmental bodies, in connection with the conveyance of the applicable Asset if the same are customarily obtained after such conveyance;

4. rights of reassignment upon the surrender or expiration of any Lease;

5. the terms and conditions of the Agreements and all documents of record to the extent such do not decrease the NRI for the affected Asset or increase the WI for such Asset without a corresponding proportionate increase in the NRI for such Asset;

6. easements, rights-of-way, servitudes, permits, surface leases and other rights with respect to surface operations, on, over or in respect of any of the Assets or any restriction on access thereto that do not materially interfere with the operation of the affected Asset as has been conducted in the past or materially affect the value thereof;

7. liens to be released in connection with the Closing; and

8. materialmen's, mechanics', operators' or other similar liens arising in the ordinary course of business incidental to operation of the Assets (i) if such liens and charges have not been filed pursuant to law and the time for filing such liens and charges has expired, (ii) if filed, such liens and charges have not yet become due and payable or payment is being

9. withheld as provided by law, or (iii) if their validity is being contested in good faith by appropriate action and for which Sellers shall retain responsibility.

C. Title Defect.

The term "Title Defect" means any lien or monetary encumbrance affecting the Assets, excluding Permitted Encumbrances, or claim, defect in or objection to real property title made by a third party, excluding Permitted Encumbrances, that alone or in combination with other defects (i) renders the Sellers' title to the Asset less than Defensible Title, and (ii) reduces the Allocated Value of the affected Asset by more than **1%** (with such amount being the "Individual Title Threshold") and (iii) causes or is likely to cause Sellers' title to the Asset to fail. For the purposes of this Agreement, the term "third party claim" or "claim by a third party" or phrases of similar import, means a claim by an unaffiliated third party made without any involvement by Buyer whatsoever. Notwithstanding the foregoing, the following shall not be considered Title Defects:

1. defects in the early chain of title, consisting of the failure to recite marital status in a document or omissions of successors of heirship or estate proceedings, unless Buyer provides reasonable written evidence that such failure or omission has resulted in another party actually claiming title to the relevant Asset;

2. defects based on a lack of information in Sellers' files;

3. defects arising out of lack of survey;

4. defects based on a gap in Sellers' chain of title in the BLM records as to federal leases, or in the state's records as to state leases, if no such gap exists in the county records;

5. defects arising out of lack of corporate or other entity authorization unless Buyer provides affirmative written evidence that the action was not authorized and results in another party actually claiming title to the Asset;

6. defects that are uncontrovertibly defensible by possession under applicable statutes of limitation for adverse possession or for prescription;

7. defects based on a gap in Sellers' chain of title in the county records as to fee leases, unless such gap is affirmatively shown to exist in such records and written evidence of such break in the chain of title shall be included in a Notice of Title Defects, and provided further, the consequence of such break in the chain of title must result in another party having a justiciable claim to a portion or all of the affected Asset;

8. any defect if the net cumulative effect of such burdens does not operate to reduce the NRI for the particular Asset; and

9. any defect, if one or more of the Sellers have received proceeds of production from the Asset affected by the Title Defect, consistent with the NRI set forth on Exhibit B for the last three years without interruption or challenge from a third party based on the Title Defect.

10. Title Defect Value.

"Title Defect Value" means the amount by which the Allocated Value of an Asset has been reduced by a Title Defect. In determining the Title Defect Value, the Parties intend to include only that portion of the Asset affected by the defect. The Title Defect Value may not exceed the Allocated Value of the Asset and shall be determined by the Parties in good faith taking into account all relevant factors, including without limitation, the following:

11. If the Title Defect is a lien or encumbrance on the Asset created by Sellers, Sellers shall have the lien or monetary encumbrance unconditionally released, and consequently, there shall be no Title Defect Value associated with such lien or encumbrance.

12. If the Title Defect is an actual reduction in NRI or any other matter that does not fall within the matters described in subsection 1., then the Buyer will rerun its economic evaluation of the affected Asset using the same economic and engineering criteria except as changed to accommodate the Title Defect to calculate the impact on the Allocated Value for the affected Asset. This revised calculation of the Allocated Value will be presented to Sellers and Buyer and Sellers will act in good faith to reach mutual agreement as to the diminution effect of this Title Defect and thus the Title Defect Value.

4.2 Purchase Price Adjustments for Title Defects.

A. Notices of Title Defects.

Buyer shall give each of the Sellers a written "Title Defect Notice" as soon as possible but no later than 5:00 p.m. Mountain Time five (5) business days before Closing (the "Title Defect Date"). To be effective, each Title Defect Notice must be in writing and must satisfy the following conditions precedent: (i) name the affected Asset; (ii) describe each Title Defect in reasonable detail; (iii) describe the basis for each Title Defect which must include a third party claim supporting the Title Defect; (iv) attach Supporting Documentation; (v) state the Allocated Value of the affected Asset; (vi) state Buyer's good faith estimate of the Title Defect Value; and (vii) set forth the computations upon which Buyer's estimate is based. For the purposes of this Section, "Supporting Documentation" for a particular Title Defect means if the basis is derived from any document, a copy of such document (or pertinent part thereof) or if the basis is derived from any gap in Sellers' chain of title, the documents preceding and following the gap shall be attached, or in any case other reasonable written documentation or actual claim from a third party. If such Supporting Documentation is in Sellers' possession, Buyer agrees to provide a copy of such documentation to Sellers, or alternatively, specific information about how and where Sellers may obtain such supporting documentation, such as a file number, etc.

B. Defect Adjustments.

1. If an Asset is affected by a Title Defect, the Purchase Price will be reduced in the Final Settlement Statement and as set forth below, unless, at Sellers' election: (i) Sellers cure the Title Defect prior to the Final Settlement Date, (ii) Buyer agrees to waive the relevant Title Defect, (iii) Sellers elect on or before the Final Settlement Date to cure such Title Defect no later than 990 days after closing; (iv) Sellers elect on or before the Settlement Date to indemnify Buyer against any loss attributable to the relevant Title Defect or (v) Sellers elect to exclude the affected Asset from the Transaction and reduce the Purchase Price accordingly.

2. The Purchase Price shall be adjusted only for Title Defects that exceed the Individual Title Threshold.

3. If Sellers elect to cure the relevant Title Defect after the Final Settlement Date, and if Sellers cure the relevant Title Defect to Buyer's reasonable satisfaction, there shall be no adjustment to the Purchase Price. Subject to the Individual Title Threshold, if Sellers do not cure the relevant Title Defect to Buyer's reasonable satisfaction, then at Sellers' election, (i) the Purchase Price shall be adjusted for the Title Defect Value attributable to the applicable Title Defect, or (ii) the affected Asset shall be excluded from this Agreement and the Purchase Price shall be adjusted accordingly.

4.3 Dispute Resolution.

The Parties agree to resolve disputes concerning title matters pursuant to the Arbitration procedure set forth in Section 14.6.

4.4 Casualty Loss.

After the Effective Time and prior to Closing, if a portion of the Assets is destroyed by fire or other casualty, or is taken or threatened to be taken in condemnation or under the right of eminent domain (with such event being a "Casualty Loss"), Buyer shall purchase the Asset at Closing for the Allocated Value of the Asset reduced by the estimated cost to repair or replace such Asset (with equipment of similar utility) up to the Allocated Value thereof (the reduction being the "Net Casualty Loss"). At its sole option, Sellers may elect to cure such Casualty Loss. If Sellers elect to cure such Casualty Loss, Sellers may replace any personal property that is the subject of a Casualty Loss with equipment of similar grade and utility. If Sellers cure the Casualty Loss, Buyer shall purchase the affected Asset at Closing for the Allocated Value thereof without any Purchase Price Adjustment for such Casualty Loss.

4.5 Preferential Rights and Consents.

To Sellers' knowledge, there are no preferential purchase rights and/or required consents affecting the Assets. To the extent that there are preferential purchase rights or required consents affecting the Assets, the provisions of this Section 4.5 shall apply. Sellers shall use reasonable efforts to obtain all required consents and to give notices required in connection with preferential purchase rights prior to Closing. If Buyer discovers other affected Assets during the course of Buyer's due diligence activities, Buyer shall notify Sellers immediately and Sellers shall use their best efforts to obtain such consents or obtain waivers and to give the notices required in connection with the preferential rights prior to Closing.

Required Consents.

Except for consents and approvals which are customarily obtained post-Closing, and those consents which would not invalidate the conveyance of the Assets (with such consents being "Required Consents"), if a Required Consent to assign any Lease has not been obtained as of the Settlement Date, then Buyer shall re-convey the affected Asset to Sellers effective as of the Effective Time and Buyer shall pay Sellers the Allocated Value of the affected Asset, reduced by the amount of any net proceeds from the affected Asset attributable to the period of time after the Effective Time with Sellers retaining such net proceeds attributable to the period of time after the Effective Time until the affected Asset is assigned, and with Sellers bearing all attendant Property Costs for the affected Asset accruing during this period of time. Buyer shall reasonably cooperate with Sellers in obtaining any Required Consent including providing assurances of reasonable financial conditions, but Buyer shall not be required to expend funds or make any other type of financial commitments a condition of obtaining such consent.

A. Preferential Purchase Rights.

1. If any preferential right to purchase any portion of the Assets is exercised and consummated prior to Closing, that portion of the Assets affected by such preferential purchase right shall be excluded from the Assets and the Purchase Price shall be adjusted downward by an amount equal to the Allocated Value of such affected Assets without the requirement for Buyer to give notice (with such adjustment being an "Exclusion Adjustment").

2. If by the Settlement Date, the time frame for the exercise of such preferential purchase rights has not expired and Sellers have not received notice of an intent not to exercise or a waiver of the preferential purchase right, that portion of the Assets affected by such preferential purchase right shall be included in the Assets.

3. If the affected Asset has been conveyed to Buyer at Closing, and a preferential purchase right affecting the Asset is consummated after Closing, Buyer agrees to convey such affected Asset to the party exercising such preferential purchase right on the same terms and conditions under which Sellers conveyed such Assets to Buyer and retain all amounts paid by the party exercising such preferential right to purchase. In the event of such exercise, Buyer shall prepare, execute and deliver a form of conveyance of such Asset to such exercising party, such conveyance to be in form and substance as provided in this Agreement, and Sellers agree to hold harmless and indemnify Buyer from any and all liabilities and obligations associated with such conveyed Asset.

B. Exclusive Remedy.

The remedies set forth in this Section 4.5 are the exclusive remedies under this Agreement for exercised preferential purchase rights and required consents to assign the Assets.

ARTICLE 5

ENVIRONMENTAL MATTERS

The provisions of this Article apply to environmental matters associated with the Assets as the result of oil and gas operations on the Land.

Definitions.

For the purposes of the Agreement, the following terms shall have the following meanings:

"Environmental Defect" means a condition in, on or under an Asset (including, without limitation, air, land, soil, surface and subsurface strata, surface water and ground water) attributable to the period of time prior to the Effective Time that (i) causes an Asset to be in material violation of an Environmental Law, or (ii) requires Remediation under an Environmental Law.

"Environmental Law" means any law, statute, rule, regulation, code, ordinance or order issued by any federal, state, or local governmental entity in effect on or before the Effective Time regulating or imposing liability or standards of conduct concerning protection of the environment or human health and safety or the release or disposal of waste or hazardous materials.

"Remediation" means actions taken to correct an Environmental Defect or otherwise required to remediate in compliance with applicable Environmental Law.

5.1 Environmental Representations.

A. Sellers' Ownership Period.

Sellers own a working interest in all of the Assets and operate all of the Assets. For the period of Sellers' ownership of the Assets, and to the knowledge of Sellers, Sellers represent to Buyer that the Assets have been operated in material compliance with all Environmental Laws and Sellers have not received a written notice of a material violation of an Environmental Law with respect to the Assets that remains uncured. To allege a breach of this representation, Buyer must provide Seller with a written notice detailing the Environmental Defect giving rise to the breach prior to Closing. Buyer's sole remedy for breach of this representation shall be the right to exclude the affected Asset from the Transaction and reduce the Purchase Price by no more than the Allocated Value of the Asset.

5.2 Environmental Liabilities and Obligations.

A. Complete Assumption of Environmental Liabilities by Buyer.

Buyer shall have no remedy, judicial or otherwise, against Sellers after the Effective Time for Environmental Defects. Any costs, expense or liability relating in any way to any Environmental Defect arising from or attributable to the Assets, whether accruing or becoming known before or after the Effective Time, shall be wholly borne by Buyer. Buyer also agrees to indemnify, save and hold harmless Sellers, their officers, directors, employees, and agents, from and against all losses, costs, expenses, liabilities, damages, demands, suits, claims and sanctions of every kind and character arising from or related to any Environmental Defect including, but not limited to, any and all costs and attorney fees incurred by Sellers to defend against any Environmental Defect and to enforce this indemnity.

ARTICLE 6

SELLERS' REPRESENTATIONS

The Parties' agreement with respect to Title Matters and Environmental Matters is set forth in Articles 4 and 5 respectively, and the provisions of those Articles set forth Sellers'

representations with respect to Title Matters and Environmental Matters. Except for Title Matters and Environmental Matters, Sellers make the following representations as of the execution of this Agreement and as of Closing:

6.1 Company Representations.

A. Entities Comprising Sellers.

Tucker Family Investments, LLLP is a limited liability limited partnership duly organized, validly existing and in good standing under the laws of the State of Colorado. DNR Oil & Gas, Inc. is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado. Tindall Operating Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of Colorado. Each entity comprising Sellers has all requisite power and authority to own the Assets, to carry on its business as presently conducted to execute, deliver, and perform this Agreement and each other document executed or to be executed by Sellers in connection with the Transaction. The execution, delivery, and performance by Sellers of this Agreement and each other document executed or to be executed by Sellers in connection with the Transaction and the consummation by it of the Transaction have been duly authorized by all necessary company action of Sellers.

B. No Violation.

The execution and delivery of this Agreement does not (i) create a lien or encumbrance on the Assets that will remain in existence after Closing, (ii) violate, or be in conflict with, any provision of Sellers' governing documents, or any provision of any statute, rule or regulation applicable to Sellers or the Assets or any material lease, contract, agreement, instrument or obligation to which Sellers are a party or by which Sellers or the Assets are bound, or, (iii) violate or conflict with any judgment, decree or order applicable to Sellers.

6.2 Authorization and Enforceability.

This Agreement and all other documents executed by Sellers in connection with this Transaction constitutes Sellers' legal, valid and binding obligation, enforceable in accordance with their respective terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and other laws for the protection of creditors and equitable principles which may limit the availability of certain equitable remedies (such as specific performance) in certain instances.

6.3 Liability for Brokers' Fees.

Sellers have not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to this Transaction for which Buyer shall have any responsibility whatsoever.

6.4 No Bankruptcy.

There are no bankruptcy proceedings pending, being contemplated by or, to the knowledge of Sellers, threatened against Sellers by any third party.

6.5 Litigation.

Sellers have not received a written claim or written demand that has not been resolved that would adversely affect any of the Assets. There are no actions, suits, written governmental inquiries or proceedings pending or, to the knowledge of Sellers, threatened against Sellers or any of the Assets, in any court or by or before any federal, state, municipal or other governmental agency that relate to any of the Assets, or that would affect the Sellers' ability to execute and deliver this Agreement or to consummate this Transaction.

Capital Projects.

Except as shown on Exhibit C, there are no proposed wells or other specified capital projects with estimated costs in excess of $50,000 per well or project net to Sellers' interest to the extent such capital projects will extend beyond the Effective Time.

6.6 Judgments.

There are no unsatisfied judgments or injunctions issued by a court of competent jurisdiction or other governmental agency outstanding against Sellers that would be reasonably expected to materially interfere with the operation of any of the Assets, or materially affect the value of any of the Assets, or impair Sellers' ability to enter into this Agreement or consummate this Transaction.

6.7 Compliance with Law.

Sellers have not received a written notice of a material violation of any statute, law, ordinance, regulation, permit, rule or order of any federal, state, or local government or any other governmental department or agency, or any judgment, decree or order of any court, applicable to the Assets or operations on the Assets, which remains uncured.

6.8 Agreements.

To the extent not listed elsewhere in this Agreement and except for the Leases, Exhibit E is a list of certain other agreements that relate to the ownership and operation of the Assets (the "Agreements").

6.9 Governmental Permits.

To Sellers' knowledge, Sellers have all governmental licenses, filings and permits (including, without limitation, permits, licenses, approval registrations, notifications, exemptions and any other authorizations pursuant to Law) necessary or appropriate to own and operate the Assets as presently being owned and operated. Sellers have not received written notice of any violations in respect of any such licenses or permits that remains uncured. All of Sellers' representations related to governmental licenses, filings and permits (including, without limitation, permits, licenses, approval registrations, notifications, exemptions and any other authorizations pursuant to Environmental Laws) related to Environmental Laws are set forth in Section 5.2.

6.10 Personal Property and Equipment.

The personal property, equipment and fixtures currently attendant to the Wells have been used on the Wells to produce the Hydrocarbons prior to the execution of this Agreement. Sellers expressly disclaim and negate any warranty as to the condition of any personal property, equipment, fixtures and items of movable property comprising any part of the Assets, including: (i) any implied or express warranty of merchantability, (ii) any implied or express warranty of fitness for a particular purpose, (iii) any implied or express warranty of conformity to models or samples of materials, (iv) any rights of assignee under applicable statutes to claim diminution of consideration, and (v) any claim by Buyer for damages because of defects, whether known or unknown, it being expressly understood by Buyer that said personal property, fixtures, equipment and items are being conveyed to Buyer "**as is, where is**," with all faults and in their present condition and state of repair.

6.11 Hydrocarbon Sales Contracts.

Except for the Hydrocarbon Sales Contracts listed in Exhibit E, no Hydrocarbons are subject to a sales contract (other than division orders or spot sales agreements terminable on no more than 30 days notice) and no person has any call upon, option to purchase or similar rights with respect to the production from the Assets.

Proceeds from the sale of oil, condensate, and gas from the Assets are being received in all respects by Sellers in a timely manner and are not being held in suspense for any reason.

6.12 Area of Mutual Interest and Other Agreements; Tax Partnerships.

To Sellers' knowledge, no Asset is subject to (or has related to it) any area of mutual interest agreements or any farm-out or farm-in agreement under which any party thereto is entitled to receive assignments not yet made, or could earn additional assignments after the Effective Time other than the Wells listed on Exhibit B as having an after payout NRI. No Asset is subject to (or has related to it) any tax partnership.

6.13 Imbalance Volumes.

A. Gas Pipeline Imbalances.

Except for the gas imbalances reflected on Exhibit G ("Imbalance Volumes"), there do not exist any gas imbalances (i) which are with gatherers processors, or transporters (ii) which are associated with the Assets and (iii) for which Sellers have received a quantity of gas prior to the Effective Time for which Buyer will have a duty after the Effective Time to deliver an equivalent quantity of gas or pay a sum of money.

B. Wellhead Gas Imbalances.

Except for the Imbalances Volumes, there do not exist any gas imbalances relating either to production from or at the wellhead between co-tenants or working interest owners in a well, unit, or field which are associated with the Assets for which Sellers have received any quantity of gas prior to the Effective Time for which Buyer will have a duty after the Effective Time to deliver an equivalent quantity of gas or pay a sum of money.

6.14 Property Expenses.

In the ordinary course of business, Sellers have paid all Property Expenses attributable to the period of time prior to the Effective Time as such Property Expenses become due, and such Property Expenses are being paid in a timely manner before the same become delinquent, except such Property Expenses as are disputed in good faith by Sellers in a timely manner.

6.15 Records.

Sellers make no representations regarding the accuracy of any of the Records; provided, however, Sellers do represent that (i) all of the Records are files, or copies thereof, that Sellers have used in the ordinary course of operating and owning the Assets, (ii) Sellers have not intentionally withheld any material information from the Records and (iii) Sellers have not intentionally misrepresented any material information in the Records. Buyer acknowledges that the Records and Sellers' files may be incomplete. Except as set forth in this Section 6.16, no representation or warranty of any kind is made by Sellers as to the Information or with respect to the Assets to which the Information relates and Buyer expressly agrees that any conclusions drawn therefrom shall be the result of its own independent review and judgment.

6.16 NEPA Documents.

The Assets may be subject to National Environmental Policy Act documents. Buyer agrees to accept the Assets subject to the terms of the NEPA documents as they exist now and in the future, and agrees that the NEPA Documents and their effect on operations will not be the basis for an Environmental Defect, Title Defect or other claim by Buyer.

Notice of Breach of Representation and Warranty.

Buyer shall give Sellers a written "Notice of Breach of Representation" as soon as the breach becomes known to Buyer, but on or before April 1, 2011 at 5 p.m. Mountain Time for the representations and warranties set forth in Sections 6.6 through 6.17. To be effective, each Notice of Breach of Representation must be in writing and satisfy the following conditions precedent: (i) name the representation; (ii) describe the breach in reasonable detail including the affected Asset; (iii) attach Supporting Documentation; and (iv) state Buyer's good faith estimate of the value of the breach. If Sellers cannot cure such breach in a reasonable timeframe, the Purchase Price shall be adjusted in the Final Settlement Statement only for breaches of Buyer's representation that exceed the "Individual Representation Threshold" of 1%, the aggregate of which exceeds a deductible of 10% of the Purchase Price ("Representation Deductible) and then only for the amount exceeding the Representation Deductible (with the amount of such adjustment being the "Representation Adjustment"). The Environmental Deductible, Title Deductible and Representation Deductible are separate and distinct and operate independently.

ARTICLE 7

BUYER'S REPRESENTATIONS

Buyer makes the following representations to Sellers as of the execution of this Agreement and as of Closing:

7.1 Corporate Representations.

A. Status of Buyer.

Buyer is a corporation, duly organized, validly existing and in good standing under the laws of the State of Colorado and is, or will be at the Closing, duly qualified to carry on its business in Colorado, Kansas, Montana, and Wyoming. There are no bankruptcy proceedings contemplated, threatened or filed by or against Buyer.

B. Authority of Buyer.

Buyer has all requisite power and authority to own the Assets after Closing, to carry on its business as presently conducted to execute, deliver, and perform this Agreement and each other document executed in connection with the Transaction. The execution, delivery, and performance by Buyer of this Agreement and each other document executed by Buyer in connection with the Transaction, and the consummation by it of the Transaction and thereby, have been duly authorized by all necessary corporate action of Buyer.

C. No Violation.

The execution and delivery of this Agreement does not (i) violate, or be in conflict with, any provision of Buyer's governing documents, or any provision of any statute, rule or regulation applicable to Buyer or any material lease, contract, agreement, instrument or obligation to which Buyer is a party or by which Buyer is bound, or (ii) violate, or be in conflict with any judgment, decree or order applicable to Buyer.

7.2 Authorization and Enforceability.

The execution, delivery and performance of this Agreement and this Transaction have been duly and validly authorized by all requisite action on behalf of Buyer. This Agreement and all other documents executed by Buyer in connection with this Transaction constitute Buyer's legal, valid and binding obligations, enforceable in accordance with their respective terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws for the protection of

creditors and equitable principles which may limit the availability of certain equitable remedies (such as specific performance) in certain instances.

7.3 Liability for Brokers' Fees.

Buyer has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to this Transaction for which Sellers shall have any responsibility whatsoever.

7.4 Litigation.

There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending or, to Buyer's knowledge, threatened against it before any governmental authority that impedes or is likely to impede Buyer's ability to consummate this Transaction and to assume the liabilities to be assumed by Buyer under this Agreement, including without limitation, the Assumed Liabilities.

7.5 Securities Laws.

Buyer is familiar with the Assets and it is a knowledgeable, experienced and sophisticated investor in the oil and gas business. Buyer understands and accepts the risks and absence of liquidity inherent in ownership of the Assets. Buyer acknowledges that the Assets are or may be deemed to be "securities" under the Securities Act of 1933, as amended, and certain applicable state securities or Blue Sky laws and that resales thereof may therefore be subject to the registration requirements of such acts. The Assets are being acquired solely for Buyer's own account for the purpose of investment and not with a view to resale, distribution or granting a participation therein in violation of any securities laws.

7.6 Buyer's Evaluation.

A. Records.

Buyer is experienced and knowledgeable in the oil and gas business and is aware of its risks. Buyer acknowledges that Sellers are making available to it the Records and the opportunity to examine, to the extent it deems necessary in its sole discretion, all real property, personal property and equipment associated with the Assets. Except for the representations of Sellers contained in this Agreement, Buyer acknowledges and agrees that Sellers have not made any representations or warranties, express or implied, written or oral, as to the accuracy or completeness of the Records or any other information relating to the Assets furnished or to be furnished to Buyer or its representatives by or on behalf of Sellers including, without limitation, any estimate with respect to the value of the Assets, estimates or any projections as to reserves and/or events that could or could not occur, future operating expenses, future workover expenses and future cash flow.

B. Independent Evaluation.

In entering into this Agreement, Buyer acknowledges and affirms that it has relied and will rely solely on the terms of this Agreement and upon its independent analysis, evaluation and investigation of, and judgment with respect to, the business, economic, legal, tax or other consequences of this Transaction including its own estimate and appraisal of the extent and value of the petroleum, natural gas and other reserves of the Assets, the value of the Assets and future operation, maintenance and development costs associated with the Assets. Buyer is aware of the geologic factors and risks associated with operating oil and gas wells in the area of the Assets. Accordingly, Buyer assumes the risk of the downhole condition of the Wells. Except as expressly provided in this Agreement, Sellers shall not have any liability to Buyer or its affiliates, agents, representatives or employees resulting from any use, authorized or unauthorized, of the Records or other information relating to the Assets provided by or on behalf of Sellers.

ARTICLE 8

COVENANTS AND AGREEMENTS

8.1 Covenants and Agreements of Sellers.

Sellers covenant and agree with Buyer as follows:

A. Operations Prior to Closing.

From the date of execution hereof to the Closing, Sellers will operate the Assets in a good and workmanlike manner and consistent with past practices. Sellers agree to maintain the insurance now in effect with respect to the Assets through the date of Closing. From the date of execution of this Agreement to the Closing Date, Sellers shall pay or cause to be paid its proportionate shares of all Property Expenses incurred in connection with the ownership or operations of the Assets. Except for Capital Projects, Sellers will timely notify Buyer of proposed activities and major capital expenditures that could reasonably be expected to cost in excess of $25,000 per activity net to Sellers' interests conducted on the Assets and will keep Buyer timely informed of all material developments affecting any of the Assets.

B. Restriction on Operations.

Except in the case of an emergency, Sellers will promptly inform Buyer of all requests for commitments to expend funds in excess of $25,000 with respect to the Assets. Without the prior written consent of Buyer, Sellers shall not:

1. enter into any new agreements or commitments with respect to the Assets which extend beyond the Closing,

2. commit to or incur any expenditures in excess of $25,000 (net to Sellers' interest) with respect to any part of the Assets,

3. make any nonconsent elections with respect to operations affecting the Assets,

4. abandon any Well or release or permit to terminate, or modify or reduce its rights under all or any portion of any of the Leases,

5. modify or terminate any of the Agreements or waive or relinquish any right thereunder,

6. agree to any renegotiated price, take or other terms under existing gas purchase agreements,

7. agree to any credit or prepayment arrangement that would reduce the share of gas deliverable with respect to the Assets following the Effective Time,

8. enter into any agreement or instrument for the sale, treatment, or transportation of production from the Assets (except for sales agreements terminable on no more than 30 days' notice),

9. create any material gas imbalance affecting the Assets,

10. encumber, sell or otherwise dispose of any of the Assets, other than personal property that is replaced by equivalent property or consumed in the normal operation of the Assets, and

11. except where necessary in the event of an emergency regarding Sellers' interest in the Assets propose (a) the drilling of any additional wells, (b) the deepening, plugging back or reworking of any Well, (c) the conducting of any other operations which require consent under the applicable operating agreement, or (d) the conducting of any other operations other than the normal operation of the existing wells on the Assets.

C. Notification of Claims.

Sellers shall promptly notify Buyer of any suit, action or other written proceeding before any court or governmental agency and any cause of action that relates to the Assets or that might, in Sellers' reasonable judgment, result in impairment or loss of Sellers' title to any portion of the Assets or the value thereof or that might hinder or impede the operation of the Leases arising or threatened prior to the Closing.

D. Consents.

For the purposes of obtaining the written consents required in this Section 8.1, Buyer designates the person set forth in Section 15.2. Such consents may be obtained in writing by overnight courier or given by telecopy or facsimile transmission.

E. Entity Status.

Each of the entities comprising Sellers shall maintain its corporate status from the date hereof through the Settlement Date to assure that as of the Settlement Date, Sellers will not be under any material legal or contractual restriction that would prohibit or delay the timely consummation of this Transaction.

8.2 Covenants and Agreements of Buyer.

Buyer covenants and agrees with Sellers as follows:

A. Entity Status.

Buyer shall maintain its corporate status from the date hereof until the Settlement Date, and use all reasonable efforts to assure that as of the Closing Date and the Settlement Date it will not be under any material legal or contractual restriction that would prohibit or delay the timely consummation of this Transaction.

8.3 Covenants and Agreements of the Parties.

The Parties covenant and agree as follows:

A. Confidentiality.

All data and information, whether written or oral, obtained from Sellers in connection with this Transaction, including the Records, whether obtained by Buyer before or after the execution of this Agreement, and data and information generated by Buyer in connection with this Transaction (collectively, the "Information"), is deemed by the Parties to be confidential and proprietary to Sellers. Until the Closing (and for a period of one year if Closing should not occur for any reason), except as required by law or applicable stock exchange rule, Buyer and its officers, agents and representatives will hold in strict confidence the terms of this Agreement, and all Information, except any Information which: (1) at the time of disclosure to Buyer by Sellers is in the public domain; (2) after disclosure to Buyer by Sellers becomes part of the public domain by publication or otherwise, except by breach of this commitment by Buyer; (3) Buyer can establish by competent proof was

rightfully in Buyer's possession at the time of disclosure to Buyer by Sellers; (4) Buyer rightfully receives from third parties free of any obligation of confidence; or (5) is developed independently by Buyer without the Information, provided that the person or persons developing the data shall not have had unauthorized access to the Information.

B. Return of Information.

If this Transaction does not close on or before Closing, or such later date as agreed to by the Parties, Buyer shall (i) return to Sellers all copies of the Information in possession of Buyer obtained pursuant to any provision of this Agreement, which Information is at the time of termination required to be held in confidence pursuant to Section 8.3.A.; (ii) not utilize or permit utilization of the Information to compete with Sellers; and (iii) destroy any and all notes, reports, studies or analyses based on or incorporating the Information. The terms of Section 8.3.A., B. and C. shall survive termination of this Agreement.

C. Injunctive Relief.

Buyer agrees that Sellers will not have an adequate remedy at law if Buyer violates any of the terms of Sections 8.3.A. and/or 8.3.B. In such event, Sellers will have the right, in addition to any other it may have, to obtain injunctive relief to restrain any breach or threatened breach of the terms of Sections 8.3.A. and/or 8.3.B., or to obtain specific enforcement of such terms.

D. Cure Period for Breach.

If any Party believes any other Party has breached the terms of this Agreement, the Party who believes the breach has occurred shall give written notice to the breaching Party of the nature of the breach and give the breaching Party 48 hours to cure. Notwithstanding the foregoing, this Subsection shall not apply to breach of the Parties' obligations at Closing and shall not operate to delay Closing.

E. Notice of Breach.

If any of the Sellers or Buyer develops or possesses information that leads it to believe that another Party may have breached a representation or warranty under this Agreement, that Party shall promptly inform the other Parties of such potential breach so that it may attempt to remedy or cure such breach prior to Closing. The provisions of this Agreement and the various documents and agreements to be executed and delivered pursuant hereto relating to representations, warranties, indemnities and agreements of Sellers or Buyer shall not be altered or modified by the Closing or by Buyer's or Sellers' knowledge of any event or Buyer's or Sellers' review of any documents or other matters except as expressly provided herein to the contrary.

ARTICLE 9

TAX MATTERS

9.1 Apportionment of Tax Liability.

"Taxes" shall mean all ad valorem, property, production, excise, net proceeds, severance and all other taxes and similar obligations assessed against the Assets or based upon or measured by the ownership of the Assets or the production of Hydrocarbons or the receipt of proceeds therefrom, other than income taxes. All Taxes based on or attributable to the ownership of, or based on production of hydrocarbons shall be deemed attributable to the period during which such production occurred, with the exception of severance taxes, which shall be based on the date such severance taxes were assessed. All Taxes for all taxable periods that begin before and end after the Effective Time shall be prorated between Buyer and Sellers as of the Effective Time. The apportionment of Taxes between the Parties shall take place in the Preliminary Statement and Settlement Statement, using estimates

of such Taxes if actual numbers are not available. Subject to the provisions of Section 14.3, Taxes are considered part of the Property Expenses.

9.2 Calculation of Tax Liability.

Consistent with Section 9.1, and based on the best current information available as of Closing, the proration of Taxes shall be made between the Parties as an adjustment to the Purchase Price in the Settlement Statement and thereafter pursuant to the provision of Section 14.3.

9.3 Tax Reports and Returns.

Sellers agree to file all tax returns for the period of time prior to the Effective Time and Buyer agrees to file all tax returns for the period of time after the Effective Time. The Party not filing the return agrees to provide the Party filing the return with appropriate information which is necessary to file any required tax reports and returns related to the Assets. Buyer agrees to file all tax returns and reports applicable to the Assets that are required to be filed after the Closing, and pay all required Taxes payable with respect to the Assets subject to the provisions of Sections 9.1 and 14.3.

9.4 Sales Taxes.

Buyer shall be liable for and shall indemnify Sellers for, any sales and use taxes, conveyance, transfer and recording fees and real estate transfer stamps or taxes that may be imposed on any transfer of the Assets pursuant to this Agreement. If required by applicable law, Sellers shall, in accordance with applicable law, calculate and remit any sales or similar taxes that are required to be paid as a result of the transfer of the Assets to Buyer and Buyer shall promptly reimburse Sellers therefor. If Sellers receive notice that any sales and/or use taxes are due, Sellers shall promptly forward such notice to Buyer for handling.

ARTICLE 10

CONDITIONS PRECEDENT TO CLOSING

10.1 Sellers' Conditions Precedent.

The obligations of Sellers at the Closing are subject, at the option of Sellers, to the satisfaction or waiver at or prior to the Closing of the following conditions precedent:

A. Satisfaction by Buyer of its Obligations.

All representations and warranties of Buyer contained in this Agreement are true in all material respects (considering this Transaction as a whole) at and as of the Closing in accordance with their terms as if such representations and warranties were remade at and as of the Closing. Buyer has performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing in all material respects and Buyer shall deliver a certificate to Buyer confirming the foregoing;

B. No Court or Government Orders.

No order has been entered by any court or governmental agency having jurisdiction over the Parties or the subject matter of this Agreement that restrains or prohibits this Transaction and that remains in effect at the time of Closing; and

C. Purchase Price Reduction.

The aggregate net reduction to the Purchase Price due to Title Defects, and reductions based on breaches of representations and warranties, but excluding reductions for Exclusion Adjustments, does not exceed in the aggregate 10% of the Purchase Price.

Buyer's Conditions Precedent.

The obligations of Buyer at the Closing are subject, at the option of Buyer, to the satisfaction or waiver at or prior to the Closing of the following conditions precedent:

D. Satisfaction by Sellers of their Obligations.

All representations and warranties of Sellers contained in this Agreement are true in all material respects at and as of the Closing in accordance with their terms as if such representations were remade at and as of the Closing. Sellers have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Sellers at or prior to the Closing in all material respects and Sellers shall deliver a certificate to Buyer confirming the foregoing;

E. No Court or Government Orders.

No order has been entered by any court or governmental agency having jurisdiction over the Parties or the subject matter of this Agreement that restrains or prohibits this Transaction and that remains in effect at the time of Closing; and

F. Purchase Price Reduction.

The aggregate net reduction to the Purchase Price due to Title Defects, and reductions based on breaches of representations and warranties, but excluding reductions for Exclusion Adjustments, does not exceed in the aggregate 10% of the Purchase Price.

ARTICLE 11

RIGHT OF TERMINATION AND ABANDONMENT

11.1 Termination.

This Agreement may be terminated in accordance with the following provisions:

A. Failure by Buyer.

By Sellers if either Sellers' conditions set forth in Section 10.1 are not satisfied through no fault of Sellers, or are not waived by Sellers, as of the Closing Date;

B. Failure by Sellers.

By Buyer if Buyer's conditions set forth in Section 10.2 are not satisfied through no fault of Buyer, or are not waived by Buyer, as of the Closing Date; and

C. Purchase Price Reduction.

By either Party if the Purchase Price reduction described in either Sections 10.1 C. or 10.2 C has occurred and not been waived by both Sellers and Buyer.

11.2 Liabilities Upon Termination.

A. Buyer's Breach.

If Closing does not occur because Buyer wrongfully fails to tender performance at Closing or otherwise breaches this Agreement prior to Closing, and Sellers are ready to close, Sellers shall retain all remedies, legal and equitable, for Buyer's wrongful failure to Close.

B. Sellers' Breach.

If Closing does not occur because Sellers wrongfully fail to tender performance at Closing or otherwise breach this Agreement prior to Closing, and Buyer is ready and otherwise able to close, Buyer shall retain all remedies, legal and equitable, for Sellers' wrongful failure to Close.

11.3 Unwind.

If, as of the Final Settlement Date, the aggregate net reduction to the Purchase Price due to Title Defects, reductions based on breaches of representations and warranties and reductions for Exclusion Adjustments exceeds in the aggregate 1% of the unadjusted Purchase Price, then Sellers may elect to unwind this Transaction, such election to be made on the Final Settlement Date. If this Transaction is to be unwound, the Parties agree to take all necessary actions to place the Parties in the same position as they were prior to the Transaction, provided however, that each Party shall bear all of its own costs and expensed related to the Transaction and the unwind.

ARTICLE 12

CLOSING

12.1 Date of Closing.

The Closing shall be on or before May 25, 2011.

12.2 Place of Closing.

The Closing shall be held at the offices of Sellers' Attorneys, at 1600 Stout Street, Suite 1400, Denver, Colorado, at 10:00 a.m. or at such other time and place as Buyer and Sellers may agree in writing.

12.3 Closing Obligations.

At Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

A. Assignment - Exhibit G.

Sellers shall execute, acknowledge and deliver to Buyer, an Assignment, Bill of Sale and Conveyance in the form attached as Exhibit G in sufficient counterparts for recording in each county where the Assets are located, conveying the Assets to Buyer as of the Effective Time, with (i) a special warranty of the real property title by, through and under Sellers but not otherwise, and (ii) with all personal property and fixtures conveyed "AS IS, WHERE IS," with no warranties whatsoever, express, implied or statutory.

B. Governmental Forms of Assignment.

Sellers shall execute, acknowledge and deliver to Buyer, an assignment on the required governmental forms necessary to convey the Assets to Buyer.

C. Payment.

Buyer shall deliver the Purchase Price to the account at the bank designated by Sellers in writing, by wire transfer in immediately available funds, or by such other method as agreed to by the Parties.

Buyer's Officer Certificate - Exhibit H.

Buyer shall deliver to Sellers the Officer Certificate, dated as of the Closing Date, in form and substance as set forth in Exhibit H.

D. Seller's Officer Certificate - Exhibit I.

Sellers shall deliver to Buyer the Officer Certificate, dated as of the Closing Date, in form and substance as set forth in Exhibit I.

E. Non-Foreign Affidavit - Exhibit J.

Sellers shall execute and deliver to Buyer an Affidavit of Non-Foreign Status and No Requirement for Withholding under Section 1445 of the Code in the form attached as Exhibit J.

F. Contract Operating Agreement - Exhibit K.

1. Sellers and Buyer shall execute the Contract Operating Agreement attached as Exhibit K.

G. Other Actions.

Sellers and Buyer shall take such other actions and deliver such other documents as are contemplated by this Agreement.

ARTICLE 13

POST-CLOSING OBLIGATIONS

13.1 Post-Closing Adjustments.

A. Settlement Statement.

As soon as practicable after the Closing, but in no event later than 60 days after Closing, Sellers, with assistance from Buyer's staff, will prepare and deliver to Buyer, in accordance with customary industry accounting practices, the Settlement Statement (the "Settlement Statement") setting forth each adjustment or payment that was not finally determined as of the Closing and showing the calculation of such adjustment and the resulting final purchase price (the "Final Purchase Price"). As soon as practicable after receipt of the Settlement Statement, but in no event later than on or before 30 days after receipt of Sellers' proposed Settlement Statement, Buyer shall deliver to Sellers a written report containing any changes that Buyer proposes to make to the Settlement Statement. Buyer's failure to deliver to Sellers a written report detailing proposed changes to the Settlement Statement by that date shall be deemed an acceptance by Buyer of the Settlement Statement as submitted by Sellers. The Parties shall agree with respect to the changes proposed by Buyer, if any, no later than 45 days after receipt of Sellers' proposed Settlement Statement. The date upon which such agreement is reached or upon which the Final Purchase Price is established shall be herein called the "Settlement Date." If the Final Purchase Price is more than the amount paid at Closing (the "Closing Amount), Buyer shall pay Sellers the amount of such difference. If the Final Purchase Price is less than the Closing Amount, Sellers shall pay to Buyer the amount of such difference. Any payment by Buyer or Sellers, as the case may be, shall be made by wire transfer of immediately available funds within 5 days of the Settlement Date. Any adjustments requiring additional payment by either Buyer or Sellers shall also be made in the same manner.

B. Adjustments to the Purchase Price.

All adjustments to the Purchase Price shall be made (i) according to the factors described in this Section, (ii) in accordance with generally accepted accounting principles as consistently applied in the oil and gas industry, and (iii) without duplication.

1. Property Expenses.

For the purposes of this Agreement, the term "Property Expenses" shall mean all capital expenses, joint

interest billings, lease operating expenses, lease

rental and maintenance costs, royalties, overriding royalties, leasehold payments, Taxes (as defined and apportioned as of the Effective Time pursuant to Article 9), drilling expenses, workover expenses, geological, geophysical and any other exploration or development expenditures chargeable under applicable operating agreements or other agreements consistent with the standards established by the Council of Petroleum Accountant Societies of North America that are attributable to the maintenance and operation of the Assets during the period in question.

2. Upward Adjustments.

The Purchase Price shall be adjusted upward by the following:

(i) An amount equal to all proceeds (net of royalty and Taxes not otherwise accounted for hereunder) received and retained by the Buyer from the sale of all Hydrocarbons produced from or credited to the Assets prior to the Effective Time;

(ii) An amount equal to all direct and actual expenses attributable to the Assets, including, without limitation, the Property Expenses, incurred and paid by Sellers that are attributable to the period after the Effective Time;

(iii) To the extent not covered in the preceding paragraph, an amount equal to all prepaid expenses attributable to the Assets after the Effective Time that were paid by or on behalf of Sellers, including without limitation, prepaid drilling and/or completion costs, applicable insurance costs through Closing, and prepaid utility charges;

(iv) An amount equal to the value (net of applicable Taxes) of Sellers' share of all oil in storage tanks above the pipeline interconnect at the Effective Time to be calculated as follows: The value shall be the product of (i) the volume in each storage tank (attributable to Sellers' interest) as of the Effective Time as shown by the actual gauging reports, multiplied by (ii) the price actually received for production under the applicable marketing contract if the Hydrocarbons in question had been sold; provided, however, that the adjustment contemplated by this subsection (iv) shall be made only to the extent that Sellers do not receive and retain the proceeds, or portion thereof, attributable to the pre-Effective Time merchantable oil in the storage tanks; and

(v) Any other amount agreed to by Buyer and Sellers.

3. Downward Adjustments.

The Purchase Price shall be adjusted downward by the following:

(i) Proceeds received and retained by Sellers (net of applicable Taxes and royalties) that are attributable to production from the Assets after the Effective Time together with the COPAS reimbursement received or accrued from the interests of the non-operators involved in the Assets;

(ii) The amount of all direct and actual expenses attributable to the Assets, including, without limitation, the Property Expenses, that remain unpaid by Sellers, or that have been paid by Buyer, that are attributable to the period prior to the Effective Time;

(iii) An amount equal to the Title Defect Adjustments; and

(iv) Any other amount agreed to by Buyer and Sellers.

4. Tax Adjustments.

To adjust the Purchase Price for the apportionment of Taxes, the Parties agree to adjust the Purchase Price, downward or upward, as appropriate, pursuant to the provision of Article 9.

5. Dispute Resolution.

If the Parties are unable to resolve a dispute as to the Final Purchase Price by 45 days after Buyer's receipt of Sellers' proposed Settlement Statement, the Parties shall submit the dispute to binding arbitration to be conducted pursuant to Section 14.6.

13.2 Final Settlement Statement.

On or before 90 days after closing, Sellers will prepare and deliver to Buyer, in accordance with customary accounting practices, the "Final Settlement Statement," setting forth all monetary adjustments necessitated by Title Defect Adjustments, and Representation Adjustments. The Parties agree to work in good faith to agree on the amount set forth in the Final Settlement Statement within 30 days of Buyer's receipt of the Final Settlement Statement. The date upon which such agreement is reached is called the "Final Settlement Date." The Parties agree to pay each other the sums specified in the Final Settlement Statement within five days of the Final Settlement Date. The Parties expressly acknowledge and agree that all provisions of the Title Matters and Representations and Warranties shall apply, subject to the individual thresholds and applicable deductibles.

13.3 Records.

After Closing, Sellers shall make the Records available for pick up by Buyer within a reasonable period. After termination, Sellers may retain copies of the Records and Sellers also shall have the right to review and copy the Records at Buyer's offices during standard business hours upon reasonable notice for so long as Buyer retains the Records. Buyer agrees that the Records shall be maintained in compliance with all applicable laws governing document retention. Buyer shall not destroy or otherwise dispose of Records for a period of 7 years after Closing unless Buyer first gives Sellers reasonable notice and an opportunity to copy the Records to be destroyed.

13.4 Operations After Closing.

At Closing, Seller and Buyer shall enter into Contract Operating Agreements for a period not to exceed one (1) year, and the form set out in Exhibit L, attached hereto ,whereby Sellers will act as contract operators for Buyer under their own bonds, for a period of one year.

13.5 Further Assurances.

From time to time after Closing, Sellers and Buyer shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order to accomplish more effectively the purposes of this Transaction.

ARTICLE 14

ASSUMPTION AND RETENTION OF OBLIGATIONS AND INDEMNIFICATION

14.1 Buyer's Assumption of Liabilities and Obligations.

Upon Closing, and except for Retained Liabilities and subject to Section 5.3A, 14.3 and 14.4, (and subject to the

Contract Operating Agreement provided for in Exhibit K) Buyer shall assume and pay, perform, fulfill and discharge all claims, costs, expenses, liabilities and obligations accruing or relating to the owning, developing, exploring, operating or maintaining of the Assets or the producing, transporting and marketing of Hydrocarbons from the Assets for the period before and after the Effective Time, including, without limitation, (i) the Material Contracts, (ii) the Assumed Environmental Liabilities whether arising before or after the Effective Time, (iii) the obligation to plug and abandon all wells and reclaim all well sites located on the Lands regardless of when the obligations arose, (iv) the make-up and balancing obligations for gas from the Wells, (v) any injury, death, casualty, tortious action or inaction occurring on or attributable to the Assets and attributable to the period of time after the Effective Time; and (vi) any breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement (collectively, the "Assumed Liabilities").

14.2 Sellers' Retention of Liabilities and Obligations.

Upon Closing and subject to Sections 5.3A, 14.3 and 14.4, Sellers retain all claims, costs, expenses, liabilities and obligations accruing or relating to any injury, death, casualty, tortious action or inaction occurring on or attributable to the Assets and attributable to the period of time prior to the Effective Time and any breach of any representation, warranty, covenant or agreement of Sellers contained in this Agreement. (collectively, the "Retained Liabilities").

14.3 Proceeds and Invoices for Property Expenses Received After the Settlement Date.

After the Settlement Date, those proceeds attributable to the Assets received by a Party or invoices received for or Property Expenses paid by one Party for or on behalf of the other Party with respect to the Assets, which were not already included or addressed in the Settlement Statement, shall be settled as follows, subject to the terms of the Contract Operating Agreement:

A. Proceeds.

Proceeds received by Buyer with respect to sales of Hydrocarbons produced prior to the Effective Time shall be remitted or forwarded to Sellers. Proceeds received by Sellers with respect to sales of Hydrocarbons produced after the Effective Time shall be forwarded to Buyer.

B. Property Expenses.

Invoices for Property Expenses received by Buyer that relate to operations on the Assets prior to the Effective Time shall be forwarded to Sellers by Buyer, or if already paid by Buyer, invoiced by Buyer to Sellers. Invoices for Property Expenses received by Sellers that relate to operations on the Assets after the Effective Time shall be forwarded to Buyer by Sellers, or if already paid by Sellers, invoiced by Sellers to Buyer. Buyer specifically agrees to assume, pay, become liable for and release Sellers from all obligations and liabilities for Property Expenses related to the Assets attributable to the periods of time after the Effective Time. All such liabilities and obligations shall become part of the Assumed Liabilities.

14.4 Indemnification.

"Losses" shall mean any actual losses, costs, expenses (including court costs, reasonable fees and expenses of attorneys, technical experts and expert witnesses and the cost of investigation), liabilities, damages, demands, suits, claims, and sanctions of every kind and character (including civil fines) arising from, related to or reasonably incident to matters indemnified against; excluding however any special, consequential, punitive or exemplary damages, diminution of value of an Asset, loss of profits incurred by a Party hereto or Loss incurred as a result of the indemnified Party indemnifying a third party.

After the Closing, the Parties shall indemnify each other as follows:

A. Sellers' Indemnification of Buyer.

Sellers assume all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Buyer, its officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Retained Liabilities, (ii) any matter for which Sellers has agreed to indemnify Buyer under this Agreement, and (iii) any breach by Sellers of this Agreement.

B. Buyer's Indemnification of Sellers.

Buyer assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Sellers, its members, officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Assumed Liabilities, (ii) any matter for which Buyer has agreed to indemnify Sellers under this Agreement, and (iii) any breach by Buyer of this Agreement.

C. Release.

Buyer shall be deemed to have released Sellers at the Closing from any Losses for which Buyer has agreed to indemnify Sellers hereunder, and Sellers shall be deemed to have released Buyer at the Closing from any Losses for which Sellers has agreed to indemnify Buyer hereunder.

14.5 Procedure.

The indemnifications contained in Section 14.4 shall be implemented as follows:

A. Coverage.

Such indemnity shall extend to all Losses suffered or incurred by the indemnified Party.

B. Claim Notice.

The Party seeking indemnification under the terms of this Agreement ("Indemnified Party") shall submit a written "Claim Notice" to the other Party ("Indemnifying Party") which shall list the amount claimed by an Indemnified Party, the basis for such claim, with supporting documentation, and list each separate item of Loss for which payment is so claimed. The amount claimed shall be paid by the Indemnifying Party to the extent required herein within 30 days after receipt of the Claim Notice, or after the amount of such payment has been finally established, whichever last occurs.

C. Information.

If the Indemnified Party receives notice of a claim or legal action that may result in a Loss for which indemnification may be sought under this Agreement (a "Claim"), the Indemnified Party shall give written notice of such Claim to the Indemnifying Party as soon as is practicable. If the Indemnifying Party or its counsel so requests, the Indemnified Party shall furnish the Indemnifying Party with copies of all pleadings and other information with respect to such Claim. At the election of the Indemnifying Party made within 60 days after receipt of such notice, the Indemnified Party shall permit the Indemnifying Party to assume control of such Claim (to the extent only that such Claim, legal action or other matter relates to a Loss for which the Indemnifying Party is liable), including the determination of all appropriate actions, the negotiation of settlements on behalf of the Indemnified Party, and the conduct of litigation through attorneys of the Indemnifying Party's choice; provided, however, that any settlement of the claim by the Indemnifying Party may not result in any liability or cost to the Indemnified Party without its prior written consent. If the Indemnifying Party elects to

assume control, (i) any expense incurred by the Indemnified Party thereafter for investigation or defense of the matter shall be borne by the Indemnified Party, and (ii) the Indemnified Party shall give all reasonable information and assistance, other than pecuniary, that the Indemnifying Party shall deem necessary to the proper defense of such Claim. In the absence of such an election, the Indemnified Party will use its best efforts to defend, at the Indemnifying Party's expense, any claim, legal action or other matter to which such other Party's indemnification under this Article 14 applies until the Indemnifying Party assumes such defense. If the Indemnifying Party fails to assume such defense within the time period provided above, the Indemnified Party may settle the Claim, in its reasonable discretion at the Indemnifying Party's expense. If such a Claim requires immediate action, both the Indemnified Party and the Indemnifying Party will cooperate in good faith to take appropriate action so as not to jeopardize defense of such Claim or either Party's position with respect to such Claim.

14.6 Dispute Resolution.

The Parties agree to resolve all "Disputes" concerning this Agreement pursuant to the provisions of this section, such disputes to include without limitation (i) the existence and scope of a Title Defect, (ii) the Title Defect Value of that portion of the Asset affected by a Title Defect, (iii) the existence of an Environmental Defect, or (iv) disputes concerning a Claim or amount to be paid by an Indemnifying Party. The Parties agree to submit all Disputes first to mediation by an impartial mediator, and if such dispute cannot be resolved by mediation, to binding arbitration in Denver, Colorado, such arbitration to be conducted as follows: The arbitration proceeding shall be governed by Colorado law and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), with discovery to be conducted in accordance with the Federal Rules of Civil Procedure, and with any disputes over the scope of discovery to be determined by the "Arbitrators." The arbitration shall be before a single arbitrator chosen by the mutual agreement of the Parties involved in the matter to be arbitrated, or if no such agreement can be reached within 10 days, a three-person panel of neutral arbitrators, consisting of one person picked by each side, and the two arbitrators so selected picking the third (with the panel so picked being the "Arbitrators"). The Arbitrator(s) shall conduct a hearing no later than 60 days after submission of the matter to arbitration, and the Arbitrator(s) shall render a written decision within 30 days of the hearing. At the hearing, the Parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required but the arbitration panel shall consider any evidence and testimony that it determines to be relevant, in accordance with procedures that it determines to be appropriate. Any award entered in the arbitration shall be made by a written opinion stating the reasons and basis for the award made and any payment due pursuant to the arbitration shall be made within 15 days of the decision by the Arbitrator(s). The final decision shall be binding on the Parties, final and non-appealable, and may be filed in a court of competent jurisdiction and may be enforced by any Party as a final judgment of such court. Each Party shall bear its own costs and expenses of the arbitration, provided, however, that the costs of employing the Arbitrator(s) shall be borne by the party not prevailing in the arbitration or, if that cannot be determined, then 50% by the Sellers and 50% by the Buyer.

14.7 No Insurance; Subrogation.

The indemnifications provided in this Agreement shall not be construed as a form of insurance. Buyer and Sellers hereby waive for themselves, their respective successors or assigns, including, without limitation, any insurers, any rights to subrogation for Losses for which each of them is respectively liable or against

which each respectively indemnifies the other, and, if required by applicable policies, Buyer and Sellers shall obtain waiver of such subrogation from their respective insurers.

14.8 Reservation as to Non-Parties.

Nothing herein is intended to limit or otherwise waive any recourse Buyer or Sellers may have against any non-Party for any obligations or liabilities that may be incurred with respect to the Assets.

ARTICLE 15

MISCELLANEOUS

15.1 Expenses.

All fees, costs and expenses incurred by Buyer or Sellers in negotiating this Agreement or in consummating this Transaction shall be paid by the Party incurring the same, including, without limitation, engineering, land, title, legal and accounting fees, costs and expenses.

15.2 Notices.

All notices and communications required or permitted under this Agreement shall be sent in writing to each of the Sellers and to Buyer and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been made and the receiving Party charged with notice when received whether by (i) telecopy or facsimile transmission, (ii) mail or (iii) overnight courier. All notices shall be addressed as follows:

To Sellers:

R. Lee Tucker, Limited Partner
Tucker Family Investments, LLLP
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: R. Lee Tucker
Fax: 303-850-0175

DNR Oil & Gas Inc.
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: Charles B. Davis, President
Fax: 303-825-2968

Tindall Operating Company
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: R. Lee Tucker, President
Fax: 303-850-0175

To Buyer:

Arête Industries, Inc.
7260 Osceola Street
Westminster, CO 80030
Attn.: Donald W. Prosser
Fax: 303-429-9664.

Any Party may, by written notice so delivered to the other Parties, change the address or individual to which delivery shall thereafter be made under this subsection.

15.3 Amendments/Waiver.

Except for waivers specifically provided for in this Agreement, this Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the Party to be charged with such amendment or waiver and delivered by such Party to the Party claiming the benefit of such amendment or waiver.

15.4 Assignment.

If either Party assigns all or a portion of its rights and obligations under this Agreement, such Party shall remain responsible for all of its obligations under this Agreement, provided, however, that Sellers' indemnity of Buyer set forth in this Agreement shall not be assignable in any form, and shall not be transferable in the event of a merger, consolidation or other corporate transaction of Buyer. Further, if Buyer assigns its interests in the Assets on or before June 30, 2011, Buyer's successors and assigns shall not be able to give notices of Title Defects or Notices of Breaches of Representations. No such assignment or obligation shall increase the burden on the non-assigning Party or impose any duty on the non-assigning Party to communicate with or report to any transferee, and the non-assigning Party may continue to look to the assigning Party for all purposes under this Agreement.

15.5 Announcements.

Sellers and Buyer shall consult with each other with regard to all press releases and other announcements issued after the date of execution of this Agreement and prior to the Closing Date concerning this Agreement or this Transaction and, except as may be required by applicable laws or the applicable rules and regulations of any governmental agency or stock exchange, Buyer or Sellers shall not issue any such press release or other publicity without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

15.6 Counterparts/Fax Signatures.

Buyer and Sellers may execute this Agreement in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument. The Parties agree that facsimile signatures are binding.

15.7 Governing Law.

This Agreement and this Transaction and any arbitration or dispute resolution conducted pursuant hereto shall be construed in accordance with, and governed by, the laws of the State of Colorado.

15.8 Entire Agreement.

This Agreement constitutes the entire understanding among the Parties, their respective members, shareholders, officers, directors and employees with respect to the subject matter hereof, superseding all written or oral negotiations and discussions, and prior agreements and understandings relating to such subject matter. Each Exhibit and Schedule attached to this Agreement is incorporated into this Agreement.

15.9 Knowledge.

The "knowledge of a Party" shall mean for purposes of this Agreement, the actual, conscious knowledge of the Party at the time the assertion regarding knowledge is made. If the Party is a limited liability company, or corporation, or other entity

other than a natural person, such actual, conscious knowledge must be on the part of the person having supervising management authority over the matters to which such knowledge pertains.

15.10 Binding Effect.

This Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto, and their respective successors and assigns.

15.11 Survival.

The representations set forth in Sections 6.1 through 6.4, and Sections 7.1 through 7.6 shall survive without limitation as to time. The remaining representations and warranties set forth in this Agreement, except those relating to Sellers' special warranty of title as described herein, shall survive until April 1, 2013. Except for representations that survive without limitation as to time, a claim for a breach of a representation or warranty must be made on or before April 1, 2013 at 5:00 p.m. Mountain Time, and is subject to Section 6.18. Delivery of the Assignment, Bill of Sale and Conveyance at the Closing will not constitute a merger of this Agreement with such Assignment.

15.12 Limitation on Damages.

The Parties shall not have any liability to each other for consequential, special, punitive or exemplary damages arising out of or related to a Party's breach of any provision of this Agreement.

15.13 No Third-Party Beneficiaries.

This Agreement is intended to benefit only the Parties hereto and their respective permitted successors and assigns. There are no third party beneficiaries to this Agreement.

15.14 Several Liability.

All of Sellers' liabilities and obligations under this Agreement shall be several among each of the entities comprising Sellers, and not joint. In addition, the liability and obligations of each Seller under the terms of this Agreement shall be tied directly to the Assets owned by each Seller and capped at the amount of the Purchase Price received at Closing by that particular Seller. Buyer hereby waives and releases each of the entities and individuals comprising Sellers from any liabilities and obligations above each Sellers' cap described in the preceding sentence.

15.15 Condition Precedent.

A condition precedent to the effectiveness of this Agreement is signature by both Buyer and Sellers. Unless and until both Buyer and Sellers have executed this Agreement, the Agreement will not be legally binding.

15.16 References, Titles and Construction.

A. References.

All references in this Agreement to articles, sections, subsections and other subdivisions refer to corresponding articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise.

B. Titles.

Titles appearing at the beginning of any of such subdivisions are for convenience only and shall not constitute part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions.

C. Agreement.

The words "this Agreement", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited.

Singular and Plural, Masculine and Feminine.

Words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Pronouns in masculine, feminine and neutral genders shall be construed to include any other gender.

D. References to Agreements, Instruments and Documents.

Unless the context otherwise requires or unless otherwise provided herein, the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments or restatements of such agreement, instrument or document, provided that nothing contained in this subsection shall be construed to authorize such renewal, extension, modification, amendment or restatement.

E. Examples.

Examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

F. Conjunctions.

The word "or" is not intended to be exclusive and the word "includes" and its derivatives mean "includes, but is not limited to" and corresponding derivative expressions.

G. No Construction Against Any Drafter.

No consideration shall be given to the fact or presumption that one party had a greater or lesser hand in drafting this Agreement. All Parties have had an equal opportunity to draft and review this Agreement.

H. References to Dollars.

All references herein to "$" or "dollars" shall refer to U.S. Dollars.

Remainder Of This Page Is Left Intentionally Blank.

The Parties have executed this Agreement effective as of the Effective Time.

SELLERS:

TUCKER FAMILY INVESTMENTS, LLLP

By: /s/ R. Lee Tucker
Name: R. Lee Tucker
Title: Limited Partner

DNR OIL & GAS, INC.

By: /s/ Charles B. Davis
Name: Charles B. Davis
Title: President

TINDALL OPERATING COMPANY

By: /s/ R. Lee Tucker
Name: R. Lee Tucker
Title: President

BUYER:

ARÊTE INDUSTRIES, INC.

By: /s/ Donald W. Prosser
Name: Donald W. Prosser
Title: Chairman

Exhibit 10.5

PROMISSORY NOTE

$9,500,000 Westminster, Colorado
April 1, 2011

For value received, the undersigned, Arete Industries, Inc. ("Debtor"), of 7260 Osceola Street, Westminster, CO 80030, hereby promises to pay to the order Tucker Family Investments, LLLP, a Colorado limited liability limited partnership (“Tucker”); DNR Oil & Gas, Inc., a Colorado corporation (“DNR”); and Tindall Operating Company, a Colorado corporation (“Tindall”), 12741 E. Caley, Unit 142, Englewood, Colorado 80111 on or before the 1st day of July, 2011 ("Maturity Date"), the principal sum of Nine Million Five Hundred Thousand ($9,500,000) Dollars, with interest of $79,166.67, payable monthly, at the rate of 10.00% per annum.

Principal and Interest This Promissory Note (“Note”) shall be paid in 1 payment of principal of $9,500,000, due on July 1, 2011 and monthly interest payments of $79,166.67 due on the 28th day of each month.

Payments of both principal and interest are to be made in lawful money of the United States of America in immediately available funds.

Prepayment .Debtor shall have the privilege of prepaying without penalty all or any part of this Note, at any time that includes the full interest payment.

Default and Acceleration. Upon the occurrence of a Default as defined in the Security Agreement, at the option of the Holder hereof, (i) the entire outstanding principal balance and all accrued but unpaid interest shall become immediately due and payable upon written notice to Borrower, (ii) the Holder may fully enforce its rights in the Collateral given to secure the payment of this Note, and (iii) the Holder may pursue all other rights and remedies available under this Note, any instrument securing payment of this Note, or by law. If any installment of principle hereunder is not paid, the entire unpaid amount together with interest shall become due and payable immediately at the election of the Holder. Upon default of any of the obligation set forth in this agreement, each maker and endorser authorizes and empowers any attorney, Justice of the peace, or Clerk of the Court of Records in any jurisdictions in which the makers and endorsers reside, work or own property in the State of Wyoming, or any other jurisdiction, to enter judgment by confession against such makers and endorsers, jointly and severally, in favor of Tucker, DNR, and Tindall or its assigns, for the full amount due plus costs of collection, including without limitation court costs and reasonable attorney’s fees. Each maker and endorser expressly waives any summons or other process, consents to immediate execution of said judgment, expressly waives benefit of all exemption laws and presentment, demand, protest, and notice of maturity, and/or protest, and also waives benefit of any other requirements necessary to hold each of them liable as makers and endorsers.

If any one or more of the words or terms of this Note shall be held to be indefinite, invalid, illegal or otherwise unenforceable, in whole or in part, for any reason, by any court of competent jurisdiction, the remainder of this Note shall continue in full force and effect and shall be construed as if such indefinite, invalid, illegal or unenforceable words or terms had not been contained herein.

Default Rate of Interest. Upon the occurrence of a Default, Borrower promises to pay interest on the outstanding principal balance of this Note at a simple rate of interest equal to eighteen percent (18%) per annum ("Default Rate").

Early Discharge. Upon full payment of the outstanding principal balance and all accrued but unpaid interest, this Note shall be fully discharged, cancelled and surrendered to Borrower.

Remedies Cumulative. The rights or remedies of the Holder as provided in this Note and any instrument securing payment of this Note shall be cumulative and concurrent and may be pursued at the sole discretion of the Holder singly, successively, or together against Borrower and/or the Collateral described in the Security Agreement. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or the right to exercise them at any later time.

Forbearance. Any forbearance of the Holder in exercising any right or remedy hereunder or under the Security Agreement, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by the Holder of payment of any sum payable hereunder after the due date of such payment shall not be a waiver of the Holder's right to require prompt payment when due of all other sums payable hereunder.

Application of Payments. All payments made on this Note shall be applied first to payment of accrued but unpaid interest and the remainder of all such payments shall be applied to the reduction of the outstanding principal balance on this Note.

Usury. In the event the interest provisions hereof, any exactions provided for herein or in the Security Agreement or any other instrument securing this Note, shall result, in an effective rate of interest which, exceeds the limit of the usury or any other applicable law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied upon the outstanding principal balance of this Note immediately upon receipt of such moneys by the Holder, and any such amount in excess of such outstanding principal balance shall be immediately returned to Borrower.

Note and Security Agreement. The Borrower is executing this Note in connection with a Security Agreement between Borrower and Tucker, DNR, and Tindall of even date herewith (Security Agreement") and this Note is secured by the Collateral described in the Security Agreement. In the event of any conflict between any provision of the Security Agreement and any provisions of this Note, the provision of the Security Agreement shall control.

Jurisdiction. This Note is to be governed according to the laws of the State of Colorado, without giving effect to conflict of law principles.

Binding Effect. This Note shall be binding upon Borrower, and its successors and assigns and shall inure to the benefit of the Holder and its successors and assigns.

Notice. All notices required or permitted in connection with this Note shall be given at the place and in the manner provided in the Security Agreement for the giving of notices.

Attorneys' Fees. Borrower further promises to pay all reasonable attorneys' fees incurred by the Holder in connection with any Default hereunder and in any proceeding brought to enforce any of the provisions of this Note.

IN WITNESS WHEREOF, Borrower has duly executed this Promissory Note effective as of the day and year first above written.

BORROWER:

ARETE INDUSTRIES, INC..

By: /s/ Donald W Prosser

Name: Donald W Prosser

Title: CEO

SECURITY AGREEMENT

THIS AGREEMENT is entered into effective as of April 1, 2011, by and between Tucker Family Investments, LLLP, a Colorado limited liability limited partnership ("Tucker"); DNR Oil & Gas, Inc., a Colorado corporation ("DNR"); and Tindall Operating Company, a Colorado corporation ("Tindall"), and ARETE INDUSTRIES INC., a Colorado corporation ("Borrower").

RECITALS

WHEREAS, Tucker, DNR, and Tindall desires to provide to Borrower, and Borrower desires to obtain from Tucker, DNR, and Tindall, a loan in the amount of Nine Million Five Hundred Thousand and 00/100 Dollars ($9,500,000.00) (the "Note"), on certain terms and conditions as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Commitment. Subject to and in accordance with the provisions of this Agreement, Tucker, DNR, and Tindall agrees to make a disbursement under the a Note, and Borrower may borrow, in the manner and upon the terms and conditions expressed in this Agreement, amounts that shall not exceed in the aggregate, at any one time outstanding, Nine Million Five Hundred Thousand and 00/100 Dollars ($9,500,000.00) (the "Commitment Amount"). The Note shall bear interest on the outstanding principal balance at a simple annual rate of Ten percent (10.0%), which interest shall be payable at a minim of one month of interest ($79,166.67), paid with the note pay-off. If not sooner paid, all outstanding principal, accrued but unpaid interest and other outstanding sums due under this Agreement shall be paid in full on July 1, 2011 (the "Maturity Date").

2. The Note. Borrower's obligation to pay the principal of and interest on the Note shall be evidenced by a Promissory Note (the "Note"), substantially in the form attached hereto, which shall (i) be duly executed and delivered by Borrower, (ii) be dated as of the date hereof, (iii) be in the stated principal amount of the Note, (iv) mature on the Maturity Date, (v) bear interest as provided in the Note, and (vi) be governed by this Agreement.

3. a) Collateral. In consideration of the Note, upon execution of this Agreement, Borrower will grant to Tucker, DNR, and Tindall a security interest in all of the assets included in the Purchase and Sale Agreement (this "Agreement"), dated May 25, 2011, is by and among Tucker Family Investments, LLLP, a Colorado limited liability limited partnership ("Tucker"); DNR Oil & Gas, Inc., a Colorado corporation ("DNR"); and Tindall Operating Company, a Colorado corporation ("Tindall") whose collective address is 12741 E. Caley, Unit 142, Englewood, Colorado 80111.

4. Default. The occurrence of any of the following events shall constitute an "Event of Default" hereunder:

a. The non-payment of any interest due and owing to Tucker, DNR, and Tindall under the Note and such failure to make payment shall continue for a period of seven (7) days or longer from the due date.

b. Violation by Borrower of any covenant or obligation contained in this Agreement or the Note, or breach of any representation or warranty contained herein or in the Note; or

c. Borrower (i) admits in writing its inability to pay its debts as they become due; (ii) files a petition under any chapter of the Federal Bankruptcy Code or similar law, state or federal, not or hereafter existing; or (iii) is adjudged a bankrupt or insolvent.

Upon occurrence of an Event of Default, Tucker, DNR, and Tindall shall notify Borrower in writing. If the Event of Default is not cured within ten business (10) days after the giving of such notice of default, Borrower shall be deemed to be in default under this Agreement (a "Default").

5. Default Rate; Late Charges; Acceleration. Upon Default, Tucker, DNR, and Tindall shall have the right to collect interest on the outstanding principal balance on the Note at a rate of Eighteen percent (18%) per annum to start after July 1, 2011. ("Default Rate").

6. Enforcement of Collateral. In addition to any other remedies which Tucker, DNR, and Tindall has hereunder or by law, upon Default, Tucker, DNR, and Tindall shall have the right to enforce its rights in the Collateral by giving notice of the Default to Borrower and foreclosing on the Collateral. If any installment of principle hereunder is not paid, the entire unpaid amount together with interest shall become due and payable immediately at the election of the Holder. Upon default of any of the obligation set forth in this agreement, each maker and endorser authorizes and empowers any attorney, Justice of the peace, or Clerk of the Court of Records in any jurisdictions in which the makers and endorsers reside, work or own property in the State of Wyoming, or any other jurisdiction, to enter judgment by confession against such makers and endorsers, jointly and severally, in favor of Tucker, DNR, and Tindall or its assigns, for the full amount due plus costs of collection, including without limitation court costs and reasonable attorney's fees. Each maker and endorser expressly waives any summons or other process, consents to immediate execution of said judgment, expressly waives benefit of all exemption laws and presentment, demand, protest, and notice of maturity, and/or protest, and also waives benefit of any other requirements necessary to hold each of them liable as makers and endorsers.

If any one or more of the words or terms of this Note shall be held to be indefinite, invalid, illegal or otherwise unenforceable, in whole or in part, for any reason, by any court of competent jurisdiction, the remainder of this Note shall continue in full force and effect and shall be construed as if such indefinite, invalid, illegal or unenforceable words or terms had not been contained herein.

7. Cumulative Remedies. All remedies of Tucker, DNR, and Tindall provided for herein are cumulative and shall be in addition to all other rights and remedies provided by law. The exercise of any right or remedy by Tucker, DNR, and Tindall hereunder shall not in any way constitute a cure or waiver of default hereunder or invalidate any act done pursuant to any notice of default, or prejudice Tucker, DNR, and Tindall in the exercise of any of its rights hereunder unless, in the exercise of its rights, Tucker, DNR, and Tindall _ realizes all amounts owed to it under the Note.

8. Payment and Renewal of the Note; Collateral. Borrower shall have the right to prepay the Note, in whole or in part, in accordance with the terms of the Note. Upon full payment of all amounts due and owing under the Note, and Borrower giving written notice to Tucker, DNR, and Tindall. In the event of a full prepayment of all amounts due and owing under the Note, Borrower shall have the right before the Maturity Date to renew the Note upon at least seven (7) business days' advance written notice Tucker, DNR, and Tindall; provided, however, that prior to such renewal Borrower shall deliver to Tucker, DNR, and Tindall the Collateral which is acceptable to Tucker, DNR, and Tindall.

9. Representations and Warranties of the Borrower. Borrower hereby represents and warrants as follows:

a. Organization; Authority to Enter into Agreement. Borrower is a corporation, duly formed and validly in existence and in good standing under the laws of the State of Colorado. Borrower has full power and authority to enter into this Agreement and to execute and to carry out the provisions of this Agreement.

b. No Consents. The execution, delivery and performance by Borrower of this Agreement does not require consent, approval, authorization or license of any governmental authority or a third party.

10. Restrictions on Sale or Further Encumbrance. Borrower agrees not to sell, assign, exchange, or further encumber the Collateral without prior written consent of Tucker, DNR, and Tindall, which consent shall not be unreasonably withheld.

11. Expenses, Fees and Costs. In the event of any litigation between the parties to declare or enforce any provision of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any other recovery and costs, reasonable expenses, attorney's fees, and costs associated with such litigation, in both the trial and in all appellate courts.

12. Waiver. No waiver by Tucker, DNR, and Tindall of any default shall operate as a waiver of any other default or of the same default on a future occasion.

13. Assignment. The terms hereof shall be binding upon and shall inure to the benefit of the parties hereto and their personal representatives, successors and assigns; provided, however, that the parties may not assign their rights or delegate their duties and obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

14. Notices. Any notice required or permitted to be given hereunder shall be in writing and will be deemed received (a) on the date of receipted delivery by a courier service or (b) on the fifth business day after mailing, by registered or certified United States mail, postage prepaid, to the appropriate party at its address set forth below:

To Note Holders:

R. Lee Tucker, Limited Partner
Tucker Family Investments, LLLP
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: R. Lee Tucker
Fax: 303-850-0175

DNR Oil & Gas Inc.
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: Charles B. Davis, President
Fax: 303-825-2968

Tindall Operating Company
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: R. Lee Tucker, President
Fax: 303-850-0175

To Borrower:

Arête Industries, Inc.
7260 Osceola Street
Westminster, CO 80030
Attn.: Donald W. Prosser
Fax: 303-429-9664.

15. Amendments. No amendment, modification or termination of any provisions of this Agreement shall in any event be effective unless the same shall be in writing and signed by all parties hereto.

16. Survival of Representations and Warranties. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and continue in full force and effect until the obligations of Borrower hereunder evidenced by the Note have been fully paid and satisfied.

17. Entire Agreement; Severability. This Agreement, together will all Exhibits hereto, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings. In the event that any clause or provision of this Agreement shall be determined to be invalid, illegal or unenforceable, such clause or provision may be severed or modified to the extent necessary, and as severed and/or modified, this Agreement shall remain in full force and effect.

18. Governing Law; Jurisdiction and Venue. This Agreement and other documents delivered pursuant hereto and the legal relations between the parties shall be governed and construed in accordance with the law of the State of Colorado. Any dispute or litigation with respect to the representations, warranties, terms and conditions of this Agreement, or any other matter between the parties, shall be litigated in the Colorado District Court in and for the City and County of Denver, Colorado and the parties hereby expressly consent to the exclusive jurisdiction and venue in said Colorado District Court.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first above written.

ARETE INDUSTRIES, INC.

By: /s/ Donald W Prosser
Name: Donald W Prosser
Title: CEO
Date: April 1, 2011

CONTRACT OPERATOR AGREEMENT

THIS CONTRACT OPERATOR AGREEMENT ("Agreement") is entered into on April 12, 2011, but will be effective on April 1, 2011 as outlined in the PSA between Tucker Family Partnership, LLLP, DNR Oil & Gas, Inc., and Arete Industries, Inc. at 7:00'clock a.m. MDT ("Effective Date"), between Arête Industries, Inc. ("Arête") and DNR Oil & Gas, Inc, a Colorado corporation ("Contractor").

RECITALS

A. Simultaneously herewith, Arête has entered into a Purchase and Sale Agreement (the "PSA") with Contractor. Terms capitalized but not defined herein shall have the meaning given such terms in the PSA.

B. This Agreement is being executed contemporaneously with the PSA, pursuant to which Contractor is assigning all of its right, title and interest in and to the assets described therein as the Assets to Arête on the terms and conditions set forth in the PSA. Due to the Contractor's familiarity with and knowledge of the Assets, the Parties believe that it would be efficient and economical for Contractor to operate the Assets on Arête's behalf as an independent contract operator under the terms and provisions set forth below.

C. The Parties intend that Contractor will operate the Assets on behalf of Arête under the terms and conditions set forth herein.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Scope of Services. Contractor shall continue the physical operation of the Assets as they are currently operated, and will account to Arête for all of the Assets, subject to the limitations set forth in this Agreement ("Services"). Pursuant to the foregoing, Contractor shall:

(a) operate, manage, and maintain the Assets in accordance with past practices of Contractor;

(b) employ such personnel as may be reasonably necessary to perform the Services;

(c) provide a monthly joint interest billing statement and monthly revenue check reflecting expenses and revenues on the Assets, but Contractor shall not be required to provide full financial accounting and maintenance of books and records on the Assets. Arête shall have the right to review backup accounting detail for JIBs and revenue checks during normal business hours at Contractor's office in Denver, Colorado;

(d) purchase supplies, materials, tools and equipment associated with ownership and operation of the Assets; provided that without Arête's prior written consent,

(e) Contractor will not purchase any of the above, if such purchase would result in a charge or cost to Arête over $10,000 for a single item, except in cases Contractor believes constitute an emergency;

(f) contract for Services associated with ownership and operation of the Assets; provided that without Arête's prior written consent, Contractor will not enter into a service contract that is not terminable without penalty or cost upon thirty (30) days prior notice or would result in a charge or cost to Arête over $10,000 for a single item, except in cases Contractor believes constitute an emergency;

(g) pay any lease settlement, lease rentals, shut-in royalties, minimum royalties, payments in lieu of production, royalties, overriding royalties, production payments, net profit payments and other similar burdens associated with ownership or operation of the Assets, and, at Arête's direction, perform and comply with covenants contained in the Leases and agreements relating to the Assets;

(h) pay and perform all obligations of Arête which relate to the Assets, including, without limitation, the payment of operating costs, vendor invoices and contractor invoices associated with ownership or operation of the Assets;

(i) provide marketing, gas control and other similar services necessary to sell the products produced from the Assets in a manner basically consistent with Arête's past practices;

(j) submit accurate and complete reports to state and federal authorities, as appropriate and consistent with Arête's past practices, with copies of all reports to be provided to Arête, and provide to Arête daily production reports and monthly production reports and other reports generated by Contractor in the ordinary course of operation of the Assets; and

(k) inform Arête of any pending or threatened action or investigation of which the Contractor receives written notice and which Contractor believes in good faith could have a material adverse impact on the Assets, including all actions initiated or investigations threatened by a third party or governmental authority under applicable environmental laws.

Notwithstanding the foregoing, in carrying out its payment obligations hereunder, Contractor never shall be obligated to advance its own funds. In addition, if any active well included in the Assets ceases production for any reason that will require other than routine maintenance in the ordinary course to restore production, Contractor shall notify Arête no later than five business days after Contractor becomes aware of such cessation of production concerning the action recommended by Contractor to restore production from such well. The Services shall **not** include the drilling, reworking, deepening, sidetracking, plugging back, or recompletion of any well, or the plugging and abandonment of a well, or any other operation that, under the terms of the applicable Operating Agreement (or, in the absence of any applicable Operating Agreement, the AAPL 610 (1989 Revision) Model Form Operating Agreement), requires the prior approval of the non-operators, and Contractor shall have no obligation to perform any such operations on behalf of Arête.

Limitation on Services. Notwithstanding any other provisions in this Agreement, Contractor is not obligated to provide Services that Contractor did not perform immediately prior to the Closing Date.

2. Termination/Partial Termination. This Agreement commences on the Effective Date referenced above and will terminate one year thereafter, unless extended or terminated earlier by mutual agreement of Arête and Contractor.

3. Reimbursement/Fee. Arête shall reimburse Contractor for all third party costs and expenses (including without limitation, operating costs, capital expenditures, production taxes and producing, drilling and construction overhead charges billed by third party operators) incurred or borne by Contractor and associated with the Assets during the term of this Agreement. In addition to the foregoing reimbursements, Arête shall pay Contractor $25,000 per month (pro rated for partial months) for the Services during the term of this Agreement. Any adjustments of the fee shall be adjusted as of the first day of April each year in accordance with the procedures established in Section III.1.A.3. of the "Accounting Procedure, Joint Operations" form (1984, Onshore) published by the Council of Petroleum Accountants Societies. Contractor shall provide monthly statements to Arête detailing third party costs and expenses and the fee for the Services and Arête shall pay such invoices within 30 days following receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at JP Morgan Chase Bank, N.A. on the first day of the month in which delinquency occurs plus 2% or the maximum contract rate permitted by applicable Colorado law, whichever is lesser, plus attorneys' fees, court costs, and other costs in connection with the collection of unpaid amounts. In the event that any delinquency in payment exists for a period of more than 60 days, Contractor may, at its option, immediately declare this Agreement terminated and shall provide no further Services with respect to the Assets and shall have no further liability or responsibility with respect to the Assets.

4. Independent Contractor. Contractor shall perform the Services under the general direction of Arête, but in all events Contractor shall be an independent contractor in accordance with the specifications herein set out. Arête shall look to Contractor for results only and shall have no right at any time to direct or supervise Contractor or its servants or employees as to the manner, means, and method in which the Services are performed. The detailed manner and method of performing the Services shall be under the control of Contractor. Neither Contractor nor anyone employed by Contractor shall be deemed to be an employee, agent, servant, or representative of Arête. Contractor shall be responsible for the payment of federal income tax, social security tax, workers' compensation insurance, unemployment tax, and other similar payments, if any, relating to Contractor's business and employees, and Arête shall not withhold any amounts for such purposes from payments made to Contractor. As an independent contractor, neither Contractor nor anyone employed by Contractor will be eligible for the benefits provided to regular employees of Arête, including but not limited to health and disability insurance. Contractor's engagement as an independent contractor by Arête will terminate upon the termination of this Agreement as provided for herein.

5. No Agency. Contractor shall not be deemed to be the agent or attorney-in-fact of Arête. Contractor shall have no authority to amend, modify, or waive compliance with any operating agreement, oil and gas lease, or other contract or agreement in effect with respect to the Assets. Contractor shall not undertake to negotiate new agreements or submit transaction

6. proposals to other parties without Arête's prior written consent. Any new contract or agreement negotiated by Contractor with respect to the Assets must be executed by a duly authorized officer or representative of Arête before such contract or agreement becomes binding on Arête. Nothing contained in this Agreement shall be deemed or construed to create a relationship among Arête and Contractor of partnership, joint venture, agency, or other relationship creating fiduciary, quasi-fiduciary, or similar duties or obligations inter se, or that would otherwise subject Arête and Contractor to joint and several or vicarious liability in favor of any other person.

7. Standard of Performance. Contractor shall perform the Services as a reasonable and prudent operator, in good faith, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practices, and in compliance with all applicable laws and regulations and the terms of the applicable oil and gas leases, operating agreements, and this Agreement. Notwithstanding the foregoing, the parties understand and agree that Contractor shall never have any liability to Arête in connection with its performance of the Services hereunder greater than that which it would have as the operator to a non-operator under the applicable Operating Agreement (or, in the absence of such an agreement, under the AAPL 610 (1989 Revision) Model Form Operating Agreement), IT BEING RECOGNIZED THAT UNDER SUCH AGREEMENTS, THE PARTY NAMED AS OPERATOR IS RESPONSIBLE ONLY FOR ITS GROSS NEGLIGENCE AND WILLFUL MISCONDUCT.

8. Obligations of Arête. Except for any obligations set forth in and assumed by Contractor in this Agreement, Contractor shall not be responsible or liable for the performance of, or for its failure to perform, any duties or obligations of Arête under any operating agreement or any other contract or agreement between Arête and any other person or persons, whether written or oral, including, without limitation, any drilling contract. In addition, Contractor shall not be responsible or liable for any obligation, costs, or expenses related to remediation of pollution or contamination of natural resources (including soil, air, surface water or groundwater) which might exist on the Assets as of the Effective Date of this Agreement.

9. Indemnification. **Contractor and its members, managers, officers, affiliates, employees, attorneys, contractors and agents (the "Contractor Group") shall have no liability for or in connection with any and all claims, demands, suits, causes of action, losses, damages, liabilities, fines, penalties and costs (including reasonable attorneys' fees and costs of litigation) whether known or unknown, asserted or unasserted (including, without limitation, claims under applicable environmental laws) that are brought by or owed to Arête or any third party ("Claims") arising out of or resulting from the Services; and Arête hereby releases the Contractor Group from and shall fully protect, defend, indemnify and hold the Contractor Group harmless from and against all Claims arising out of or resulting from the Services, including, without limitation, Claims relating to (a) injury or death of any person(s) whomsoever, (b) damages to or loss of any property or resources, (c) breach of contract, (d) common law causes of action such as negligence, strict liability, nuisance or trespass, or (e) fault imposed by statute, rule, regulation or otherwise. This indemnity and defense obligation applies regardless of cause or of any negligent acts or omissions of the Contractor Group including, without limitation sole negligence, concurrent negligence or strict liability of the Contractor Group, but not including gross negligence or willful misconduct of the Contractor Group.**

10. Assignability. Neither Arête nor Contractor shall assign or sublease any rights or obligations under this Agreement without prior written consent of the non-assigning party; provided that without Arête's consent, Contractor may subcontract all or any portion of the Services to a third party, provided that Contractor remains liable for all obligations hereunder.

11. Confidentiality. Contractor shall treat as confidential information all maps, logs, geological, geophysical, reserve, engineering, and other scientific and technical information, reports, and data (including, without limitation, conventional and 3-D seismic data) generated pursuant to operations performed under this Agreement during the term of this Agreement, as well as all other confidential or proprietary information and rights of Arête of which Contractor becomes aware. In like manner, Arête shall treat as confidential information all accounting and other confidential or proprietary data and rights of Contractor of which Arête becomes aware. Each party agrees to keep confidential all such information, reports, and data, and shall not disclose or disseminate any such information, reports, or data to any third person without the prior written consent of the other party. In no event shall the obligations contained in this Section 11 apply to information (a) required to be disclosed by or pursuant to applicable law, rule or regulation (b) that is or becomes public knowledge, other than as a result of a breach of this Agreement, (c) that Arête or Contractor obtains from a third person when such disclosure by the third person does not violate any confidentiality or other contractual obligation of such third person, (d) that pertains to the excluded assets, or (e) that is required to be provided to non-operators under any operating agreement.

12. Notices. All notices and communications required or permitted to be given hereunder shall be in writing and shall be delivered personally, or sent by bonded overnight courier, or by facsimile transmission (provided any such facsimile transmission is confirmed either orally or by written confirmation), addressed to the appropriate party at the address for such party shown below or at such other address as such party shall have theretofore designated by written notice delivered to the party giving such notice:

If to Arête:

Arête Industries, Inc.
7260 Osceola Street
Westminster, CO 80030
Attn.: Donald W. Prosser
Fax: (303) 429-0664
E-mail: dpro-cpa@msn.com.

If to Contractor:

DNR Oil & Gas Inc.
12741 E. Caley, Unit 142
Englewood, CO 80111
Attn: Charles B. Davis, President
Fax: 303-825-2968

ny notice given in accordance herewith shall be deemed to have been given on the business day when delivered to the addressee in person or by facsimile or bonded overnight courier; provided, however, that if any such notice is received after normal business hours, the notice will be deemed to have been given on the next succeeding business day. Any party may change the address, telephone number, or facsimile number to which such communications to such party are to be addressed by giving written notice to the other party in the manner provided in this Section 12.

13. Amendment. This Agreement may be amended only by an instrument in writing executed by the party against whom enforcement is sought.

14. GOVERNING LAW. THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION.

15. Limitation on Damages. For the breach or non-performance by any party of any representation, warranty, covenant, or agreement contained in this Agreement, the liability of the obligor shall be limited to direct actual damages only, except to the extent that the obligee is entitled to specific performance or injunctive relief. AS BETWEEN THE PARTIES, NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER CONTRACTOR NOR ARÊTE SHALL BE LIABLE TO THE OTHER AS THE RESULT OF A BREACH OR A VIOLATION OF ANY REPRESENTATION, WARRANTY, COVENANT, AGREEMENT, OR CONDITION CONTAINED IN THIS AGREEMENT FOR CONSEQUENTIAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, IN TORT, IN CONTRACT, UNDER ANY INDEMNITY PROVISION, ARISING BY OPERATION OF LAW (INCLUDING, WITHOUT LIMITATION, STRICT LIABILITY), OR OTHERWISE.

16. Dispute Resolution.

(a) Senior management of Arête and Contractor will attempt to resolve any and all disputes arising from this Agreement. Failing a settlement between the parties, any matters shall be handled as set forth herein.

(b) Any disagreement, difference, or dispute between the parties provided in this Agreement to be resolved by arbitration shall be resolved pursuant to arbitration according to the procedures set forth in this Section 16.

(c) Either Arête or Contractor may commence an arbitration proceeding hereunder by giving written notice to the other party. No later than five (5) business days after the delivery of the notice commencing the arbitration proceeding, Arête and Contractor shall each select an arbitrator. Promptly following their selection, the arbitrators selected by the parties jointly shall select a third arbitrator. All arbitrators selected under this Agreement shall have at least eight (8) years of professional experience in the oil and gas industry and shall not previously have been employed by either party and shall not have a direct or indirect interest in either party or the subject matter of the arbitration. The arbitration hearing shall commence as soon as is practical, but in no event later than thirty (30) days after the

(d) selection of the third arbitrator. If any arbitrator selected under this Section 16(c) should die, resign, or otherwise be unable to perform his duties hereunder, a successor arbitrator shall be selected pursuant to the procedures set forth in this Section 16(c). The arbitrators shall settle all disputes in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association, to the extent that such Rules do not conflict with the terms of such Act or the terms of this Agreement. Any arbitration hearing shall be held in Denver, Colorado. The arbitrators shall render their decision within thirty (30) days after the hearing(s) conclude, unless the parties settle the matter.

(e) The decision of the arbitrators shall be final and binding on the parties and, if necessary, may be enforced in any court of competent jurisdiction. The law governing all such disputes shall be the laws of the State of Colorado, but without regard to conflicts of laws. The fees and expenses of the arbitrators shall be borne by the party not substantially prevailing, or, if that cannot be determined, shall be shared one-half by Contractor and one-half by Arête.

The Parties have caused their duly authorized representatives to execute this Agreement as of the day and year first set forth above.

DNR OIL & GAS, INC.

By: /s/ Charles B. Davis
Name: Charles B. Davis
Title:President

ARÊTE INDUSTRIES, INC.

By: /s/ Donald W. Prosser
Name: Donald W. Prosser
Title: Chairman

Exhibit 99.1

Press Release Source: Arête Industries, Inc.

Arête Industries, Inc. Announces Completion of $10 Million Acquisition of Oil and Gas Assets

Tuesday, May 31, 2011

WESTMINSTER, Colorado, May 31, 2011 (Business Wire) Arête Industries, Inc. (OTC-QB: ARET) announced that it has closed a $10 million acquisition to purchase certain oil and gas operating properties in Colorado, Kansas, Wyoming, and Montana. The agreement includes an operating agreement for the continued operations of the properties by the current operator, a company owned by Charles B. Davis, a director of the Company. The properties were purchased from a company owned by Charles B. Davis and its affiliates. The acquisition was effected through payment of $500,000 and a $9.5 million seller-financed promissory note due July 1, 2011. The note is secured by all of the acquired properties. The Company is seeking financing to pay the note.

In connection with of the purchase of the properties the Company had two third independent party engineering reports prepared: a Ryder Scott report on estimated proved reserves on the newly acquired assets and a Sure Engineering report on the value of the proved, probable and possible reserves. The Ryder Scott analysis estimates that the proved wells have a discounted future revenue (at 10% per year) of $12.3 million. The Sure Engineering report estimates that the net present value of the revenues from estimated production of the resources (proved developed producing, proved developed non-producing, proved undeveloped, probable and possible reserves) are $63.9 million (discounted at 10% per year), based on future net revenues of $117.4 million. The independent petroleum engineering reports prepared for the Company were not prepared in accordance with SEC regulations and accordingly no inference should be made that the resource numbers in this press release would equate to those that would be expected if the petroleum engineers had used the SEC guidelines. Primarily, the Ryder Scott report used pricing parameters established by the Company of a range of $55 to $80 per barrel for oil, with escalated prices of 2.0% per year through 2023 for 11 years; natural gas prices were escalated to 2.0% per year beginning in 2015 for 11 years and operating costs were escalated at 2.0% per year. The estimates of the Sure Engineering included proved, probable and possible resources using a constant price of $80 per barrel of oil and natural gas prices from $2.50 to $8.50 per mcf.

Donald Prosser, CEO of Arete Industries stated: “We are pleased to announce the completion of this significant acquisition for Arête Industries. These oil and gas properties have good productivity and we believe they have significant opportunity to drill out the acreage for a relatively small amount of capital outlay. With this acquisition we expect to seek high double-digit revenue growth over the next few years as we execute on a drilling program.”

About the Company

The Company is the operator of a gas gathering system and holds oil and gas properties in the Rocky Mountain Region of the United States. For additional information on the Company visit our website at www.areteindustries.com.

Make sure you are first to receive timely information on Arete Industries when it hits the newswire. Sign up for Arête’s email news alert system today at: http://www.areteindustries.com/alerts.

Statement as to Forward Looking Statements.

Certain statements contained herein, which are not historical, are forward-looking statements that are subject to risks and uncertainties not known or disclosed herein that could cause actual results to differ materially from those expressed herein. These statements may include projections and other "forward-looking statements" within the meaning of the federal securities laws. Any such projections or statements reflect Arête's current views about future events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from those projected. Important factors that could cause the actual results to differ materially from those projected include, without limitation, whether the Company will be able to pay its $9.5 million promissory note due July 1, 2011, the Company's dependence on its management, the Company's lack of capital, changes in prices for crude oil and natural gas, the ability of management to execute plans to meet the Company's goals and other risks inherent in the Company's businesses that are detailed in the Company's Securities and Exchange Commission ("SEC") filings. Readers are encouraged to review these risks in our SEC filings.

For Further Information Contact:

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Source: Arete Industries, Inc.