VALKYRIES PETROLEUM CORP.
2101 – 885 West Georgia Street
Vancouver, B.C., V6C 3E8

VALKYRIES U.S.A. LIMITED
c/o 2101 – 885 West Georgia Street
Vancouver, B.C., V6C 3E8

December 22, 2005

Newmex Minerals Inc.
#227 – 200 Barclay Parade S.W.
Calgary, Alberta
T2P 4R5

Attention: Gary Guidry, President and Chief Executive Officer

Dear Sirs:

Re: Acquisition of U.S. Assets of Valkyries Petroleum Corp. by Newmex Minerals Inc.

Further to our recent discussions, this letter agreement (the "**Agreement**") sets out the final terms pursuant to which certain U.S. based assets (the "**Valkyries U.S. Assets**") of Valkyries Petroleum Corp. ("**Valkyries Petroleum**"), held directly by Valkyries U.S.A. Limited ("**Valkyries U.S.A.**"), a wholly owned subsidiary of Valkyries Petroleum (Valkyries Petroleum and Valkyries U.S.A. are hereinafter collectively referred to as "**Valkyries**" or the "**Vendor**"), will be sold to Newmex Minerals Inc. ("**Newmex**"), or its nominee, in exchange for cash (the "**Transaction**"). The terms and conditions of this Agreement are legally binding obligations of the parties hereto, enforceable in accordance with their respective terms.

1. Structure. The Transaction will comprise the purchase by Newmex of the Valkyries U.S. Assets (defined in Schedule "A" attached hereto) from Valkyries in consideration of the sum of U.S. $4,600,000 (the "**Cash Purchase Price**"), adjusted in accordance with paragraph 8 hereof, plus (i) the Mustang Island Payment as defined in paragraph 4 below; and (ii) the Prospect Bonus as defined in paragraph 5 below (collectively, the Cash Purchase Price, the Mustang Island Payment and the Prospect Bonus shall be referred to as the "**Purchase Price**"). In consideration of the mutual covenants and agreements hereinafter set forth, Valkyries agrees to sell and convey the Valkyries U.S. Assets to Newmex and Newmex agrees to purchase the Valkyries U.S. Assets from Valkyries to have and hold absolutely, on the terms and conditions set forth herein.

2. Allocation of Purchase Price: Valkyries and Newmex (the "**Parties**") agree that Newmex shall be entitled to determine the allocation of the Purchase Price among the Valkyries U.S. Assets and Valkyries shall accept such determination of Allocation of Purchase Price.

3. Valuation. Newmex has engaged Ryder Scott Company, Petroleum Consultants, to prepare an estimate of reserves, future production and income attributable to certain leasehold and royalty interest of Valkyries as at September 1, 2005, as amended, (the "**Ryder Scott Report**"). The Ryder Scott Report will be addressed to the board of directors of each of Valkyries Petroleum and Newmex and will not be considered to be confidential. Valkyries and Newmex agree that the costs and expenses associated with the preparation of the Ryder Scott Report will be allocated between Valkyries and Newmex on an equal basis.

4. Oil and Gas Lease Bid. The parties acknowledge and agree that Valkyries has submitted a bid (the "**Bid**") in respect of an oil and gas lease (the "**Mustang Island Lease**") in the Mustang Island Area, East Addition, Area Number TX3A, Block 736, and has paid a deposit (the "**Tender Deposit**") in the amount of US$242,142.80 in respect of the Mustang Island Lease.

Valkyries has been advised that the Bid was the high bid for the Mustang Island Lease, however, as at the date of this Agreement, the Mustang Island Lease has not been formally awarded to Valkyries. Accordingly, the parties agree that, at Closing, all of Valkyries interest in the Bid and the Tender Deposit, or in the Mustang Island Lease, as applicable, shall be assigned and transferred to Newmex in exchange for the payment (the "**Mustang Island Payment**"), determined as follows. If the formal award of the Mustang Island Lease has not completed by Closing, Valkyries will assign all of its right, title and interest in and to the Bid and the Tender Deposit to Newmex in exchange for the Mustang Island Payment, which shall be the sum of US$302,142.80 (inclusive of the seismic data license fee paid to WesternGeco LLC). If the Mustang Island Lease has been formally awarded to Valkyries prior to Closing, Valkyries will assign all of its right, title and interest in and to the Mustang Island Lease in exchange for the Mustang Island Payment, which shall be the sum of US$1,270,714 (inclusive of the seismic data license fee paid to WesternGeco LLC).

5. Mustang, Amber and Topanga Prospects. The Parties acknowledge and agree that:

(a) pursuant to its equity ownership in Rincon Energy Partners, LLC, Valkyries has an interest in certain oil and gas prospects, including specifically those prospects described as "Amber" and "Topanga" in the Ryder Scott Report (the "**Amber and Topanga Prospects**"); and

(b) the Mustang Island Lease, if it is awarded to Valkyries before the Closing, or to Newmex after the Closing, will entitle Newmex to an interest in certain oil and gas prospects (the "**Mustang Island Prospects**" and, together with the Amber and Topanga Prospects, the "**Prospects**" and each a "**Prospect**").

As additional consideration for the Valkyries U.S. Assets, Newmex agrees that it will pay Valkyries a bonus (the "**Prospects Bonus**") in accordance with the following terms:

(c) the dollar amount of the Prospects Bonus will be the sum of US$1/barrel of oil equivalent for Additional Net Proved Reserves (calculated by subtracting the Net Proved Reserves in the Ryder Scott Report attributed to the Prospects from the

Net Proved Reserves in the New Report (as defined below)) that are specific to each of the Prospects, as evidenced by a technical report prepared in compliance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" by an author acceptable to both parties, acting reasonably (the "New Report"), with the date of the New Report being effective as of the date that is two years from the closing of the Transaction; and

(d) that portion of the Prospects Bonus that is attributable to a specific Prospect will become due and payable by Newmex to Valkyries within 10 business days of the certificate date of the New Report.

6. Conditions. Completion of the Transaction is subject to the following conditions:

(a) the successful completion by Newmex of a financing of its securities (the "**Newmex Financing**") in an amount that is, in the opinion of the parties, acting reasonably, sufficient to allow Newmex to complete the Transaction;

(b) the absence of any material adverse change in the Valkyries U.S. Assets or the business or operations that is conducted with, or in respect of, the Valkyries U.S. Assets since September 1, 2005;

(c) receipt of all applicable regulatory approvals;

(d) receipt of a report valuing the Transaction, in such form as is satisfactory to an independent committee of the board of directors of Valkyries Petroleum;

(e) the entering into of the Closing Agreement, as defined in section 16(c) hereof, at or prior to Closing;

(f) receipt of the Financials Statements, as defined in section 16(b) hereof in compliance with section 16(b) hereof, in such form and containing such financial information as is satisfactory to Newmex, and

(g) delivery of the closing documents as described in section 16 of this Agreement.

7. Board Appointment. Newmex will secure the resignation of one member (the "**Resigning Member**") of the Newmex board of directors, effective as at the Closing, and the remaining directors will vote, by consent resolution, to fill the vacancy created by the resignation with a nominee (the "**Valkyries Nominee**") to be appointed by Valkyries, subject to compliance with applicable legislation and the approval of the TSX Venture Exchange (the "**Exchange**").

8. Effective Date. The Transaction will have an effective date of September 1, 2005 (the "**Effective Date**"). The transfer and assignment of the Valkyries U.S. Assets from Valkyries to Newmex shall be effective as of the Effective Date, provided the closing of the Transaction (the "**Closing**") occurs. However, possession and title to the Valkyries U.S. Assets shall not pass to Newmex until Closing. At Closing, the Purchase Price will be adjusted so that:

(a) any net revenues realized from the operations of the Valkyries U.S. Assets will accrue to Newmex from and including the Effective Date and will be credited towards the Cash Purchase Price; and

(b) any payment made or expense incurred by Valkyries in respect of the Valkyries U.S. Assets will accrue to Newmex from and including the Effective Date and will be added to the Cash Purchase Price.

9. Reimbursement for Costs. If the Transaction does not complete as a result of Newmex's failure to complete the Newmex Financing on or before the Closing, Newmex shall be responsible for and shall immediately reimburse Valkyries for the cost to Valkyries if it chooses to engage a business valuator to review the terms of the Transaction plus any cost associated with having the Ryder Scott Report addressed to the board of directors of Valkyries Petroleum, to a maximum of $75,000.

10. Representations and Warranties of Valkyries. Valkyries Petroleum and Valkyries U.S.A., on a joint and several basis, represent, warrant and covenant to Newmex that:

(a) each of Valkyries Petroleum and Valkyries U.S.A. has good and sufficient right and authority to enter into this Agreement and to carry out its intentions and obligations under this Agreement;

(b) Valkyries Petroleum is duly incorporated under the laws of Canada, is a "reporting issuer" in British Columbia and Alberta and its common shares are listed for trading on the Exchange;

(c) Valkyries U.S.A. is duly incorporated under the laws of the state of Nevada;

(d) they are the registered or beneficial owners of the Valkyries U.S. Assets;

(e) Valkyries is now, and on the Closing they shall be, in possession of the Valkyries U.S. Assets, and now and on the Closing Date they shall have good and marketable title to the Valkyries U.S. Assets, free and clear of all liens, charges, encumbrances, judgments and adverse claims;

(f) no person, firm or corporation has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from Valkyries of the Valkyries U.S. Assets, that has not been, or will not have been at Closing, waived by such person, firm or corporation;

(g) from the date hereof until the Closing the business associated with or derived from the use of Valkyries U.S. Assets shall be carried on by Valkyries in the normal and ordinary course and in a prudent manner;

(h) Valkyries Petroleum now is and on the Closing Date shall be resident in Canada within the meaning of the *Income Tax Act* (Canada);

(i) Valkyries is not now and on the Closing Date shall not be a party to or threatened with any litigation or any other claim whatsoever and no situation now exists or at the Closing shall exist which could form the basis of a claim, which, if successful, could constitute a lien or charge or in any other way encumber the title to the Valkyries U.S. Assets or any of them; and

(j) they will, as soon as practicable, take all such actions as are necessary to complete the Transaction in accordance with the terms of this Agreement.

11. Representations and Warranties of Newmex. Newmex represents and warrants to Valkyries that:

(a) it has good and sufficient right and authority to enter into this Agreement and to carry out its intentions and obligations under this Agreement;

(b) it is duly incorporated under the laws of Canada and is in good standing under the laws of the jurisdiction of its incorporation; and

(c) it will, as soon as practicable, take all such actions as are reasonably necessary to complete the Transaction in accordance with the terms of this Agreement.

12. Exclusive Dealing. Prior to Closing, neither Valkyries nor any of its directors or officers shall, directly or indirectly, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any person (other than Newmex) relating to the acquisition of the Valkyries U.S. Assets.

13. Conduct of Business. Until the Closing, Valkyries shall:

(a) conduct its business, as it relates to the Valkyries U.S. Assets, only in the ordinary course and substantially in the same manner as previously conducted; and

(b) not engage in any extraordinary material transactions that affects, or has the potential to affect, the Valkyries U.S. Assets not including property or project acquisitions in respect of non-U.S. assets which Valkyries may make from time to time.

14. Confidentiality. Except as may be required by the Exchange or by any rule, regulation or law of any kind whatsoever which is applicable to a party, until Closing has occurred or this Agreement is otherwise terminated in accordance with paragraph 15 hereof, each of the parties shall keep confidential all discussions and communications between them including, without limitation, all information communicated therein and all written and printed materials of any kind whatsoever exchanged between them. Each of the parties shall use any such information solely for the purpose of evaluating the Transaction. The parties acknowledge that, as soon as possible after the execution of this Agreement, they will be required to issue a press release disclosing the material terms and conditions set out herein.

15. Closing and Termination. Closing shall occur on the Closing Date, which shall be a date, not more than three business days after the last of the conditions described in paragraph 6 hereto have been satisfied or waived, that is mutually agreeable to Valkyries and Newmex. If the Closing Date has not occurred by February 28, 2006, or such other date as Valkyries and Newmex may agree upon in writing, this Agreement will thereupon automatically terminate. In addition, either Valkyries or Newmex may terminate this Agreement, at its option, at any time prior to the Closing Date if the other party has breached or is in default of any material term of this Agreement and fails to cure or remedy such breach or default within 14 days after receiving written notice thereof from the other party. The termination of this Agreement shall not affect any rights, obligations or liabilities of any of the parties which have accrued or arisen prior to the date of such termination.

16. Closing Procedure. Subject to the terms and conditions of this Agreement, the transfer of the Valkyries U.S. Assets shall take effect as of the Closing at which time:

(a) Valkyries shall deliver to Newmex conveyance documents including without limitation, (i) transfer documentation, (ii) assignment agreements, (iii) share certificates endorsed for transfer, and (iv) such other documentation including without limitation, all releases and registrable discharges (or no interest letters) of any security interests held by any third party, encumbering Valkyries's interest in and to the Valkyries U.S. Assets or any part or portion thereof as, in the opinion of Newmex's counsel, is reasonably necessary to effect the sale and transfer of the Valkyries U.S. Assets to Newmex;

(b) Valkyries shall deliver to Newmex unaudited financial statements (the "Financial Statements") of each of Valkyries Texas Gas, Ltd., Valkyries Texas Corp. and Rincon Energy Partners, LLC, prepared as at September 30, 2005, having previously provided copies of such statements to Newmex and having allowed Newmex not less than 10 days to review and assess such statements in order for Newmex make a decision on the Transaction based upon the contents of the Financial Statements;

(c) Valkyries shall deliver to Newmex a fully executed agreement containing the representations, warranties and covenants of a vendor consistent with the industry standard for the acquisition and disposition of oil and gas assets of the nature described herein, and shall include representations and warranties substantially similar to those contained in Schedule "C" attached hereto (the "Closing Agreement");

(d) Newmex shall deliver to Valkyries:

(i) a certified cheque or bank draft in an amount equal to the Cash Purchase Price plus the Mustang Island Payment;

(ii) a certified copy of a resolution of the directors of Newmex accepting the resignation of the Resigning Member and appointing the Valkyries Nominee to the Newmex board of directors.

17. Expenses. Except as provided in paragraph 9 above, each of Valkyries and Newmex will each pay their own respective expenses incurred in connection with this Agreement and the Transaction, whether or not the Transaction is consummated.

18. Miscellaneous Provisions. This Agreement will be governed by the laws of the Province of British Columbia. This letter embodies the entire agreement and understanding of the parties and supersedes all prior agreements or understandings with respect to the subject matter of this letter.

19. Counterpart Execution. This Agreement may be executed in counterpart, and all executed counterparts together shall constitute one agreement. A signed counterpart provided by way of facsimile transmission shall be as binding upon the parties as an originally signed counterpart.

If you are agreeable to proceeding on this basis, please sign and date this letter in the space provided below and return a signed copy to the undersigned.

Yours truly,

VALKYRIES PETROLEUM CORP.

By: [redacted]

Name: Ian Gibbs
Position: Chief Financial Officer

VALKYRIES U.S.A. LIMITED

By: [redacted]

Name:
Position: Ian Gibbs.

Acknowledged and Agreed:

NEWMEX MINERALS INC.

By: [redacted]

Name: Gary S. Guidry
Position: President & CEO

SCHEDULE "A"

The Valkyries U.S. Assets that are the subject of the Agreement to which this Schedule "A" is attached are as follows:

1. 100% of the issued and outstanding securities of Valkyries Texas Gas, Ltd., a limited partnership, all of which are owned directly by Valkyries U.S.A., and which has the corporate structure described in Schedule "B" attached hereto (See Note 1);

2. 100% of the issued and outstanding securities of Valkyries Texas Corp., the general partner to Valkyries Texas Gas, Ltd., all of which are owned by Valkyries U.S.A.; Valkyries Texas Corp. has the corporate structure described in Schedule "B" attached hereto;

3. 33.3% of the issued and outstanding interests in and to Rincon Energy Partners, LLC, owned directly by Valkyries U.S.A., as evidenced by an Operating Agreement made effective February 1, 2003 amongst Rincon Energy Partners, LLC and its members (See Note 1), and which has the membership structure as described in Schedule "B" attached hereto;

4. all of Valkyries U.S.A.'s interest in and to the Oil and Gas Lease Bid prepared and submitted in respect of Mustang Island Area, East Addition, Area Number TX3A, Block 736 (Bid Amount US$1,210,714) if and when awarded; and

5. all of Valkyries U.S.A.'s interest in and to its license agreement with WesternGeco LLC dated August 8, 2005 pursuant to which Valkyries U.S.A. has a non-exclusive license to use specified portions of geophysical and geological data and reports that are proprietary to WesternGeco LLC.

Note:

(1) Valkyries Texas Gas, Ltd., and Rincon Energy Partners LLC, have 100% of Valkyries U.S.A.'s interest in and to certain leasehold and royalty interest located in the states of California, Texas and Louisiana, as further described in the Ryder Scott Report entitled "Estimated Future Reserves and Income Attributable to Certain Leasehold of Royalty Interests – Constant and Escalated Price and Cost Parameters – As of September 1, 2005", as amended.

SCHEDULE "B"

Valkyries Texas Gas, Ltd.

Valkyries Texas Gas, Ltd. is a limited partnership formed under the Texas Revised Limited Partnership Act on March 20, 2003. Valkyries Texas Corp., a Texas corporation, is the sole general partner and Valkyries U.S.A. is the sole limited partner.

Valkyries Texas Corp.

Valkyries Texas Corp., is a Texas corporation and a wholly owned subsidiary of Valkyries U.S.A., the registered owner of 1000 shares of common stock of Valkyries Texas Corp.

Rincon Energy Partners LLC

Rincon Energy Partners, LLC is a California Limited Liability Company. Its members are Rincon Energy, LLC, a California Limited Liability Company (as to 31.67%), Valkyries U.S.A. (as to 33.33%), Rule Investments, Inc., a California Corporation (as to 25%) and Whittier Energy Co., a Nevada "C" Corporation (as to 10%).

SCHEDULE "C"

For these representations and warranties - the reference to "Valkyries U.S. Assets" shall also include all of the interests in and to certain leasehold and royalty interests and any other oil and gas interests held by the Corporate Assets

a. Standing: Each of Valkyries Petroleum and Valkyries U.S.A. is a corporation validly existing and in good standing under the laws of the jurisdiction of their incorporation and Valkyries U.S.A. is registered to do business under the laws of the jurisdictions in which the Valkyries U.S. Assets are located;

b. Requisite Authority: Each of Valkyries Petroleum and Valkyries U.S.A. have all requisite authority to enter into this agreement and to perform their obligations under this agreement and will, by the Closing, have taken all action necessary to authorize the sale of the Valkyries U.S. Assets in accordance with this agreement;

c. Private Company: Each of Valkyries Texas Gas, Ltd., Valkyries Texas Corp. and Rincon Energy Partners, LLC (collectively the "**Corporate Assets**") have the corporate power and authority to hold and operate the Valkyries U.S. Assets, as applicable, and to carry on business as it will be carried out on the Closing;

d. No Conflicts: the consummation of the transaction contemplated herein will not violate or be in conflict with any provision of any other agreement or instrument to which the Vendors are a party or which the Vendors or the Valkyries U.S. Assets are bound, or any judgment, law, decree, order, statute, rule or regulation applicable to the Vendors or the Valkyries U.S. Assets;

e. Execution and Enforceability of Documents: this agreement has been, and all documents executed and delivered by the Vendors pursuant hereto shall be, duly executed and delivered by them, and this agreement does, and such documents will, constitute legal, valid and binding obligations of the Vendors enforceable against the Vendors (jointly and severally) in accordance with their respective terms;

f. Title to Valkyries U.S. Assets: although the Vendors do not warrant title to the Valkyries U.S. Assets, they do represent, warrant and covenant that they have done no act or thing whereby any Valkyries U.S. Assets may be cancelled or terminated, and that the Valkyries U.S. Assets will be at the Closing free and clear of all liens, encumbrances and adverse claims created by, through or under it;

g. Title to assets disclosed in the Ryder Scott Report (the "Property Assets"): although the Vendors do not warrant title to the Property Assets, they do represent, warrant and covenant that they have done no act or thing whereby any Property Assets may be cancelled or terminated, and that the Property Assets will be owned by the Corporate Assets at the Closing free and clear of all liens, encumbrances and adverse claims created by, through or under it;

h. Quiet Enjoyment: subject to the rents, covenants, conditions and stipulations in the Leases and any other agreements pertaining to the Valkyries U.S. Assets and on the lessee's or holder's part thereunder to be hereafter paid, performed and observed, the

Vendors may enter into and upon, hold and enjoy the Valkyries U.S. Assets for the residue of their respective terms and all renewals or extensions thereof for the Vendors own use and benefit without any lawful interruption of or by the Vendors or any other person whomsoever claiming by, through or under the Vendors;

i. Preferential Rights or Rights of First Refusal: no person, firm or corporation has any preferential right of purchase or right of first refusal to acquire any interest in any of the Valkyries U.S. Assets by virtue of or arising from this Agreement and indirectly, by the sale and transfer of the Corporate Assets to Newmex that has not ben waived or satisfied prior to the Closing;

j. Consents: the Vendors are not required to obtain the consent of any person, firm, corporation, regulatory or governmental authority in order to complete the transactions arising from this Agreement, other than consents which have been obtained and evidence of such consent has been provided to Newmex;

k. Delay Rentals: to the best of the knowledge, information and belief of the Vendors, they have paid or has caused to be paid within applicable time limits all relevant deposits, rentals and royalties and have performed and observed or caused to be performed and observed all obligations and covenants required to keep the Leases and all documents of title respecting the Lands and any of them in full force and effect;

l. Reduction of Interest: to the best of the knowledge, information and belief of the Vendors, the Valkyries U.S. Assets are not subject to reduction by virtue of the conversion or other alteration of the interest of any third party under existing agreements pertaining to the Valkyries U.S. Assets.

m. Knowledge of Default: to the best of the knowledge, information and belief of the Vendors, no breach or default exists or has occurred under any agreement, statute, rule, regulation, order, judgment, declaration or by-law relating to the Vendors or the Valkyries U.S. Assets and no notice of default or breach of any agreement, statute, rule, regulation, order, judgment, declaration or by-law relating to the Valkyries U.S. Assets or the Vendors have been received by Vendors;

n. Payment of Taxes: to the best of the knowledge, information and belief of the Vendors, all ad valorem, property, production, severance and similar taxes and assessments, based on or measured by the ownership of the Valkyries U.S. Assets or the production of Petroleum Substances from the Lands or the receipt of proceeds therefrom, payable by it to the Closing and for all prior years have been properly paid and discharged;

o. Production Penalty: to the best of the knowledge, information and belief of the Vendors, the Wells upon the Lands and any lands pooled or unitized therewith are not subject to a production penalty of any nature, and none of the Wells have been produced in excess of applicable production allowables imposed by statute or regulation;

p. Condition of Tangibles: to the best of the knowledge, information and belief of the Vendors, the Lands, Wells and Tangibles have been drilled, developed, completed, constructed, operated and maintained in accordance with good oil and gas industry practices, applicable statutes, regulations, laws, orders and lawful directives and the terms and conditions of all agreements relating thereto and the Wells and Tangibles are in good operating condition, reasonable wear and tear excepted;

q. Outstanding AFE's: to the best of the knowledge, information and belief of the Vendors, other than as disclosed to Newmex prior to the Closing, there are no authorizations for expenditure approved by the Vendors with respect to the Valkyries U.S. Assets for which the Vendors have not been completely billed as at the Effective Date and there are no outstanding cash calls with respect to the Valkyries U.S. Assets;

r. Production Sales Contracts: to the best of the knowledge, information and belief of the Vendors, there are no production sales agreements under which the Vendors or any person acting on their behalf is obligated to sell or deliver to any person any Petroleum Substances allocable to the Petroleum and Natural Gas Rights except for agreements terminable by the seller without penalty on less than 60 days notice;

s. Receipt of Revenues: to the best of the knowledge, information and belief of the Vendors, they are currently receiving and are entitled to retain their proper share of the proceeds of production from the Valkyries U.S. Assets;

t. Books and Records: to the best of the knowledge, information and belief of the Vendors, Vendors' books and records fairly and reasonably set out and disclose all material financial transactions relating to the Valkyries U.S. Assets and specifically the Corporate Assets;

u. No Lawsuits or Claims: to the best of the knowledge, information and belief of the Vendors, there are no claims, proceedings, actions or lawsuits in existence, contemplated or threatened against or with respect to the Valkyries U.S. Assets or the interests of the Corporate Assets therein;

v. Take or Pay: to the best of the knowledge, information and belief of the Vendors, the Valkyries U.S. Assets are not affected by any Take or Pay Provisions;

w. Oil and Gas Field Practice: to the best of the knowledge, information and belief of the Vendors, where the Vendors were the operator at the relevant time, the Wells have been, in all material respects, drilled and if completed, completed and operated in accordance with generally accepted oil and gas industry practices and, in all material respects, in compliance with all applicable statutes, rules and regulations and where the Vendors were not the operator, to the best of their knowledge, information and belief the foregoing is also true;

x. Environmental Compliance: to the best of the knowledge, information and belief of the Vendors: (i) they have not, as of the date of this agreement, received notice of any violation of or investigation relating to any federal, provincial or local environmental or pollution law, regulation or ordinance with respect to the Valkyries U.S. Assets and (ii) all permits, licences and other authorizations which are required under federal, provincial and local laws with respect to pollution or protection of the environment relating to the Valkyries U.S. Assets, including laws relating to actual or threatened emissions, discharges or releases of pollutants, raw materials, products, contaminants or hazardous or toxic materials or wastes into ambient air, surface water, groundwater or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes have been obtained; (iii) as of the date of this agreement, all operators of the Valkyries U.S. Assets are in compliance with all terms and conditions of such laws, permits, licences and authorizations, and are also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in such laws or contained in any regulation, code, plan, order, decree, judgment, notice or demand letter issued, entered, promulgated or approved thereunder, relating to the Valkyries U.S. Assets;

y. Abandonment: to the best of the knowledge, information and belief of the Vendors, where they have operated the Lands and conducted any abandonment operations thereon, all Wells which have or are required to have been abandoned, were abandoned in accordance with all applicable statutes and regulations as existing at the time of such abandonment and the surface lands held in connection with such Wells have been properly reclaimed and a certificate of reclamation has been received in connection therewith and, where the Vendors have not operated the Lands, to the best of the Vendors' knowledge, information and belief, all Wells located on the Lands which have been abandoned have been abandoned in accordance with all applicable statutes and regulations existing at the time of such abandonment and the surface lands held in connection with such Wells have been properly reclaimed and a certificate of reclamation has been received in connection with such reclamation work;

z. Finder's Fee: the Vendors have not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the transaction contemplated herein for which the Vendors or Newmex shall have any obligation or liability;

aa. Authorized Capital: the capital structure of Valkyries Texas Gas, Ltd., Valkyries Texas Corp. and Rincon Energy Partners, LLC is as set out in Schedule "B" of the Agreement to which this Schedule "C" is attached;

bb. Encumbrances: all of the shares or member units, as applicable, of the Corporate Assets at the Closing have been issued as fully paid and non-assessable and will be free of any liens, encumbrances or other claims of any kind;

cc. Prior Rights: no person, firm or corporation, except Newmex, will have at Closing any agreement or option or any right capable of being an agreement for the purchase of any of the shares of the Corporate Assets or any agreement or option or any right capable of becoming an agreement for the purchase, subscription or issuance of any unissued shares or any other shares of Corporate Assets;

dd. Minute Book: at the Closing, the minute books of the Corporate Assets including the share transfer ledger thereof of Corporate Assets will be true and correct in all respects and the minute book shall contain copies of minutes of all meetings of the directors and shareholders of the Corporate Assets and all consent resolutions of the directors and shareholders;

ee. Consolidations: the Corporate Assets are not a party to any contract or agreement to merge or consolidate with any other corporation, to sell all or a material part of its assets to any other person, firm or corporation, or to cause to be organized with a subsidiary;

ff. Accounts: the books of account and other records of the Corporate Assets, whether of a financial or of an accounting nature or otherwise will have been maintained in accordance with prudent business practices;

gg. Bonuses: at the Closing, no bonuses, management fees, dividends or other like distributions on or of any shares in the capital of Corporate Assets shall have been declared, paid or authorized since the date of the Financial Statements (as defined in section 16(b) hereof), or that have not been disclosed in such Financial Statements;

hh. Tax Returns: all income tax returns which the Vendors are required to file on or before the Closing, relating to the Valkyries U.S. Assets and specifically the Corporate Assets, will have been duly prepared and filed according to law;

ii. Taxes: all taxes and other assessments and levies, relating to the Valkyries U.S. Assets and specifically the Corporate Assets, which the Vendors are required by law to withhold or collect have been duly withheld and collected and paid over to the proper governmental authorities or held by the Vendors for such payment;

jj. Employment or Management Contracts: the Corporate Assets have no employees nor do they have any employment or management contracts;

kk. Officer Receivables: on the Closing there shall not be any accounts or notes receivable from or payable to any director, officer or shareholder of the Vendors by the Corporate Assets;

ll. Debts, Assets and Financial Statements: the Corporate Assets do not have any material debts or payables of any nature, either incurred or payable, contingent or real, the Corporate Assets do not have any material assets other than the Property Assets and the Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior years and to the knowledge of the Vendors are true and correct in every respect and present fairly the assets and liabilities of the Vendors and their financial position;

mm. Changes Since Financial Statements: there have not been any material changes to the Corporation since the date of the last of the Financial Statements; and

nn. Guarantees: the Corporate Assets have not guaranteed, indemnified or endorsed the obligations of any other person.