

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO**

| | | |
|-------------------------|---|-----------------------|
| In Re: |) | |
| |) | Case No. 15-22395-TBM |
| ESCALERA RESOURCES CO., |) | Chapter 11 |
| |) | |
| EIN: 83-0214692 |) | |
| |) | |
| Debtor. |) | |

**MOTION FOR ORDER APPROVING THE SALE OF DEBTOR'S RABOURN
ASSETS AND THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY
CONTRACTS AND UNEXPIRED LEASES ASSOCIATED THEREWITH**

Escalera Resources Co. ("Debtor"), as the debtor and debtor-in-possession, pursuant to 11 U.S.C. §§ 363(b), (f), and (m) and 365, Rules 2002, 6004, 6006 and 9014 of the Fed. R. of Bankr. P. and Local Bankruptcy Rule 6004-1, files this motion (this "Motion") seeking approval of the sale of its Rabourn Assets, as follows:

Preliminary Statement

Debtor is seeking to sell one oil well and related assets located in Campbell County, Wyoming, described below as the "Rabourn Assets." The Rabourn Assets are not included in the potential sale of Debtor's coal bed methane ("CBM") Atlantic Rim assets, which are the subject of negotiations with a separate buyer.

Background

1. On November 5, 2015 (the "Petition Date"), Debtor filed voluntary a petition for relief under Chapter 11 of Title 11 of the United States Code ("Bankruptcy Code"). Debtor continues to operate its business as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

2. On November 13, 2015, the United States Trustee appointed an Official Unsecured Creditors Committee (the "Committee").

3. The Committee filed a motion to appoint a chapter 11 trustee on October 16, 2016. Debtor filed a response, and the parties informally agreed to put the matter on hold while Debtor obtained and hired financial advisors to conduct a sale process and file a new Plan.

4. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. This matter is a core proceeding pursuant to 28 U.S.C. §157(b), and the Court may enter a final order consistent with Article III of the United States Constitution.

5. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The bases for the relief requested herein are Bankruptcy Code §§ 105(a), 363(b), 363(f), 363(m), 365(a), 365(b), 365(e), and 365(f), and Bankruptcy Rules 2002(a)(2), 2002(c)(1), 6004(a), 6004(c), 6004(f), 6004(h), and 6006(a).

Proposed Sale

A. The Rabourn Assets

7. The “Rabourn Assets” are located in Campbell County, Wyoming, and consist of the following¹:

- (a) one stand-alone oil well;
- (b) the equipment, machinery, fixtures, flowlines, storage facilities and other tangible personal property and improvements located on the subject land;
- (c) all Hydrocarbons² produced from or attributable to the leases, land and well after the Effective Time;
- (d) an executory contract for the sale of oil produced from the well and the unexpired oil and gas leases associated therewith; and
- (e) Records relating to the foregoing.

¹ The legal description of the real estate is contained in Section 1.2 of the PSA.

² All capitalized terms not defined in this Motion shall be the meaning set forth in the PSA.

These assets are more fully described in Section 1.2 of the PSA (hereinafter defined). They do not make up a material portion of the assets, business or operations of Debtor.

B. Marketing

8. In late 2016, Debtor engaged and as approved by Court order [Dkt. #407], Debtor retained Seaport Global Securities LLC (“Seaport Global”), an experienced investment banking and financial firm, to market and sell substantially all of its assets via a stalking horse bidder and auction. These assets are primarily CBM assets located in a portion of Wyoming referred to as the Atlantic Rim. However, Debtor also owns interests in other wells and properties outside the Atlantic Rim area, including the Rabourn Assets, which were also included in the initial marketing process.

9. Last winter, Seaport Global conducted an exhaustive marketing process. Among other things, it distributed a market teaser to approximately 208 potentially interested parties as potential acquirers, equity investors, debt financiers and/or asset sale purchasers. Seaport also called and met with other potentially interested parties. Approximately 15 parties signed confidentiality agreements, and Seaport Global provided confidential information to these parties via a virtual data room. Debtor met with several interested parties. By March 1, 2017, three bids were received for substantially all of Debtor’s assets.

10. During this process, several things became apparent. First, Warren Resources, Inc. (which, together with certain of its affiliates, are hereinafter referred to as “Warren”), which Debtor considered the most likely buyer of Debtor’s properties, would not be a bidder. Second, some prospective buyers indicated an interest in acquiring Warren’s interests in the Spyglass Hill Unit

(also in the Atlantic Rim), in effect as a condition to purchase of Debtor's properties.³ However, little to no interest was expressed in Debtor's non-CBM assets.

11. Warren indicated an interest in selling its interest in the Spyglass Hill Unit. Accordingly, Debtor and Warren commenced discussions through Seaport Global about a joint sale effort. These discussions ultimately led to a Stipulation between Warren and Debtor dated April 14, 2017, which the Court approved by Order dated June 1, 2017 [Docket No. 462]. Among other things, the parties agreed to jointly market their Atlantic Rim properties.

12. The Debtor's non-CBM assets were not included in the joint sale process. Debtor and Seaport Global split these assets in several different packages, including the Rabourn Assets, and in July 2017 Seaport Global listed them for sale on the Petroleum Listing Service ("PLS").

13. The PLS lists, among other things, oil and gas assets for sale. This is a multiple listing service, and is the largest single database for such assets in the United States, Canada and the international markets. There are over 2,000 active deals at any one time, and it is the largest buyer network in the world. No commissions are paid upon a sale. In addition to PLS's website, the listings are published in PLS's twenty U.S. Canadian and international industry reports. There are over 10,000 PLS subscribers. PETROLEUM LISTING SERVICE, <https://www.plsx.com> (last visited Nov. 29, 2017).

C. Material Terms of PSA and Proposed Order

14. As a result of the PLS listing, on October 24, 2017, Debtor received an offer from Rock Creek Energy, LLC ("Rock Creek"), a private oil and gas company located in Englewood, Colorado, to purchase the Rabourn Assets. No other offers were received. After negotiations,

³ This was not unanticipated. Debtor has long believed that the combination of the Atlantic Rim properties offers efficiencies in terms of size and operation that make a sale more attractive.

Debtor and Rock Creek entered into a Purchase and Sale Agreement executed November 27, 2017, but effective on August 1, 2017 (the “PSA”), subject to the Court approval. A copy of the PSA is attached hereto as **Exhibit A**.

15. Pursuant to L.B. R. 6004-1, the material terms of the PSA and the proposed order approving the sale (the “Sale Order”) are as follows:

(a) Purchase Price. The purchase price for the Rabourn Assets is \$410,000, payable in full upon Closing (*PSA* §§2.1, 9.3(a)) and subject to certain adjustments. (*PSA* §§ 2.2, 9.4) The PSA does not require an earnest money deposit.

(b) Excluded Assets. Certain assets which may be associated with the Rabourn Assets are excluded from the sale, as identified in the PSA. (*PSA* §1.3)

(c) Contracts and Leases. Debtor will assume and assign the executory contracts and unexpired leases described in Exhibit “A” and Schedule 1.2(d) to the PSA (*PSA* §§2.2(a); 4.3(b)); *Motion*, ¶¶ 36-39; *Proposed Sale Order* ¶ 8), a list of which contracts and leases is also attached hereto as **Exhibit B** (the “Purchased Contracts”).

(d) Sale Free and Clear of Liens. The Rabourn Assets are being sold pursuant to § 363(b) and (f)(2), (3) and (5) of the Bankruptcy Code “as is, where is” without warranty of any kind, except as provided in the PSA (*PSA* §§4.2, 5.12), and free and clear of all liens, claims and encumbrances (collectively, “Interests”) except as set forth in the PSA, (*PSA* § 3.2; *Motion*, ¶¶ 16, 32-35; *Proposed Sale Order* ¶ 6) with those Interests which are not Permitted Encumbrances (hereinafter defined) attaching to the net sale proceeds of the Rabourn Assets (unless the Court authorizes payment of certain Interests at Closing). (*Motion*, ¶¶ 17-23; *Proposed Sale Order* ¶ 6)

(e) Releases. The PSA contains a “Limitation on Damages” clause, in which both Debtor and Rock Creek waive any and all claims either party may have against the other for punitive damages, or their respective consequential or indirect damages in connection with the PSA and the transactions contemplated therein regardless of fault. This is a customary provision found in purchase and sale agreements, and is for the benefit of both parties. (*PSA §12.5*)

(f) Private Sale. The PSA does not contemplate an auction. As described in this Motion, (*Motion, ¶¶ 8-14; 25-31*) Debtor did attempt to sell the Rabourn Assets as part of a sale of substantially all of its assets via a stalking horse bidder and auction, but there was little interest. There were extensive marketing efforts that did not produce any viable bids. Debtor then listed the Rabourn Assets on the PLS in an attempt to generate interest, and eventually, after several months, received Rock Creek’s offer.

(g) Closing and Other Deadlines. The Closing of the transaction must occur no later than fifteen (15) days after entry of the Sale Order. (*PSA §9.1(a)*)

(h) Use of Proceeds. As requested later in this Motion, the proposed Sale Order includes a provision authorizing Debtor to pay the Prepetition Taxes (hereinafter defined) to the Campbell County, Wyoming Treasurer at Closing. Such payment will prevent the further accrual of interest at 18% per annum on such claims. (*Motion, ¶¶ 20-22; Proposed Sale Order, ¶ 6*) Debtor will also pay at Closing the Postpetition Taxes (hereinafter defined) which are accrued and payable, since they are administrative expenses which are to be paid in the ordinary course of business.

(i) Good Faith Purchaser. As requested later in this Motion (and as per the PSA), the proposed Sale Order contains a provision that Rock Creek is a good faith purchaser under § 363(m) of the Bankruptcy Code. (*PSA §4.2; Motion, ¶¶ 40-42; Proposed Sale Order ¶¶*

9,10) The PSA was negotiated in good faith at arms' length, without collusion or fraud of any kind. Debtor is unaware of any connections between Rock Creek and Debtor or any other party involved in the sale process. Debtor is unaware of any conduct by Rock Creek that would prevent the application of Section 363(m) of the Bankruptcy Code.

(j) Relief from Bankruptcy Rule 6004(h) and 6006(d). As requested later in this Motion, the proposed Sale Order contains a provision that such order will become effective immediately upon entry pursuant to Bankruptcy Rules 6004(h) and 6006(d), rather than being stayed until the entry of 14 days after the entry of the Sale Order. (*Motion*, ¶42; *Proposed Sale Order* ¶13) While Section 9.1(a) of the PSA allows for a Closing fifteen days after entry of the Sale Order, the parties wish to close as quickly as possible and thus desire that the Sale Order be a final order.

The PSA contains more extensive detailed terms and conditions which are beyond the summary provided for in this Motion. Interested parties are urged to read the PSA for a complete description of the terms of the sale.

D. Liens, Claims and Encumbrances

16. The Rabourn Assets are being sold subject to the following Interests (called "Permitted Encumbrances" in the PSA):

- a. Royalties and overriding royalties, reversionary interests and other burdens;
- b. All leases, unit agreements, pooling agreements, operating agreements, Hydrocarbon production sales contracts, division orders and other contracts, agreements and instruments applicable to the Rabourn Assets;
- c. Transfer Requirements applicable to the Rabourn Assets;

d. Liens for current Taxes or assessments not yet delinquent (or, if delinquent, (i) being contested in good faith by appropriate actions, or (ii) which will attach to the sale proceeds at Closing pursuant to the Sale Order);

e. Materialman's, mechanic's, repairman's, employee's, contractor's, operator's and other similar liens or charges arising in the ordinary course of business for amounts not yet delinquent (including any amounts being withheld as provided by Law), or, if delinquent, (i) being contested in good faith by appropriate actions, or (ii) which will attach to the sale proceeds at closing pursuant to the Sale Order;

f. Rights of reassignment arising upon final intention to abandon or release the Rabourn Assets, or any of them;

g. Easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;

h. All rights reserved to or vested in any Governmental Body to control or regulate any of the Assets in any manner and all obligations and duties under all applicable Laws, or under any franchise, grant, license or permit issued by any such Governmental Body;

i. Any encumbrance on or affecting the Rabourn Assets which Rock Creek expressly assumes, bonds or pays at or prior to Closing or which Debtor discharges at or prior to Closing;

j. Calls on Hydrocarbon production under existing Contracts;

k. Any other liens, charges, encumbrances, defects or irregularities which do not, individually or in the aggregate, materially interfere with the use or ownership of the Rabourn Assets subject thereto or affected thereby (as currently used or owned), which would be accepted

by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties; and

1. Liens granted under applicable joint or unit operating agreements.

17. The following parties may claim an Interest in the Rabourn Assets:

a. Société Générale, as Administrative Agent for the senior secured lenders⁴;

and

b. Campbell County, Wyoming Treasurer.

18. On December 2, 2015, the Court entered its *Final Order (A) Authorizing Postpetition Use of Cash Collateral; (B) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, and 507, Bankruptcy Rules 2002, 4001, and 9014; and (C) Granting Related Relief* (the “Final Cash Collateral Order”). [Dkt. No. 112] As described in the Final Cash Collateral Order, the senior secured lenders have valid, perfected, enforceable, non-avoidable, first priority liens and security interests in, to and against the Prepetition Collateral (as defined therein and of which the Rabourn Assets comprise a portion). Further, pursuant to the Final Cash Collateral Order, the senior secured lenders were granted adequate protection of their interests in the Prepetition Collateral, including cash collateral, to the extent of the aggregate postpetition diminution in value of such collateral in the form of, among other things, superpriority claims under section 507(b) and Adequate Protection Liens (as defined therein).

19. Société Générale, as Administrative Agent for the senior secured lenders, has consented to the sale.

⁴ Debtor is a party to a Credit Agreement dated as of August 29, 2014, with certain senior secured lenders, including Société Générale. As of the Petition Date, Debtor was indebted to such lenders for not less than: (i) \$36,886,300.00 in aggregate principal amount; (ii) accrued and unpaid interest and fees of \$389,640.83; and (iii) additional amounts claimed as owed under the credit facility. As of the Petition Date, the Credit Facility was collateralized by substantially all of Debtor’s oil and gas producing properties and substantially all other assets.

20. The Campbell County, Wyoming Treasurer is owed prepetition taxes on the subject properties of (a) \$23,395.14 plus accrued interest for gross proceeds-*ad valorem* taxes due (2015 assessment for 2014 production), and (b) \$7,059.78 plus accrued interest also for gross proceeds-*ad valorem* taxes (2016 assessment for 2015 production), for a total of \$30,454.92 plus accrued interest (collectively, the “Prepetition Taxes”).

21. The Campbell County, Wyoming Treasurer is also owed postpetition taxes on such properties totaling \$12,280.34 (2017 assessment for 2016 production) through September 1, 2017 (the “Postpetition Taxes”).

22. Debtor seeks authority to pay the Prepetition Taxes at Closing. Such payment will prevent the further accrual of interest at 18% per annum on such claims. Debtor intends to pay the Postposition Taxes as of the Closing.

23. Debtor is unaware of any other Interests encumbering the Rabourn Assets.

E. Preferential Purchase Rights

24. Debtor is unaware of any holder of a Preferential Purchase Right that applies to the sale.

Legal Authority

A. Legal Authority for Sale

25. A debtor in possession has “ample discretion to administer the estate, including authority to conduct public or private sales of estate property.” *In re Psychometric Sys, Inc.*, 367 B.R. 670, 674 (Bankr. D. Colo. 2007) (Brown, J.) quoting *In re Bakilis*, 220 B.R. 525, 532 (E.D.N.Y. 1998). Likewise, bankruptcy courts are given a great deal of discretion when deciding whether to authorize a sale of a debtor’s assets outside of the ordinary course of business. *See In re Chateaugay Corp.*, 973 F.2d 141, 144 (2d Cir. 1992). A sale should be authorized if the debtor-

in-possession demonstrates the proposed sale reflects sound business judgment. *See Committee of Equity Security Holders v. Lionel Corporation (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Castre, Inc.*, 312 B.R. 426, 428 (Bankr. D. Colo. 2004); *see also, In re Thomson McKinnon Secs., Inc.*, 120 B.R. 301, 307 (Bankr. S.D.N.Y. 1990); *Stephens Indus., Inc. v. McClung*, 789 F.2d 386, 389-90 (6th Cir. 1986).

26. Courts consider the following factors in determining whether the debtor-in-possession has exercised proper business judgment: (1) any improper or bad motive; (2) whether the price is fair and the negotiations or bidding occurred at arm's length; and (3) the adequacy of the sale procedures. *In re Castre, Inc.*, 312 B.R. at 428. As demonstrated below, Debtor has properly exercised its business judgment for the proposed sale.

27. Debtor retained Seaport Global, a highly experienced investment banking firm, to market all of its assets. Seaport Global listed the Rabourn assets for sale on the PLS.

28. Bankruptcy Rule 6004(f)(1) provides that a sale of property outside of the ordinary course of business may be by private sale or public auction. In this case, Debtor believes that a private sale of the Rabourn Assets will yield the best price. The PLS is the largest single database of oil and gas properties for sale with global reach and with the largest buyer network in the world. The negotiated purchase price of \$410,000 for the Rabourn Assets is well within the market rate for a stand-alone well. Debtor further believes that if the Rabourn Assets went to an auction, they would sell for less since the well is stand-alone.

29. Further, the negotiations occurred at arm's length. Debtor had no prior relationship with Rock Creek and Rock Creek is not an insider or affiliate of Debtor. There was no improper or bad motive.

30. Debtor, its senior secured lenders and Seaport Global are satisfied that all possible reasonable efforts have been made to maximize the value of all of Debtor's assets, and that the scheme of splitting the non-CBM assets into separate packages for sale on the PLS represents an excellent method of obtaining the best price possible for such assets under the circumstances.

31. Based upon the foregoing, the potential sale of Debtor's Rabourn Assets is in the best interests of Debtor, its estate, and its creditors, and is based upon sound, reasoned and informed business judgment warranting this Court's approval.

B. Legal Authority for Sale Free and Clear of Interests

32. Debtor seeks to sell the Rabourn Assets free and clear of Interests pursuant to Section 363(f) of the Bankruptcy Code (except for those Permitted Encumbrances specified in the PSA). Section 363(f) of the Bankruptcy Code authorizes a debtor to sell assets free and clear of any Interest in such property if:

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is sold is greater than the aggregate value of all liens on such property;
- (4) such interest is in bona fide dispute; or
- (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

33. Because § 363(f) of the Bankruptcy Code is drafted in the disjunctive, satisfaction of anyone of its five requirements is sufficient to permit the sale of Debtor's assets "free and clear" of Interests. *Mich. Empl. Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.)*, 930 F.2d 1132, 1147 n.24 (6th Cir. 1991); see also *In re Kelistrom Indus., Inc.*, 282 B.R. 787, 793 (Bankr. D. Del. 2002).

34. Société Générale, as administrative agent, and the Campbell County, Wyoming Treasurer are the lienholders whose property rights are affected by the sale, both of whom have been served with this Motion. Société Générale, as administrative agent, consents to the sale, with its lien to attach to the net proceeds. Thus, Debtor has satisfied the provisions of §363(f)(2) of the Bankruptcy Code.

35. As to the lien of the Campbell County, Wyoming Treasurer, the sale is free and clear only of liens for taxes past due as of the Closing and not free and clear of liens for taxes not yet delinquent. The price at which the property is being sold is greater than the aggregate value of all liens of the County against the property, and the County could be compelled to accept a money satisfaction of its Interests. Thus, Debtor has satisfied the provisions of §363(f)(3) and (5), and its lien will attach to the sale proceeds (unless the Court authorized Debtor to pay such lien at Closing as requested).

C. Legal Authority for Assumption and Assignment of Purchased Contracts

36. Debtor seeks authority under § 365 of the Bankruptcy Code to assume and assign the Purchased Contracts. To Debtor's knowledge, there is no existing default under the Purchased Contracts; however, to the extent an existing default is discovered, Rock Creek intends to provide adequate cure.

37. Contemporaneously herewith, the counterparties to the Purchased Contracts are being provided with the Contract Notice required by Section 4.3(b) of the PSA. This notice will indicate that there are no Cure Costs payable upon Closing.

38. The Oil Purchase Agreement with Shell Trading (US) Company is a typical hydrocarbon purchase contract. Since Rock Creek proposes to continue to operate the Rabourn

well and this contract does not have any minimum delivery requirements, there is no issue regarding adequate assurance of future performance.

39. As to the other Purchased Contracts, which are oil and gas leases, payments are made on the leases in the form of royalties from Hydrocarbon production. Thus, since Rock Creek proposes to continue to operate the Rabourn well and these leases do not have any other required payments, there is no issue regarding adequate assurance of future performance.

D. Determination that Rock Creek is a Good Faith Purchaser

40. Section 363(m) of the Bankruptcy Code provides:

The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

41. A good faith purchaser is one who purchases in "good faith" and for "value." *In re Bel Air Associates, Ltd.*, 706 F.2d 301, 305 n.12 (10th Cir. 1983); *In re Abbotts Dairies of Pennsylvania, Inc.* 788 F.2d 143 (3rd Cir. 1986). To constitute a lack of good faith, a party's conduct in connection with the sale usually must amount to "fraud, collusion between the purchaser and other bidders or the trustee or an attempt to take grossly unfair advantage of other bidders or the trustee." *In re Crowder*, 314 B.R. 445, 450 (B.A.P. 10th Cir. 2004).

42. In this case, the PSA was negotiated in good faith at arms' length, without collusion or fraud of any kind. Debtor is unaware of any connections between Rock Creek and Debtor or any other party involved in the sale process. Debtor is unaware of any conduct by Rock Creek that would prevent the application of Section 363(m) of the Bankruptcy Code. Debtor anticipates

making the appropriate showing at a hearing that Rock Creek has acted in good faith and otherwise in accordance with the statutory standards.

Notice

43. Debtor has served this Motion on (a) the Office of the United States Trustee; (b) the Committee's counsel; (c) all parties who are known to assert liens with respect to the Rabourn Assets and all other secured creditors; (d) all parties who have filed an entry of appearance and request for all notices; (e) all priority creditors; (f) all counterparties to the leases; and (g) all counterparties to executory contracts that Debtor seeks to assume and assign.

Immediate Effect

44. Debtor requests that the order approving this Motion become effective immediately upon entry pursuant to Bankruptcy Rules 6004(h) and 6006(d).

WHEREFORE, Debtor respectfully prays this Court to enter its order: (i) granting this Motion and approving Debtor's sale as set forth in the PSA; (ii) approving the assumption and assignment of the Shell Contract; and (v) granting such further relief as is just and proper.

Dated: December 11, 2017.

Respectfully submitted,

Onsager | Fletcher | Johnson, LLC

s/ Alice A. White

Christian C. Onsager, CBN 6889

Alice A. White, CBN 14537

1801 Broadway, Suite 900

Denver, Colorado 80202

Ph: (303) 512-1123

Fax: (303) 512-1129

consager@OFJlaw.com

awhite@OFJlaw.com

Attorneys for Debtor

EXHIBIT A

PURCHASE AND SALE AGREEMENT

between

ESCALERA RESOURCES CO.

(“Seller”)

and

ROCK CREEK ENERGY, LLC

(“Purchaser”)

Executed on November 27, 2017

Effective on August 1, 2017

PURCHASE AND SALE AGREEMENT

This **PURCHASE AND SALE AGREEMENT** (“Agreement”) is entered into on November 27, 2017, and effective on August 1, 2017, by and between **ESCALERA RESOURCES CO.**, a Maryland corporation (“Seller”); and **ROCK CREEK ENERGY, LLC**, a Colorado Limited Liability Company (“Purchaser”). Seller and Purchaser may be referred to herein individually as a “Party” and collectively as the “Parties”.

RECITALS

A. Seller is a debtor in possession in Case No. 15-22395 in the United States Bankruptcy Court for the District of Colorado (the “Bankruptcy Case”).

B. Seller owns various oil and gas properties, either of record or beneficially, more fully described in the herein and/or the exhibits and schedules attached hereto.

C. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller the properties and rights of Seller described hereafter, in the manner and upon the terms and conditions set forth herein.

D. Capitalized terms used herein shall have the meanings ascribed and given to them in this Agreement as such terms are identified and/or defined in the following Definitions section.

DEFINITIONS

“Adjusted Purchase Price” means the Purchase Price after calculating and applying the adjustments set forth in **Section 2.2**.

“Adjustment Period” has the meaning set forth in **Section 2.2(a)**.

“Affiliates” with respect to any Person, means any other Person that directly or indirectly controls, is controlled by or is under common control with such Person.

“Agreement” means this Purchase and Sale Agreement.

“Assets” has the meaning set forth in **Section 1.2**.

“Assignment(s)” has the meaning set forth in **Section 3.1(b)**.

“Assumed Seller Obligations” has the meaning set forth in **Section 11.1**.

“Bankruptcy Case” has the meaning set forth in Recital A.

“Bankruptcy Court” means the United States Bankruptcy Court for the District of Colorado or any other court of the United States with authority over Seller’s Bankruptcy Case.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, Title 11 of the United States Code, as amended from time to time, as set forth in Sections 101 *et seq.* of Title 11 of the United States Code, and applicable portions of Titles 18 and 28 of the United States Code.

“Business Day” means each calendar day except Saturdays, Sundays, and Federal holidays.

“Closing” has the meaning set forth in **Section 9.1(a)**.

“Closing Date” has the meaning set forth in **Section 9.1(b)**.

“Closing Payment” has the meaning set forth in **Section 9.4(a)**.

“Contract Notice” has the meaning set forth in **Section 4.3(b)**.

“Contracts” has the meaning set forth in **Section 1.2(a)**.

“Cure Costs” means any and all cure and reinstatement costs or expenses that are required to be paid under §§ 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and assignment of the Purchased Contracts.

“Effective Time” has the meaning set forth in **Section 1.4(a)**.

“Environmental Assessment” has the meaning set forth in **Section 3.5**.

“Environmental Laws” means, as the same may have been amended, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 7401 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 *et seq.*; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 *et seq.*; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 *et seq.*; the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq.*; the Atomic Energy Act, 42 U.S.C. § 2011 *et seq.*; and all applicable related law, whether local, state, territorial, or national, of any Governmental Body having jurisdiction over the property in question, expressly regulating pollution or protection of human health, and all regulations implementing the foregoing.

“Environmental Liabilities” means any and all environmental response costs (including costs of remediation), damages, natural resource damages, settlements, consulting fees, expenses, penalties, fines, orphan share, prejudgment and post-judgment interest, court costs, attorneys’ fees, and other liabilities incurred or imposed (i) pursuant to any order, notice of responsibility, directive (including requirements embodied in Environmental Laws), injunction, judgment or similar act (including settlements) by any Governmental Body to the extent arising out of any

violation of, or remedial obligation under, any Environmental Laws which are attributable to the ownership or operation of the Assets prior to the Effective Time or (ii) pursuant to any claim or cause of action by a Governmental Body or other Person for personal injury, property damage, damage to natural resources, remediation or response costs to the extent arising out of any violation of, or any remediation obligation under, any Environmental Laws which is attributable to the ownership or operation of the Assets prior to the Effective Time.

“Equipment” has the meaning set forth in **Section 1.2(b)**.

“Final Settlement Statement” has the meaning set forth in **Section 9.4(b)**.

“Governmental Body” or “Governmental Bodies” means any federal, state, local, municipal, or other governmental subdivision; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

“Hydrocarbons” means oil, gas, condensate and other gaseous and liquid hydrocarbons or any combination thereof and carbon dioxide and sulfur extracted from hydrocarbons.

“Imbalance” means over-production or under-production of Hydrocarbons or over-deliveries or under-deliveries with respect to Hydrocarbons produced from or allocated to the Assets, regardless of whether such over-production or under-production of Hydrocarbons or over-deliveries or under-deliveries of Hydrocarbons arise at the wellhead, pipeline, gathering system, transportation or other location.

“Laws” means all statutes, laws, rules, regulations, ordinances, orders, decrees and codes of Governmental Bodies.

“Material Adverse Effect” means any effect that is material and adverse to the ownership, operation or value of the Assets, taken as a whole, and as currently operated; provided, however, that “Material Adverse Effect” shall not include (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement; (ii) any effect resulting from changes in general market, economic, financial or political conditions or any outbreak of hostilities or war; (iii) any effect that affects the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally (including changes in commodity prices or general market prices in the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally); and (iv) any effect resulting from a change in Laws or regulatory policies.

“NORM” means naturally occurring radioactive material.

“Party” and “Parties” mean Seller and Purchaser, individually and collectively.

“Permitted Encumbrances” has the meaning set forth in **Section 3.2**.

“Person” means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Body or any other entity.

“Preliminary Settlement Statement” has the meaning set forth in **Section 9.4(a)**.

“Properties” and “Property” have the meaning set forth in **Section 1.2**.

“Property Costs” means all costs (net or allocable to Seller’s interest) attributable to the Seller’s ownership and operation of the Assets (including without limitation ad valorem, property, severance, Hydrocarbon production and similar Taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom, but excluding any other Taxes) and capital expenditures incurred in the ownership and operation of the Assets in the ordinary course of business and, where applicable, in accordance with the relevant operating or unit agreement, if any, and overhead costs charged to the Assets under the relevant operating agreement or unit agreement, if any, but excluding, without limitation, liabilities, losses, costs, and expenses attributable to (i) obligations to plug wells or dismantle, abandon and salvage facilities, (ii) obligations to remediate any contamination of groundwater, surface water, soil, Equipment or Pipelines under applicable Environmental Laws, (iii) obligations to pay working interests, royalties, overriding royalties or other interests held in suspense, (iv) obligations to pay Royalty Amounts, (v) Imbalances, all of which are addressed in **Article 11**. Taxes, right-of-way fees, insurance premiums and other Property Costs that are paid periodically shall be prorated based on the number of days in the applicable period falling before and the number of days in the applicable period falling at or after the Effective Time, except that Hydrocarbon production, severance and similar Taxes shall be prorated based on the number of units actually produced, purchased or sold or proceeds of sale, as applicable, before, and at or after, the Effective Time. For purposes of **Section 2.2**, determination of whether Property Costs are attributable to the period before or after the Effective Time shall be based on when services are rendered, when the goods are delivered, or when the work is performed. For clarification, the date an item of work is ordered is not the date of a pre-Effective Time transaction for settlement purposes, but rather the date on which the item ordered is delivered to the job site, or the date on which the work ordered is performed, shall be the relevant date.

“Purchase Price” has the meaning set forth in **Section 2.1**.

“Purchaser” has the meaning set forth in the preamble of this Agreement.

“Records” has the meaning set forth in **Section 1.2(d)**.

“Royalty Amounts” means all working interests, royalties, overriding royalties, and other interests payable to third parties on account of production from the Assets.

“Sale Motion” means the motion of Seller made after the Auction for a Court order approving the sale of the Assets and assumption and assignment of certain executory contracts and unexpired leases.

“Sale Order” means the Order entered by the Bankruptcy Court approving and the sale of the Assets free and clear of all liens, claims, interests and encumbrances except as provided in the applicable purchase and sale agreement.

“Sale Hearing” means the hearing on the sale of the Assets.

“Seller” has the meaning set forth in the preamble of this Agreement.

“Tax Returns” means all reports, returns, statements (including estimated reports, returns or statements), and other similar filings.

“Taxes” means all federal, state, local, and foreign income, profits, franchise, sales, use, ad valorem, property, severance, production, excise, stamp, documentary, real property transfer or gain, gross receipts, goods and services, registration, capital, transfer, or withholding taxes or other governmental fees or charges imposed by any taxing authority, including any interest, penalties or additional amounts which may be imposed with respect thereto.

“Transfer Requirement” means any consent, approval, authorization or permit of, or filing with or notification to, any Person which, notwithstanding the applicable provisions of the Bankruptcy Code (including but not limited to §§ 363 and 365), is required to be obtained, made or complied with for or in connection with any sale, assignment or transfer of any Asset or any interest therein, other than any consent of, notice to, filing with, or other action by Governmental Bodies in connection with the sale or conveyance of oil and/or gas leases or interests therein or Surface Contracts or interests therein, if they are not typically required prior to the assignment of such oil and/or gas leases, Surface Contracts or interests or they are customarily obtained subsequent to the sale or conveyance (including, without limitation, consents from state and federal agencies).

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound by the terms hereof, agree as follows:

ARTICLE 1

“PURCHASE AND SALE”

Section 1.1 Purchase and Sale. At the Closing, upon the terms and subject to the conditions of this Agreement, Seller shall sell, transfer and convey the Assets to Purchaser and Purchaser shall purchase, accept and pay for the Assets and assume the obligations attributable to the Assets.

Section 1.2 Assets. As used herein, the term “Assets” means, subject to the terms and conditions of this Agreement, all of Seller’s right, title, interest in and to the lands, leases, well, and facilities (if any), whether real or personal, recorded or unrecorded, movable or immovable,

tangible or intangible (collectively, the “Properties” or any one of them as the “Property”), located in

T50N, R69W, 6th P.M.

Section 5: Lot 4, S2NW4, W2SE4, SW4 and Section 8: NENW
Campbell County, Wyoming

And more fully described in **Exhibit A** attached hereto and incorporated herein and including:

(a) All contracts and agreements, including transportation or gathering agreements and agreements for the purchase, sale, and/or processing of Hydrocarbons, along with all easements, permits, licenses, servitudes, rights-of-way, leases, surface leases, surface rights and any other instruments, by which the Properties are bound, or that relate to or are otherwise applicable to the Properties, Equipment or facilities, only to the extent applicable to the Properties, and identified on **Schedule 1.2(a)** (collectively, the “Contracts”), but excluding any contracts, agreements and instruments to the extent that, notwithstanding the Sale Order, transfer is restricted by third-party agreement or applicable Law and the necessary consents to transfer are not obtained pursuant to **Section 3.4**;

(b) All equipment, machinery, fixtures, flowlines, storage facilities and other tangible personal property and improvements located on the Properties, or used or held for use primarily in connection with the operation of the Properties (the “Equipment”);

(c) All Hydrocarbons produced from or attributable to the leases, lands, and well from and after the Effective Time, together with Imbalances associated with the Properties;

(d) All lease, land and well files; production records; gas and oil sales contract files; division order files; abstracts; title opinions; land surveys; logs; maps; engineering data and reports; Seismic data; and other books, records, data, files and accounting records, in each case to the extent related primarily to the Assets, or used or held for use primarily in connection with the maintenance or operation thereof, but excluding (i) any books, records, data, files, maps, and accounting records to the extent disclosure or transfer is restricted by a license agreement or applicable Law notwithstanding the Sale Order and the necessary consents to transfer are not obtained pursuant to **Section 3.4** (provided, however, that Purchaser shall be informed in writing of any records not disclosed in accordance with this clause (i) to the extent Seller is not otherwise prohibited from doing so), (ii) computer or communications software or intellectual property (including tapes, codes, data and program documentation and all tangible manifestations and technical information relating thereto), (iii) attorney-client privileged communications and work product of Seller’s or any of Seller’s Affiliates’ legal counsel (other than title opinions), and (iv) records relating to the negotiation and consummation of the sale of the Assets (subject to such exclusions, the “Records”); provided, however, that Seller may retain the originals of such Records as Seller has determined may be required for litigation, tax, accounting, and auditing purposes and provide Purchaser with copies thereof at Seller’s cost;

Section 1.3 Excluded Assets. Notwithstanding the foregoing, the following items are excluded from the purchase and sale transaction contemplated hereby:

(a) all corporate, financial, income and franchise tax and legal records of Seller that relate to Seller's business generally (whether or not relating to the Assets);

(b) all Hydrocarbons produced and saved from, or otherwise attributable to the Properties prior to the Effective Time, as well as all other benefits relating to the Properties or other Assets and attributable to periods of time prior to the Effective Time;

(c) Seller's federal, state and area-wide bonds, permits and licenses, and other permits, licenses or authorizations used in the conduct of Seller's business generally;

(d) all trade credits, account receivables, note receivables, take-or-pay amounts receivable, and other receivables attributable to the Assets with respect to any period of time prior to the Effective Time;

(e) all rights, titles, claims and interests of Seller or any Affiliate of Seller (i) to or under any policy or agreement of insurance or any insurance proceeds, and (ii) to or under any bond or bond proceeds;

(f) All security deposits with public utilities, telephone companies, landlords and others and

(g) All contracts and agreements not identified in **Schedule 1.2(a)**.

Section 1.4 Effective Time; Proration.

(a) Subject to **Section 1.5**, possession of the Assets shall be transferred from Seller to Purchaser at the Closing, but certain financial benefits and burdens of the Assets shall be transferred effective as of 7:00 A.M., local time, where the respective Assets are located, on August 1, 2017 (the "Effective Time"), as described below.

(b) Purchaser shall be entitled to all Hydrocarbon production from or attributable to the lands and well at and after the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets at or after the Effective Time. Seller shall be entitled to all Hydrocarbon production from or attributable to the lands and well prior to the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets prior to the Effective Time. "Earned" and "incurred", as used in this Agreement, shall be interpreted in accordance with generally accepted accounting principles and Council of Petroleum Accountants Society (COPAS) standards. For purposes of allocating Hydrocarbon production (and accounts receivable with respect thereto), under this **Section 1.4**: (x) liquid Hydrocarbons shall be deemed to be "from or attributable to" the lands and well when they pass through the pipeline connecting into the storage facilities into which they are run. Seller shall utilize reasonable interpolative procedures to arrive at an allocation of Hydrocarbon production when gauging and strapping data is not available.

Section 1.5 Delivery and Maintenance of Records.

(a) Seller, at Seller's cost, shall use reasonable efforts to deliver the Records (FOB Seller's office) to Purchaser within sixty (60) days following Closing.

(b) Purchaser, for a period of six (6) years following Closing, will (i) retain the Records (but only to the extent Purchaser has been provided with originals), and (ii) as to those Records for which Seller has not retained the originals, provide Seller, its Affiliates, and its and their officers, employees and representatives with access to the Records during normal business hours for review and copying at Seller's expense.

ARTICLE 2

"PURCHASE PRICE"

Section 2.1 Purchase Price. The purchase price for the Assets (the "Purchase Price") shall be \$410,000.00, adjusted as provided in **Section 2.2**.

Section 2.2 Adjustments to Purchase Price. Solely for the purposes of calculating the Closing Payment and the Final Settlement Statement under **Section 9.4**, the Purchase Price for the Assets shall be adjusted as follows with all such amounts being determined in accordance with generally accepted accounting principles and Council of Petroleum Accountants Society (COPAS) standards:

(a) Reduced by the aggregate amount of the following proceeds received by Seller between the Effective Time and the Closing Date (with the period between the Effective Time and the Closing Date referred to as the "Adjustment Period") to the extent attributable to: (i) proceeds from the sale of Hydrocarbons (net of any royalties, overriding royalties or other burdens on or payable out of Hydrocarbon production; gathering, processing and transportation costs payable to third parties; and any Hydrocarbon production, severance, sales or excise Taxes not reimbursed to Seller by the purchaser of Hydrocarbon production) produced from or attributable to the Properties during the Adjustment Period, and (ii) other proceeds earned with respect to the Assets attributable to the Adjustment Period;

(b) Increased by the amount of all Property Costs and other costs attributable to the ownership and operation of the Assets which are paid by Seller and incurred (or otherwise attributable to periods) at or after the Effective Time (including any overhead costs under **Section 1.4** deemed charged to the Assets with respect to the Adjustment Period even though not actually paid), except any Property Costs and other such costs already deducted in the determination of proceeds in **Section 2.2(a)**; and

(c) Reduced by any other Assumed Seller Obligation paid or incurred by Seller at or prior to Closing that has not otherwise been taken into account above.

Each adjustment made pursuant to **Section 2.2(a)** shall serve to satisfy, up to the amount of the adjustment, Purchaser's entitlement under **Section 1.4** to Hydrocarbon production from or attributable to the Properties during the Adjustment Period, and to the value of other income, proceeds, receipts and credits earned with respect to the Assets during the Adjustment Period,

and as such, Purchaser shall not have any separate rights to receive any Hydrocarbon production or income, proceeds, receipts and credits with respect to which an adjustment has been made. Similarly, the adjustment described in **Section 2.2(c)** shall serve to satisfy, up to the amount of the adjustment, Purchaser's obligation under **Section 1.4** to pay Property Costs and other costs attributable to the ownership and operation of the Assets which are incurred during the Adjustment Period, and as such, Purchaser shall not be separately obligated to pay for any Property Costs or other such costs with respect to which an adjustment has been made.

ARTICLE 3

"TITLE AND ENVIRONMENTAL MATTERS"

Section 3.1 Seller's Title.

(a) Seller makes no warranty or representation, express, implied, statutory or otherwise, with respect to Seller's title to any of the Properties.

(b) The Assignment(s) to be delivered by Seller to Purchaser shall (i) cover all of the Assets, (ii) be subject to the Permitted Encumbrances, if any, and (iii) be without warranty of title of any kind, express, implied or statutory or otherwise.

Section 3.2 Definition of Permitted Encumbrances. As used herein, the term "Permitted Encumbrances" means any or all of the following:

(a) Royalties and overriding royalties, reversionary interests and other burdens;

(b) All leases, unit agreements, pooling agreements, operating agreements, Hydrocarbon production sales contracts, division orders and other contracts, agreements and instruments applicable to the Assets;

(c) Transfer Requirements applicable to the Assets;

(d) Liens for current Taxes or assessments not yet delinquent (or, if delinquent, (i) being contested in good faith by appropriate actions, or (ii) which will attach to the sale proceeds at Closing pursuant to the Sale Order);

(e) Materialman's, mechanic's, repairman's, employee's, contractor's, operator's and other similar liens or charges arising in the ordinary course of business for amounts not yet delinquent (including any amounts being withheld as provided by Law), or, if delinquent, (i) being contested in good faith by appropriate actions, or (ii) which will attach to the sale proceeds at closing pursuant to the Sale Order;

(f) Rights of reassignment arising upon final intention to abandon or release the Assets, or any of them;

(g) Easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;

(h) All rights reserved to or vested in any Governmental Body to control or regulate any of the Assets in any manner and all obligations and duties under all applicable Laws, or under any franchise, grant, license or permit issued by any such Governmental Body;

(i) Any encumbrance on or affecting the Assets which Purchaser expressly assumes, bonds or pays at or prior to Closing or which Seller discharges at or prior to Closing;

(j) Calls on Hydrocarbon production under existing Contracts;

(k) Any other liens, charges, encumbrances, defects or irregularities which do not, individually or in the aggregate, materially interfere with the use or ownership of the Assets subject thereto or affected thereby (as currently used or owned), which would be accepted by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties; and

(l) Liens granted under applicable joint or unit operating agreements.

Section 3.3 Casualty or Condemnation Loss.

(a) From and after the Effective Time, Purchaser shall assume all risk of loss with respect to, and any change in the condition of, the Assets (other than a change in the condition of the assets due to Seller's negligence or failure to comply with the provisions of **Section 7.5**) and for production of Hydrocarbons from the Assets through normal depletion (including but not limited to the watering out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property included in the Assets due to ordinary wear and tear.

(b) Subject to the provisions of **Sections 8.1(e)** and **8.2(e)**, if, after the date of this Agreement but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the loss as a result of such individual casualty or taking exceeds ten percent (10%) of the Purchase Price, Purchaser shall nevertheless be required to close and Seller shall elect by written notice to Purchaser prior to Closing either (i) to cause the Assets affected by any casualty or taking to be repaired or restored to at least its condition prior to such casualty, at Seller's sole cost, as promptly as reasonably practicable (which work may extend after the Closing Date), or (ii) to reduce the Purchase Price by the replacement cost of the Assets. The Bankruptcy Court shall resolve any dispute over the replacement value, but such resolution shall not delay Closing so long as Seller escrows the disputed amount from the Purchase Price. In each case, Seller shall retain all rights to insurance and other claims against third parties with respect to the casualty or taking except to the extent the parties otherwise agree in writing.

(c) If, after the date of this Agreement but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the loss as a result of such individual casualty or taking is ten percent (10%) or less of the Purchase Price, Purchaser shall nevertheless be required to close and Seller shall, at Closing, pay to Purchaser all sums paid to Seller by third parties by reason of such casualty or taking and shall assign, transfer and set over to Purchaser or subrogate Purchaser to all of Seller's right, title and interest (if any) in insurance claims, unpaid awards, and other rights against third parties (other than Affiliates of Seller and its and their directors, officers, employees and agents) arising out of the casualty or taking.

Section 3.4 Government Approvals Respecting Assets. Purchaser shall provide Seller with the resignation and designation of operator instruments and confirmation of recording of the assignment documents in Campbell County, Wyoming as soon as they are available.

Section 3.5 Environmental Assessment. Upon notice to Seller, Purchaser shall have the right to conduct a visual (Phase I) environmental assessment of all or any portion of the Properties (the "Environmental Assessment"). The Environmental Assessment shall be conducted at the sole cost and expense of Purchaser, and shall be subject to the indemnity provisions of **Section 3.7**. Notwithstanding anything stated in this Agreement to the contrary, neither Purchaser nor its environmental, consulting or engineering firm shall have the right to conduct any soil or groundwater testing or sampling, nor conduct any other invasive tests or activities on or relating to the Properties without Seller's express written consent to the same. Seller shall have the right to be present during any Environmental Assessment of the Properties and shall have the right, at its option and expense, to split samples with Purchaser. After completing any Environmental Assessment of the Properties, Purchaser shall, at its sole cost and expense, restore the Properties to their condition prior to the commencement of such Environmental Assessment, unless Seller requests otherwise. Purchaser shall maintain, and shall cause its officers, employees, representatives, consultants and advisors to maintain, all information obtained by Purchaser pursuant to any Environmental Assessment or other due diligence activity as strictly confidential in perpetuity, unless disclosure of any facts discovered through such Environmental Assessment is required under any Environmental Laws. Purchaser shall provide Seller with a copy of the final draft of all environmental reports prepared by, or on behalf of, Purchaser with respect to any Environmental Assessment conducted on the Properties. In the event that any necessary disclosures under applicable Environmental Laws are required with respect to matters discovered by any Environmental Assessment conducted by, for or on behalf of Purchaser, prior to the Closing Date Seller shall be the responsible party for disclosing such matters to the appropriate Governmental Bodies.

Section 3.6 NORM, Wastes and Other Substances. Purchaser acknowledges that the Assets have been used for exploration, development, production and transportation of Hydrocarbons and that there may be petroleum, produced water, wastes, or other substances or materials located in, on or under the Properties or associated with the Assets. Equipment and sites included in the Assets may contain asbestos, hazardous substances, or NORM. NORM may affix or attach itself to the inside of wells, materials, and Equipment as scale, or in other forms. The wells, materials, and Equipment located on the Properties or included in the Assets may contain NORM and other wastes or hazardous substances. NORM-containing material and/or

other wastes or hazardous substances may have come in contact with various environmental media, including without limitation, water, soils or sediment. Special procedures may be required for the assessment, remediation, removal, transportation, or disposal of environmental media, wastes, asbestos, hazardous substances, and NORM from the Assets.

Section 3.7 Inspection Indemnity. PURCHASER SHALL DEFEND, INDEMNIFY, RELEASE, PROTECT, SAVE AND HOLD HARMLESS THE SELLER, THE SELLER'S AFFILIATES, JOINT OWNERS, VENTURES, CO-LESSEES AND PARTNERS, AND SELLER'S CONTRACTORS, INCLUDING EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, REPRESENTATIVES, INSURERS, SUBCONTRACTORS, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO ANY DUE DILIGENCE ACTIVITY CONDUCTED BY PURCHASER OR ITS EMPLOYEES, CONSULTANTS, ADVISORS OR AGENTS, WHETHER BEFORE OR AFTER THE EXECUTION OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS RESULTING, IN WHOLE OR IN PART, FROM THE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF PURCHASER, SELLER, OR ANY OTHER PERSON.

ARTICLE 4

"BANKRUPTCY COURT APPROVAL"

Section 4.1 Bankruptcy Court Approval. This Agreement is subject to, and shall not become effective until approved by order of the Bankruptcy Court in the Bankruptcy Case pursuant to the Sale Motion.

Section 4.2 Sale Motion. Pursuant to the Sale Motion to be filed within ____ days of the execution of this Agreement, with the Bankruptcy Court, Seller is seeking a Sale Order approving the assumption and assignment of executory Contracts, if any, and the sale of the Assets, free and clear of all liens, claims, interests, and encumbrances pursuant to Bankruptcy Code §§ 363(b) and (f) except as provided in this Agreement; and (f) granting the winning bidder the protections afforded to a good faith purchaser pursuant to Bankruptcy Code § 363(m).

Section 4.3 Executory Contracts and Unexpired Leases.

(a) In the Sale Motion, Seller will also seek Bankruptcy Court approval of the assumption and assignment of the executory Contracts, if any, at the Closing, to the extent such executory Contracts are subject to Bankruptcy Code § 365.

(b) Seller shall serve on all contract counterparties to a Purchased Contract a notice (the "Contract Notice") which shall contain the Cure Costs for each Purchased Contract. The Contract Notice shall also serve as notice to Purchaser of the Cure Costs.

(c) At the Closing, Purchaser shall pay, pursuant to § 365 of the Bankruptcy Code, all Cure Costs in cash at Closing. For the avoidance of doubt, the Cure Costs are separate and apart from, and in addition to, the Purchase Price.

(d) Purchaser shall provide adequate assurance as required under the Bankruptcy Code of the future performance by Purchaser of the executory Contracts, if any. Purchaser and Seller agree that they will promptly take all actions reasonably required to assist in obtaining a Bankruptcy Court finding that there has been an adequate demonstration of adequate assurance of future performance under the executory Contracts, if any, such as furnishing timely requested and factually accurate affidavits, non-confidential financial information and other documents or information for filing with the Bankruptcy Court and making Purchaser's and Seller's employees and representatives available to testify before the Bankruptcy Court.

Section 4.4 Preclusion of Assumption and Assignment. If Bankruptcy Code § 365 precludes assumption and assignment of any of such executory Contracts, such precluded Contracts shall not be included in the Assets (or the Assumed Seller Obligations).

ARTICLE 5

"REPRESENTATIONS AND WARRANTIES OF SELLER"

Section 5.1 Generally.

(a) Any representation or warranty qualified "to the knowledge of Seller" or "to Seller's knowledge" or with any similar knowledge qualification is limited to matters within the actual knowledge of the officers of Seller. "Actual knowledge" for purposes of this Agreement means information actually personally known by such officers.

(b) Inclusion of a matter on a Schedule to a representation or warranty which addresses matters having a Material Adverse Effect shall not be deemed an indication that such matter does, or may, have a Material Adverse Effect. Likewise, the inclusion of a matter on a Schedule in relation to a representation or warranty shall not be deemed an indication that such matter necessarily would, or may, breach such representation or warranty absent its inclusion on such Schedule. Matters may be disclosed on a Schedule to this Agreement for purposes of information only.

(c) Subject to the foregoing provisions of this **Section 5.1**, the disclaimers contained in **Section 11.2** and the other terms and conditions of this Agreement, Seller represents and warrants to Purchaser the matters set out in **Sections 5.2 through 5.11**.

Section 5.2 Existence and Qualification. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and is duly qualified to do business as a foreign corporation where its Assets are located.

Section 5.3 Power. Subject to the approval of the Bankruptcy Court, Seller has the power and authority to enter into and perform this Agreement and each other agreement, instrument or document executed or to be executed by Seller in connection with the transactions contemplated hereby and to consummate the transactions contemplated by this Agreement. The execution, delivery, and performance by Seller of this Agreement and each other agreement, instrument, or document executed or to be executed by Seller in connection with the transactions contemplated hereby to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary action of Seller.

Section 5.4 Authorization and Enforceability. The execution, delivery and performance of this Agreement, and the performance of this Agreement and each other agreement, instrument, or document executed or to be executed by Seller in connection with the transactions contemplated hereby, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller (and all documents required hereunder to be executed and delivered by Seller at Closing will be duly executed and delivered by Seller), and this Agreement constitutes (subject to the approval of the Bankruptcy Court), and at the Closing such documents will constitute, the valid and legally binding obligations of Seller, enforceable against Seller in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.5 No Conflicts. To Seller's knowledge, subject to compliance with the Transfer Requirements for the Contracts, set forth in **Schedule 1.2(a)**, if any, the execution, delivery and performance of this Agreement by Seller, and the transactions contemplated by this Agreement will not, subject to the approval of the Bankruptcy Court, (a) with respect to Seller, violate any provision of the certificate of incorporation or bylaws of Seller, (b) result in default (with due notice or lapse of time or both) or the creation of any lien or encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or agreement to which Seller is a party and which affects the Assets, (c) violate any judgment, order, ruling, or decree applicable to Seller as a party in interest, (d) violate any Laws applicable to Seller or any of the Assets, except (i) for rights to consent by, required notices to, filings with, approval or authorizations of, or other actions by any Governmental Body where the same are not required prior to the assignment of the related Asset or are customarily obtained subsequent to the sale or conveyance thereof, and (ii) any matters described in clauses (b), (c) or (d) above which would not have a Material Adverse Effect.

Section 5.6 Liability for Brokers' Fees. Purchaser shall not directly or indirectly have any responsibility, liability or expense as a result of undertakings or agreements of Seller for brokerage fees, finder's fees, agent's commissions, fees of Seaport Global Securities, LLC or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 5.7 Litigation. No action, suit, or other legal proceeding before any Governmental Body or arbitrator is pending or, to Seller's knowledge, threatened to which Seller is a party and which relates to the Assets or the transactions contemplated hereby.

Section 5.8 Contracts. The Contracts listed on **Schedule 1.2(a)** constitute the material contracts and agreements related to the Assets, and Seller is in compliance with, and not in breach or default of its obligations under, except such non-compliance as would not individually or in the aggregate have a Material Adverse Effect. To the knowledge of Seller, all Contracts are in full force and effect and, subject to any assumption necessary under Bankruptcy Code § 365, constitute valid and legally binding obligations of the parties thereto and no breach or default under any Contract by any party thereto (other than Seller) shall exist following the Closing.

Section 5.9 Payments for Hydrocarbon Production. To the knowledge of Seller, all rentals, royalties, excess royalty, overriding royalty interests, Hydrocarbon production payments, and other payments due and/or payable by Seller to overriding royalty holders and other interest owners on or prior to the Effective Time under or with respect to the Assets and the Hydrocarbons produced therefrom or attributable thereto, have been paid or will not be claims against the Assets.

Section 5.10 Transfer Requirements. To Seller's knowledge, the sale of the Assets, or any portion thereof, is not subject to any Preference Right applicable to the transactions contemplated by this Agreement, or to any Transfer Requirements except as set forth on **Schedule 1.2(a) and/or Exhibit A**.

Section 5.11 Condemnation. To Seller's knowledge, as of the date hereof, there is no actual or threatened taking (whether permanent, temporary, whole or partial) of any part of the Properties by reason of condemnation or the threat of condemnation.

Section 5.12 Disclosure of Additional Matters. Prior to Closing, Seller shall disclose any material matters discovered or occurring after the execution of this Agreement that affect the representations and warranties in this Article 5, and, if so disclosed, such disclosures shall be added to the schedules and shall be deemed to have been included in the schedules related to Seller's representations and warranties.

ARTICLE 6

"REPRESENTATIONS AND WARRANTIES OF PURCHASER"

Purchaser represents and warrants to Seller the following:

Section 6.1 Existence and Qualification. Purchaser is a Limited Liability Company duly organized, validly existing and in good standing under the laws of the state of Colorado; Purchaser is duly qualified to do business as a foreign corporation in every jurisdiction in which it is required to qualify in order to conduct its business except where the failure to so qualify would not have a material adverse effect on Purchaser or its properties; and Purchaser is duly qualified to do business as a foreign corporation in the respective jurisdictions where the Assets are located.

Section 6.2 Power. Purchaser has the corporate power and authority to enter into and perform this Agreement and each other agreement, instrument or document executed or to be executed by Purchaser in connection with the transactions contemplated hereby and to consummate the transactions contemplated by this Agreement. The execution, delivery, and performance by Purchaser of this Agreement and each other agreement, instrument, or document executed or to be executed by Purchaser in connection with the transactions contemplated hereby to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action of Purchaser.

Section 6.3 Authorization and Enforceability. The execution, delivery and performance of this Agreement and the performance of this Agreement and each other agreement, instrument, or document executed or to be executed by Purchaser in connection with the transactions contemplated hereby, and the consummation by it of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser (and all documents required hereunder to be executed and delivered by Purchaser at Closing will be duly executed and delivered by Purchaser), and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of Purchaser, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 6.4 No Conflicts. The execution, delivery and performance of this Agreement by Purchaser, and the transactions contemplated by this Agreement will not (a) violate any provision of the [certificate of incorporation, bylaws, certificate of formation, limited liability company agreement, limited partnership agreement] or other governing document of Purchaser, (b) result in a default (with due notice or lapse of time or both) or the creation of any lien or encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or agreement to which Purchaser is a party, (c) violate any judgment, order, ruling, or regulation applicable to Purchaser as a party in interest, (d) violate any Law applicable to Purchaser or any of its assets, or (e) require any filing with, notification of or consent, approval or authorization of any Governmental Body or authority, except any matters described in clauses (b), (c), (d) or (e) above which would not have a material adverse effect on Purchaser or the transactions contemplated hereby.

Section 6.5 Liability for Brokers' Fees. Seller shall not directly or indirectly have any responsibility, liability or expense as a result of undertakings or agreements of Purchaser for

brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 6.6 Litigation. No actions, suits or proceedings are pending, or to the actual knowledge of Purchaser's officers, threatened in writing before any Governmental Body or arbitrator against Purchaser or any Affiliate of Purchaser which are reasonably likely to impair materially Purchaser's ability to perform its obligations under this Agreement.

Section 6.7 Financing. Purchaser has sufficient cash, available lines of credit or other sources of immediately available funds (in United States dollars) to enable it to pay the Closing Payment to Seller at the Closing.

Section 6.8 Performance Assurances. Purchaser has the authority and ability to provide performance assurances to Seller to enable Purchaser to meet the obligations contained in **Section 7.8.**

Section 6.9 Limitation. Except for the representations and warranties expressly made by Seller in **Article 5** of this Agreement, or confirmed in any certificate furnished or to be furnished to Purchaser pursuant to this Agreement, Purchaser represents and acknowledges that (a) there are no representations or warranties, express, statutory or implied, as to the Assets or prospects thereof, and (b) Purchaser has not relied upon any oral or written information provided by Seller. Without limiting the generality of the foregoing, Purchaser represents and acknowledges that Seller has not made and will not make any representation or warranty regarding any matter or circumstance relating to Environmental Laws, Environmental Liabilities, the release of materials into the environment or protection of human health, safety, natural resources or the environment or any other environmental condition of the Assets. Purchaser further represents and acknowledges that it is knowledgeable of the oil and gas business and of the usual and customary practices of producers such as Seller and that it has had access to the Assets, the officers and employees of Seller, and the books, records and files of Seller relating to the Assets, and in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Purchaser has relied solely on the basis of its own independent due diligence investigation of the Assets.

Section 6.10 Investment Intent. Purchaser is acquiring the Assets for its own account for use in its trade or business, and not with a view toward or for sale associated with any distribution thereof, nor with any present intention of making a distribution thereof within the meaning of the Securities Act of 1933, as amended and applicable state securities laws.

Section 6.11 Qualification. Purchaser is now, and hereafter shall continue to be, qualified to own and assume operatorship of federal and state oil, gas and mineral leases in all jurisdictions where the Assets to be transferred to it are located, and the consummation of the transactions contemplated in this Agreement will not cause Purchaser to be disqualified as such an owner or operator. To the extent required by the applicable state and federal Governmental Bodies or by Law, Purchaser currently has, and will continue to maintain, lease bonds, area-wide bonds or any other surety bonds as may be required by, and in accordance with, such state or federal regulations governing the ownership and operation of such leases.

ARTICLE 7

“COVENANTS OF THE PARTIES”

Section 7.1 Access. Prior to the Closing Date, Seller will give Purchaser and its representatives access to the Properties and access to the records in Seller’s possession, for the purpose of conducting an investigation of the Assets, but only to the extent that Seller may do so without violating any obligations to any third party and to the extent that Seller has authority to grant such access without breaching any restriction binding on Seller. In the event that access to the Properties or Records is restricted for any reason, Seller shall advise Purchaser in writing of such restriction. Such access by Purchaser shall be limited to Seller’s normal business hours, and any weekends and after hours requested by Purchaser that can be reasonably accommodated by Seller, and Purchaser’s investigation shall be conducted in a manner that minimizes interference with the operation of the Assets. All information obtained by Purchaser and its representatives under this Section shall remain confidential.

Section 7.2 Government Reviews. Seller and Purchaser, as applicable, shall in a timely manner (a) make all required filings, if any, with and prepare applications to and conduct negotiations with, each Governmental Body as to which such filings, applications or negotiations are necessary or appropriate in the consummation of the transactions contemplated hereby, and (b) provide such information as each may reasonably request to make such filings, prepare such applications and conduct such negotiations. Each party shall cooperate with and use all commercially reasonable efforts to assist the other with respect to such filings, applications and negotiations.

Section 7.3 Notification of Breaches. Until the Closing,

(a) Purchaser shall notify Seller promptly after Purchaser obtains actual knowledge that any representation or warranty of Seller contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Seller prior to or on the Closing Date has not been so performed or observed in any material respect.

(b) Seller shall notify Purchaser promptly after Seller obtains actual knowledge that any representation or warranty of Purchaser contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Purchaser prior to or on the Closing Date has not been so performed or observed in any material respect.

(c) If any of Purchaser’s or Seller’s representations or warranties is untrue or shall become untrue in any material respect between the date of execution of this Agreement and the Closing Date, or if any of Purchaser’s or Seller’s covenants or agreements to be performed or observed prior to or on the Closing Date shall not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement shall (if curable) be cured by the Closing (or, if the Closing does not occur, by the date set forth in **Section**

10.1), then such breach shall be considered not to have occurred for all purposes of this Agreement.

Section 7.4 Letters-in-Lieu; Assignments; Operatorship.

(a) Seller will execute on the Closing Date letters in lieu of division and transfer orders relating to the Assets on forms prepared by Purchaser and reasonably satisfactory to Seller to reflect the transactions contemplated hereby.

(b) Seller will prepare and Seller and Purchaser will execute on the Closing Date all Assignment(s) necessary to convey to Purchaser all leases.

(c) Seller makes no representations or warranties to Purchaser as to transferability or assignability of operatorship of any of the Assets, including without limitation whether Purchaser will be able to succeed Seller as a successor operator on the Properties. Seller will provide reasonable assistance to Purchaser in its efforts to succeed Seller as operator of the well included in the Assets. Purchaser shall, promptly following Closing, file all appropriate forms and declarations or bonds with the appropriate Governmental Bodies relative to its assumption of operatorship. Seller shall execute and deliver to Purchaser and Purchaser shall promptly file the appropriate forms with the applicable regulatory agency transferring operatorship of the Assets to Purchaser.

Section 7.5 Operation of Business.

(a) Seller (a) will operate its business in the ordinary course, (b) will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, commit to any operation, or series of related operations, reasonably anticipated by Seller to require future capital expenditures by the owner of the Assets in excess of \$5,000, proportionate to Seller's working interest, or make any capital expenditures in excess of \$5,000 proportionate to Seller's working interest, or terminate, materially amend, execute or extend any material agreements affecting the Assets, (c) will maintain insurance coverage on the Assets presently furnished by nonaffiliated third parties in the amounts and of the types presently in force, (d) will use commercially reasonable efforts to maintain in full force and effect all leases, if any, (e) will maintain all material governmental permits and approvals affecting the Assets, (f) will not transfer, farmout, sell, hypothecate, encumber or otherwise dispose of any material Assets except for sales and dispositions of Hydrocarbon production and Equipment made in the ordinary course of business consistent with past practices and (g) will not commit to do any of the foregoing. Purchaser's approval of any action restricted by this Section 7.5 shall be considered granted within ten (10) days (unless a shorter time is reasonably required by the circumstances and such shorter time is specified in Seller's written notice) of Seller's notice to Purchaser requesting such consent unless Purchaser notifies Seller to the contrary in writing during that period. In the event of an emergency, Seller may take such action as a prudent operator would take and shall notify Purchaser of such action promptly thereafter, provided however, in no event shall Seller have any obligation to make any payment or undertake any drilling or operational activity to hold or extend any Lease.

(b) Notwithstanding anything to the contrary in this Agreement, Seller shall have no liability to Purchaser for the incorrect payment of delay rentals, royalties, shut-in payments or similar payments made during the period from the Effective Time to the Closing Date or for failure to make such payments through mistake or oversight (including Seller's negligence). Seller shall continue from the Effective Time until Closing Date to account for payments in its normal course of business.

Section 7.6 Transfer Requirements.

(a) Purchaser's purchase of the Assets is expressly subject to all validly existing and applicable Transfer Requirements. Seller shall not be obligated to pay any consideration to (or incur any cost or expense for the benefit of) the holder of any Transfer Requirement in order to obtain the waiver thereof or compliance therewith.

(b) Time is of the essence with respect to the parties' agreement to consummate the sale of the Assets by the Closing Date.

Section 7.7 Tax Matters. Subject to the provisions of **Section 12.3**, Seller shall be responsible for all Taxes related to the Assets (other than ad valorem, property, severance, Hydrocarbon production and similar Taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom, which are addressed in **Section 1.4 and Section 2.2**) attributable to any period of time at or prior to the Effective Date, and Purchaser shall be responsible for all such Taxes related to the Assets attributable to any period of time after the Effective Date. Regardless of which party is responsible, Seller shall handle payment to the appropriate Governmental Body of all Taxes with respect to the Assets which are required to be paid prior to Closing (and shall file all Tax Returns with respect to such Taxes). If requested by Purchaser, Seller will assist Purchaser with preparation of all ad valorem and property Tax Returns due on or before December 31, 2017 (including any extensions requested). Seller shall deliver to Purchaser within thirty (30) days of filing copies of all Tax Returns filed by Seller after the Closing Date relating to the Assets and any supporting documentation provided by Seller to taxing authorities, excluding Tax Returns related to income tax, franchise tax, or other similar Taxes.

Section 7.8 Further Assurances. After Closing, Seller and Purchaser shall take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other party for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

ARTICLE 8

"CONDITIONS TO CLOSING"

Section 8.1 Conditions of Seller to Closing. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject, at the option of Seller, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Purchaser set forth in **Article 6** shall be true and correct as of the date hereof and as of the Closing Date as though made on and as of the Closing Date; provided, however, that, if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects;

(b) Performance. Purchaser shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by a third party (including any Governmental Body) seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body;

(d) Deliveries. Purchaser shall have delivered to Seller duly executed counterparts of the Assignment(s) and all other documents and certificates to be delivered by Purchaser under **Sections 7.4 and 9.3**;

(e) Casualty or Condemnation. The aggregate losses from casualties to the Assets and takings of Assets under right of eminent domain occurring between the execution of this Agreement and the Closing shall not be more than ten percent (10%) of the unadjusted Purchase Price;

(f) Payment. Purchaser shall have paid the Closing Payment; and

(g) Sale Order. The Bankruptcy Court shall have entered the Sale Order.

Section 8.2 Conditions of Purchaser to Closing. The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject, at the option of Purchaser, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Seller set forth in **Article 5** shall be true and correct as of the date hereof and as of the Closing Date as though made on and as of the Closing; provided, however, that, if any such representation and warranty is not qualified by a standard of materiality, such representation and warranty need only be true and correct in all material respects, except for such failures of representations and warranties of Seller to be so true and correct as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(b) Performance. Seller shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by a Governmental Body seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body;

(d) Deliveries. Seller shall have delivered to Purchaser duly executed counterparts of the Assignment(s) and all other documents and certificates to be delivered by Seller under **Sections 7.4 and 9.2**;

(e) Casualty or Condemnation. The aggregate losses from casualties to the Assets and takings of Assets under right of eminent domain occurring between the execution of this Agreement and the Closing shall not be more than ten percent (10%) of the unadjusted Purchase Price; and

(f) Sale Order. The Bankruptcy Court shall have entered the Sale Order.

ARTICLE 9

“CLOSING”

Section 9.1 Time and Place of Closing.

(a) Consummation of the purchase and sale transaction contemplated by this Agreement (the “Closing”), shall, unless otherwise agreed to in writing by Purchaser and Seller, take place at the offices of Seller, at 10:00 a.m., local time, on _____, 2017 (which shall be a date not later than fifteen (15) days after entry of the Sale Order), or if all conditions in **Article 8** to be satisfied prior to Closing have not yet been satisfied or waived, as soon thereafter as such conditions have been satisfied or waived, subject to the rights of the parties under **Article 10**.

(b) The date on which the Closing occurs is herein referred to as the “Closing Date.”

Section 9.2 Obligations of Seller at Closing. At the Closing, upon the terms and subject to the conditions of this Agreement, Seller shall deliver or cause to be delivered to Purchaser, the following:

(a) the Assignment(s), in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices, duly executed by Seller;

(b) if or to the extent necessary, letters-in-lieu of transfer orders covering the Assets, duly executed by Seller;

(c) consents and releases from Seller's applicable lending and/or banking institutions having liens, mortgages, deeds of trust or security interests in all or any portion of the Assets;

(d) a certificate duly executed by an authorized corporate officer of Seller, dated as of Closing, certifying on behalf of Seller that the conditions set forth in **Sections 8.2(a)** and **8.2(b)** have been fulfilled;

(e) one (1) original executed statement described in Treasury Regulation §1.1445-2(b)(2) certifying that Seller is not a foreign person within the meaning of the Internal Revenue Code of 1986, as amended;

(f) a true and correct copy of the Sale Order approving the sale of the Assets to Purchaser pursuant to this Agreement and

(g) the forms designating the replacement of Seller as operator with Purchaser.

Section 9.3 Obligations of Purchaser at Closing. At the Closing, upon the terms and subject to the conditions of this Agreement, Purchaser shall deliver or cause to be delivered to Seller, the following:

(a) a wire transfer of the Closing Payment in same-day funds;

(b) the Cure Costs in accordance with **Section 4.3(c)**, if any;

(c) the Assignment(s), duly executed by Purchaser, which shall include the assumption and assignment by Purchaser of the Contracts, if any;

(d) if or to the extent necessary, letters-in-lieu of transfer orders covering the Assets, duly executed by Purchaser;

(e) a certificate by an authorized corporate officer of Purchaser, dated as of Closing, certifying on behalf of Purchaser that the conditions set forth in **Sections 8.1(a)** and **8.1(b)** have been fulfilled and

(f) the forms designating the replacement of Seller as operator with Purchaser.

Section 9.4 Closing Payment and Post-Closing Purchase Price Adjustments.

(a) Not later than five (5) Business Days prior to the Closing Date, Seller shall prepare and deliver to Purchaser, based upon the best information available to Seller, a preliminary settlement statement (the "Preliminary Settlement Statement") estimating the Adjusted Purchase Price after giving effect to all Purchase Price adjustments provided for in this Agreement. The estimate delivered in accordance with this **Section 9.4(a)** shall constitute the dollar amount to be paid by Purchaser to Seller at the Closing (the "Closing Payment").

(b) As soon as reasonably practicable after the Closing but not later than sixty (60) days following the Closing Date, Seller shall prepare and deliver to Purchaser a statement setting forth the final calculation of the Adjusted Purchase Price and showing the calculation of each adjustment, based, to the extent possible, on actual credits, charges, receipts and other items before and after the Effective Time and taking into account all adjustments provided for in this Agreement. Seller shall at Purchaser's request supply reasonable documentation available to support any credit, charge, receipt or other item. As soon as reasonably practicable but not later than the 30th day following receipt of Seller's statement hereunder, Purchaser shall deliver to Seller a written report containing any changes that Purchaser proposes be made to such Statement. Any objection not asserted by Purchaser within such 30-day period shall be deemed waived, and Seller's calculation in such statement shall be deemed final and binding (and such Statement shall be the "Final Settlement Statement"). If Purchaser does timely assert an objection or change, then the Parties shall undertake to agree on the final statement of the Adjusted Purchase Price no later than one hundred twenty (120) days after the Closing Date. In the event the Parties cannot reach agreement within such period of time, either Party may refer the remaining matters in dispute to a nationally-recognized independent accounting firm, as may be accepted by Purchaser and Seller, for review and final determination. The accounting firm shall conduct the arbitration proceedings in Denver, Colorado in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this **Section 9.4**. The accounting firm's determination shall be made within thirty (30) days after submission of the matters in dispute and shall be final and binding on both Parties, without right of appeal. In determining the proper amount of any adjustment to the Purchase Price, the accounting firm shall not increase the Purchase Price more than the increase proposed by Seller nor decrease the Purchase Price more than the decrease proposed by Purchaser, as applicable, and the Final Settlement Statement shall include those calculations determined by such accounting firm, together with such calculations as the Parties had mutually agreed to (or been deemed to agree to, as described above). The accounting firm shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either party and may not award damages or penalties to either Party with respect to any matter. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case. Each Party shall bear one-half of the costs and expenses of the accounting firm. Within ten (10) Business Days after the date on which the Parties or the accounting firm, as applicable, finally determines the disputed matters: (x) Purchaser shall pay to Seller the amount by which the Adjusted Purchase Price exceeds the Closing Payment or (y) Seller shall pay to Purchaser the amount by which the Closing Payment exceeds the Adjusted Purchase Price, as applicable. Any post-Closing payment pursuant to this **Section 9.4(b)** shall bear interest at the Agreed Interest Rate from the Closing Date to the date both Purchaser and Seller have executed the Final Settlement Statement.

(c) All payments made or to be made hereunder to Seller shall be by electronic transfer of immediately available funds to the account designated by Seller in writing to Purchaser prior to the Closing Date for the credit of Seller. All payments made or to be made hereunder to Purchaser shall be by electronic transfer of immediately available funds to a bank and account specified by Purchaser in writing to Seller.

ARTICLE 10

“TERMINATION”

Section 10.1 Termination. Unless terminated earlier pursuant to other provisions provided herein, this Agreement may be terminated at any time prior to Closing: (a) by the mutual prior written consent of Seller and Purchaser; (b) by Purchaser, if the Closing conditions set forth in **Section 8.2** have not been satisfied and cannot be cured prior to the Closing; (c) by Seller, if the Closing conditions set forth in **Section 8.1** have not been satisfied and cannot be cured prior to the Closing; or (d) by either Party, if the Bankruptcy Court enters an order dismissing the Bankruptcy Case, appointing a chapter 11 trustee, or converting the Bankruptcy Case into a case under chapter 7 of the Bankruptcy Code.

Section 10.2 Effect of Termination. If this Agreement is terminated pursuant to **Section 10.1**, this Agreement shall become void and of no further force or effect (except for the provisions of **Sections 3.7, 5.6, 6.5, 11.2, 12.6, 12.12, 12.15 and 12.16**, all of which shall continue in full force and effect), and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any party without any restriction under this Agreement. Notwithstanding anything to the contrary in this Agreement, the termination of this Agreement under **Section 10.1** shall not relieve any party from liability for any willful or negligent failure to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed or observed at or prior to Closing. In the event this Agreement terminated because a Party has willfully or negligently failed to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed at or prior to Closing, then the other Party shall be entitled to all remedies available at law or in equity and shall be entitled to recover court costs and attorneys' fees in addition to any other relief to which such Party may be entitled.

ARTICLE 11

“POST-CLOSING OBLIGATIONS; DISCLAIMERS AND WAIVERS”

Section 11.1 Assumed Seller Obligations. At Closing, Purchaser shall assume and fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the obligations and liabilities of Seller, known or unknown, with respect to the Assets, regardless of whether such obligations or liabilities arose prior to, on or after the Effective Time, including but not limited, to obligations to: (a) pay working interests, royalties, overriding royalties and other interests held in suspense, (b) properly plug and abandon any and all wells, including inactive wells or temporarily abandoned wells, drilled on or allocable to the Properties or otherwise pursuant to the Assets, (c) replug any well, wellbore, or previously plugged well on the Properties to the extent required by a Governmental Body, and remediate as required under applicable Laws, (d) dismantle, decommission, salvage and remove any equipment, structures, materials, platforms, pipelines, flowlines, and property of whatever kind related to or associated with operations and activities conducted on the Properties or otherwise pursuant to the Assets, and remediate as required under applicable Laws, (e) clean up, restore and/or remediate the premises covered by or related to the Assets in accordance with applicable agreements and Laws,

(f) perform all obligations applicable to or imposed on the lessee, owner, or operator under any leases and related contracts, or as required by applicable Laws, including, without limitation, all Environmental Laws and with regard to any Environmental Liabilities, (g) pay all Royalty Amounts, (h) make all payments to the land or surface owner under any of the Surface Owner Agreements, and (i) satisfy any Imbalance obligations (all of said obligations and liabilities, subject to the exclusions below, being referred to herein as the "Assumed Seller Obligations"); provided, however, that Purchaser does not hereby assume any obligations or liabilities of Seller to the extent that they are attributable to or arise out of the Excluded Assets.

Section 11.2 Disclaimers.

(a) **EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE 5 OF THIS AGREEMENT, OR CONFIRMED IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(d), OR IN THE ASSIGNMENT(S): (I) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) SELLER EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO PURCHASER OR ANY OF ITS AFFILIATES, EMPLOYEES, AGENTS, CONSULTANTS OR REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PURCHASER BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLER OR ANY OF ITS AFFILIATES).**

(b) **EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE 5 OF THIS AGREEMENT, OR CONFIRMED IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(d), OR IN THE ASSIGNMENT(S), AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF PETROLEUM SUBSTANCES IN OR FROM THE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (V) THE PRODUCTION OF HYDROCARBONS FROM THE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO PURCHASER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS**

CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, AND FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM REDHIBITORY VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT PURCHASER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND THAT PURCHASER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PURCHASER DEEMS APPROPRIATE, OR (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT.

(c) SELLER HAS NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, ENVIRONMENTAL LIABILITIES, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND PURCHASER SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION.

(d) NOTWITHSTANDING ANYTHING THAT MAY BE CONTAINED TO THE CONTRARY IN ANY OTHER PROVISION OF THIS AGREEMENT, (1) THE PLUGGING AND ABANDONMENT OBLIGATIONS CONSTITUTE ASSUMED LIABILITIES, (2) THE PLUGGING AND ABANDONMENT OBLIGATIONS SHALL NOT CONSTITUTE ENVIRONMENTAL CONDITIONS, ENVIRONMENTAL LIABILITIES, ENVIRONMENTAL DEFECTS, OR ENVIRONMENTAL MATTERS, (3) SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE PLUGGING AND ABANDONMENT OBLIGATIONS, AND (4) SELLER SHALL HAVE NO LIABILITIES OR OBLIGATIONS WITH RESPECT TO PLUGGING AND ABANDONMENT OBLIGATIONS RELATING TO THE EXCLUDED ASSETS.

(e) PURCHASER AND ITS AFFILIATES SHALL HAVE NO RIGHT TO RECOVERY OR INDEMNIFICATION FOR ENVIRONMENTAL LIABILITIES RELATING TO THE ASSETS UNDER THIS AGREEMENT OR AT LAW OR EQUITY OTHER THAN THE RIGHTS AND REMEDIES SPECIFICALLY PROVIDED, IF ANY, AND ALL RIGHTS OR REMEDIES WHICH PURCHASER AND ITS AFFILIATES MAY HAVE AT OR UNDER LAW OR EQUITY WITH RESPECT TO ANY ENVIRONMENTAL LIABILITIES ARE EXPRESSLY WAIVED OTHER THAN THE RIGHTS AND REMEDIES SPECIFICALLY PROVIDED HEREIN, IF ANY.

Section 11.3 Recording. As soon as practicable after Closing, Purchaser shall record the Assignment(s) in the appropriate counties and provide Seller with copies of all recorded or approved instruments. The Assignment(s) is intended to convey the Assets.

Section 11.4 Post-Closing Cooperation. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as the other party reasonably may request, all at the sole cost and expense of the requesting party. Until Purchaser is formally designated as the operator of the Properties by the appropriate Governmental Body, Seller and Purchaser will work together to maintain operations at the well site.

ARTICLE 12

"GENERAL MATTERS"

Section 12.1 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one agreement.

Section 12.2 Notice. All notices which are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing and delivered personally, by registered or certified mail, postage prepaid, as follows:

If to Seller:

Escalera Resources Co.
Attn: Adam Fenster
1675 Broadway
Suite 2200
Denver, Colorado 80202
Telephone: 720.316.1420
Fax: 303.794.8451
Email: afenster@escaleraresources.com

With a copy to:

Onsager | Fletcher | Johnson
Attn: Christian C. Onsager, Esq.
Alice A. White, Esq.
1801 Broadway, Suite 900
Denver, Colorado 80202
Telephone: 303.512.1123
Fax: 3303.512.1129
Email: consager@ofjlaw.com
awhite@ofjlaw.com

If to Purchaser:

Rock Creek Energy, LLC
Attn: Stephen K. Frazier, CEO
9781 S. Meridian Blvd., Suite 325
Englewood, CO 80112
Telephone: (303) 382-2167
Fax: (303) 299-9087
Email: sfrazier@rockcreekresources.com

Either Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

Section 12.3 Sales or Use Tax Recording Fees and Similar Taxes and Fees. Purchaser shall bear all of any sales, use, excise, real property transfer or gain, gross receipts, goods and services, registration, capital, documentary, stamp or transfer Taxes and similar Taxes and fees incurred and imposed upon, or with respect to, the property transfers or other transactions contemplated hereby. Purchaser shall pay all recording and filing fees associated with the Assignment(s) and any Governmental transfers.

Section 12.4 Expenses. Except as provided in **Section 12.3**, all expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, the Assignment(s) delivered hereunder and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including without limitation, all fees and expenses of counsel, accountants and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and all such expenses incurred by Purchaser shall be borne solely and entirely by Purchaser.

Section 12.5 Replacement of Bonds, Letters of Credit and Guarantees. The Parties understand that none of the bonds, letters of credit and guarantees, if any, posted by Seller or any of its Affiliates with Governmental Bodies and relating to the Assets may be transferable to Purchaser. Promptly following Closing, Purchaser shall obtain, or cause to be obtained in the name of Purchaser, replacements for such bonds, letters of credit and guarantees, to the extent such replacements are necessary to permit the cancellation of the bonds, letters of credit and guarantees posted by Seller or any of its Affiliates or to consummate the transactions contemplated by this Agreement.

Section 12.6 Governing Law and Venue. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO (WITHOUT REGARD TO CONFLICT OF LAWS) AND FEDERAL BANKRUPTCY LAWS. Without limiting any Party's right to appeal any order of the Bankruptcy Court, the Parties agree that the Bankruptcy Court shall retain sole jurisdiction over any legal action or proceeding with respect to this Agreement or the transactions contemplated hereby. Each of the Parties irrevocably waives any objection, including any objection to the laying of venue

or based on the grounds of *forum non conveniens*, that it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or the transactions contemplated hereby; provided, however, that if the Bankruptcy Case has been fully and finally dismissed and/or the Bankruptcy Court declines jurisdiction, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court sitting in the City and County of Denver, Colorado, or, if such court does not have, or declines jurisdiction, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive jurisdiction of the Colorado courts located in the City and County of Denver, Colorado.

Section 12.7 Captions. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 12.8 Waivers. Any failure by any Party to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the Party to whom such compliance is owed. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 12.9 Assignment. No Party shall assign all or any part of this Agreement, nor shall any Party assign or delegate any of its rights or duties hereunder, without the prior written consent of the other Party and any assignment or delegation made without such consent shall be void. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assignees.

Section 12.10 Entire Agreement. This Agreement and the Exhibits and Schedules attached hereto, and the documents to be executed hereunder constitute the entire agreement between the Parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

Section 12.11 Amendment.

(a) This Agreement may be amended or modified only by an agreement in writing executed by all Parties, and any material changes shall be approved by the Bankruptcy Court.

(b) No waiver of any right under this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

Section 12.12 No Third-Party Beneficiaries. Nothing in this Agreement shall entitle any Person, other than Purchaser and Seller, to any Claims, remedy or right of any kind.

Section 12.13 References. In this Agreement:

- (a) References to any gender includes a reference to all other genders;
- (b) References to the singular includes the plural, and vice versa;
- (c) Reference to any Article or Section means an Article or Section of this Agreement;
- (d) Reference to any Exhibit or Schedule means an Exhibit or Schedule attached to this Agreement, all of which are incorporated into and made a part of this Agreement;
- (e) Unless expressly provided to the contrary, “hereunder”, “hereof”, “herein” and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; and
- (f) “Include” and “including” shall mean include or including without limiting the generality of the description preceding such term.

Section 12.14 Construction. Purchaser is capable of making such investigation, inspection, review and evaluation of the Assets as a prudent purchaser would deem appropriate under the circumstances including with respect to all matters relating to the Assets, their value, operation and suitability. Each of Seller and Purchaser has had substantial input into the drafting and preparation of this Agreement and has had the opportunity to exercise business discretion in relation to the negotiation of the details of the transactions contemplated hereby. This Agreement is the result of arm’s-length negotiations from equal bargaining positions. In the event of a dispute over the meaning or application of this Agreement, it shall be construed fairly and reasonably and neither more strongly for nor against either Party.

Section 12.15 Limitation on Damages. **NOTWITHSTANDING ANY OTHER PROVISION CONTAINED ELSEWHERE IN THIS AGREEMENT TO THE CONTRARY, THE PARTIES ACKNOWLEDGE THAT THIS AGREEMENT DOES NOT AUTHORIZE ONE PARTY TO SUE FOR OR COLLECT FROM THE OTHER PARTY ITS OWN PUNITIVE DAMAGES, OR ITS OWN CONSEQUENTIAL OR INDIRECT DAMAGES IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH PARTY EXPRESSLY WAIVES FOR ITSELF AND ON BEHALF OF ITS AFFILIATES, ANY AND ALL CLAIMS IT MAY HAVE AGAINST THE OTHER PARTY FOR ITS OWN SUCH DAMAGES IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY REGARDLESS OF FAULT.**

Section 12.16 Conspicuousness. **PROVISIONS IN THIS AGREEMENT IN “BOLD” TYPE SATISFY ANY REQUIREMENTS OF THE “EXPRESS NEGLIGENCE RULE” AND ANY OTHER REQUIREMENTS AT LAW OR IN EQUITY THAT PROVISIONS BE CONSPICUOUSLY MARKED OR HIGHLIGHTED.**

Section 12.17 Severability. If any term or other provisions of this Agreement is held invalid, illegal or incapable of being enforced under any rule of law, all other conditions and

provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either party.

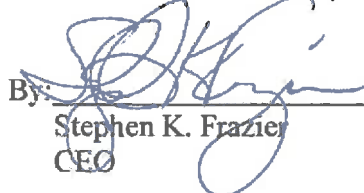
Section 12.18 Time of Essence. Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties on the date first above written.

PURCHASER:

ROCK CREEK ENERGY, LLC, a
Colorado Limited Liability Company

By: 
Stephen K. Frazier
CEO

SELLER:

ESCALERA RESOURCES CO., a
Maryland corporation


By: 
Adam Fenster
Chief Financial Officer

EXHIBIT "A"
Attached to and made a part of Purchase and Sale Agreement between
ESCALERA RESOURCES CO., "Seller" and ROCK CREEK ENERGY, LLC, "Purchaser"

OIL AND GAS LEASES AND WELLS

| State | County | Doc | Date | Vol/Page | Lessor | Lessee | TWP | RNG | SEC | QTR/QTR | Gross Acres | GWI | NRI |
|-------|----------|-----|-----------|----------|--|---|-----|-----|-----|-----------------------|-------------|---------|--------|
| WY | Campbell | OGL | 6/23/1980 | 381 | Mullnix Associates Ltd. %6 | Double Eagle Petroleum & Mining Company | 50N | 69W | 5 | Lot 4, S2NW, SW, W2SE | 360.14 | 100.00% | 80.25% |
| WY | Campbell | OGL | 6/23/1980 | 518 | | | 50N | 69W | 8 | NENW | 40.00 | 100.00% | 80.25% |
| WY | Campbell | OGL | 6/23/1980 | 525 | Carolyn L. Rabourn and Melbern W. Rabourn, wife and husband | Double Eagle Petroleum & Mining Company | 50N | 69W | 5 | Lot 4, S2NW, SW, W2SE | 360.14 | 100.00% | 80.25% |
| WY | Campbell | OGL | 6/23/1980 | 393 | | | 50N | 69W | 8 | NENW | 40.00 | 100.00% | 80.25% |
| WY | Campbell | OGL | 2/19/1980 | 542 | Corinthian Believers Fellowship, a California non-profit corporation | F.H. Merback | 50N | 69W | 5 | Lot 4, S2NW, SW, W2SE | 360.14 | 100.00% | 80.25% |
| WY | Campbell | OGL | 9/20/1980 | 520 | | | 50N | 69W | 8 | NENW | 40.00 | 100.00% | 80.25% |
| WY | Campbell | OGL | 9/20/1980 | 428 | Corinthian Believers Fellowship, a California non-profit corporation | F.H. Merback | 50N | 69W | 8 | NENW | 40.00 | 100.00% | 80.25% |

WELL

| State | County | API | WELL NAME | TWP | RNG | SEC | QTR/QTR |
|-------|----------|--------------|--------------|-----|-----|-----|---------|
| WY | Campbell | 49-005-26862 | Rabourn 11-5 | 50N | 69W | 5 | NW/NE |

SCHEDULE 1.2(d)

Attached to and made a part of Purchase and Sale Agreement between
ESCALERA RESOURCES CO., "Seller" and ROCK CREEK ENERGY, LLC, "Purchaser"

CONTRACTS

| <u>Agreement Type</u> | <u>Effective Date</u> | <u>Seller</u> | <u>Purchaser</u> |
|------------------------------|------------------------------|---|----------------------------|
| Oil Purchase Agreement | 3/1/2015 | Escalera Resources Co., f/k/a Double Eagle Petroleum Co. | Shell Trading (US) Company |

EXHIBIT B

Purchased Contracts

| Agreement | Counterparty | Date | Cure Amount |
|---------------------------|---|-------------|--------------------|
| Oil and Gas Lease | Mullinix Associates | 6/23/1980 | \$0.00 |
| Oil and Gas Lease | Carolyn L. Rabourn and Melbern W. Rabourn | 6/23/1980 | \$0.00 |
| Oil and Gas Lease | Christian Believers Fellowship | 2/19/1980 | \$0.00 |
| Oil and Gas Lease | Christian Believers Fellowship | 2/19/1980 | \$0.00 |
| Oil Purchase Agreement | Shell Trading (US) Company | 3/1/2015 | \$0.00 |

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO**

| | | |
|-------------------------|---|-----------------------|
| In Re: |) | |
| |) | Case No. 15-22395-TBM |
| ESCALERA RESOURCES CO., |) | Chapter 11 |
| |) | |
| EIN: 83-0214692 |) | |
| |) | |
| Debtor. |) | |

**ORDER APPROVING THE SALE OF DEBTOR'S RABOURN ASSETS AND THE
ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND
UNEXPIRED LEASES ASSOCIATED THEREWITH**

THIS MATTER comes before the Court on Debtor's Motion for Order Approving the Sale of Debtor's Rabourn Assets and the Assumption and Assignment of Executory Contracts and Unexpired Leases Associated Therewith (the "Sale Motion") and the Notice of Motion for Order Approving the Sale of Debtor's Rabourn Assets and the Assumption and Assignment of Executory Contracts and Unexpired Leases Associated Therewith (the "Sale Notice"). The Court has reviewed the Sale Motion and the Sale Notice, and based upon pleadings filed with this Court and any records of hearings held before this Court with respect to the proposed sale, the Court hereby FINDS AND ORDERS THAT:

1. The Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 1334. This matter is a core proceeding pursuant to 28 U.S.C. §157(b). The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Fed. R. Bankr. P. 7052.

2. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

3. The Sale Notice provided reasonable and adequate notice of the Sale Motion and the deadline for objecting to the Sale Motion as required by Fed. R. Bankr. P. 2002(a)(2), 2002(c)(1), 6004 and 6006, and L.B.R. 202 and other applicable procedures, as modified in part by the Order Establishing Notice, Case Management and Administrative Procedures Pursuant to 11 U.S.C. § 105 and Rule 2002 and 9007 of the Federal Rules of Bankruptcy Procedure and L.B.R. 20181-2, entered November 9, 2015 in this case. [Dkt. #22]

4. The Sale Motion is granted as provided herein. All objections, if any, have been resolved or hereby overruled.

5. The Purchase and Sale Agreement (the "PSA") executed November 27, 2017, but effective August 1, 2017 between Debtor and Rock Creek Energy, LLC ("Rock Creek"), is hereby authorized and approved, and Debtor is hereby authorized to take all actions and execute

all documents and instruments that Debtor and Rock Creek deem necessary or appropriate to implement and effectuate the PSA.

6. Pursuant to the PSA, Debtor is authorized to sell, and convey to Rock Creek, free and clear of all liens, claims, interests and encumbrances (collectively, the "Interests"), all of Debtor's right, title and interest in and to the Rabourn Assets¹, except for those Interests identified in the PSA as Permitted Encumbrances. The Interests of the Campbell County, Wyoming Treasurer and Société Générale, as Administrative Agent (collectively, the "Lien Claims"), including but not limited to the Adequate Protection Liens shall attach to the proceeds of the sale of the Rabourn Assets pursuant to 11 U.S.C. § 363(f) to the same extent, validity and priority as the Lien Claims attach to the Rabourn Assets immediately prior to the Closing, and all rights to such Lien Claims (including the rights to contest the value of the individual assets and/or the allocation of values between the assets to which the Lien Claims attach) and any objections or defenses thereto, shall be preserved. Notwithstanding the foregoing, Debtor is authorized to pay the gross proceeds-ad valorem taxes owed to Campbell County that are past due as of the Closing at Closing, in which case the Lien Claims of the Campbell County, Wyoming Treasurer shall not attach to the sale proceeds to the extent such claims are actually paid. The sale is not free and clear of liens for taxes for taxes not yet delinquent.

7. Entry into the PSA, sale of the Rabourn Assets pursuant to a private sale and consummation of the transaction contemplated thereby constitute the exercise by Debtor of sound business judgment and such acts are in the best interest of Debtor, its estate and creditors.

8. Debtor is authorized at the Closing to assume and assign the Purchased Contracts, which are identified on Exhibit 1 hereto. The counterparties to the Purchased Contracts were given notice of the proposed assumption and assignment thereof and the Cure Amounts, which Debtor stated to be zero, and the counterparties have not objected thereto. Such counterparties are forever barred and enjoined from raising or asserting against Rock Creek any assignment fee, default or breach thereunder, or any claim for pecuniary loss, or condition to assignment, arising under or related to the Purchased Contracts which arose prior to their assignment to Rock Creek pursuant to the PSA and this Order.

9. The transactions undertaken pursuant to the PSA have been undertaken at arm's length, without collusion by the parties and were proposed by Rock Creek in good faith within the meaning of 11 U.S.C. § 363(m) and represent the highest and best offer for the Rabourn Assets.

10. Rock Creek is a good faith purchaser under 11 U.S.C § 363(m) and is hereby granted the protections afforded to a good faith purchaser under 11 U.S.C § 363(m).

11. The Rabourn Assets do not make up a material portion of the assets, business or operations of Debtor.

¹ All capitalized terms not defined herein shall have the meaning set forth in the Sale Motion or the PSA, as applicable.

12. Nothing in this Order or the PSA releases, nullifies, precludes or enjoins the enforcement of any police or regulatory liability to a governmental unit that any entity would be subject to as the post-sale owner or operator of property after the date of entry of this Order. Nothing in this Order or the PSA authorizes the transfer or assignment of any governmental (a) license, (b) permit, (c) registration, (d) authorization, or (e) approval, or the discontinuation of any obligation thereunder, without compliance with all applicable legal requirements and approvals under police or regulatory law. Nothing in this Order divests any tribunal of any jurisdiction it may have under police or regulatory law to interpret this Order or to adjudicate any defense asserted under this Order.

13. Notwithstanding Fed. R. Bankr. P. 6004(h) and 6006(d), this Order shall be effective and enforceable immediately upon entry, and its provisions shall be self-executing. This Order shall take effect immediately and shall not be automatically stayed pursuant to F.R.B.P. 7062 or otherwise.

14. The filing of the Motion and the entry of this Order shall be deemed to have satisfied any requirement under F.R.B.P. 6004(f)(1) that Debtor file an itemized statement of property sold, name of purchaser and price received with respect to the sale of the Rabourn Assets.

15. The provisions of this Order are nonseverable and mutually dependent.

16. The provisions of this Order and any action taken pursuant hereto shall survive the entry of any other order which may be entered (a) confirming any plan of reorganization; (b) converting this case from Chapter 11 to Chapter 7; or (c) dismissing this case; and the terms and provisions of this Order as well as the transactions effected pursuant hereto shall continue in full force and effect notwithstanding the entry of such other order.

17. This Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order and the PSA.

Dated: _____, 2018

United States Bankruptcy Judge

EXHIBIT 1

Purchased Contracts

| Agreement | Counterparty | Date | Cure Amount |
|---------------------------|---|-------------|--------------------|
| Oil and Gas Lease | Mullinix Associates | 6/23/1980 | \$0.00 |
| Oil and Gas Lease | Carolyn L. Rabourn and Melbern W. Rabourn | 6/23/1980 | \$0.00 |
| Oil and Gas Lease | Christian Believers Fellowship | 2/19/1980 | \$0.00 |
| Oil and Gas Lease | Christian Believers Fellowship | 2/19/1980 | \$0.00 |
| Oil Purchase Agreement | Shell Trading (US) Company | 3/1/2015 | \$0.00 |