

**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
MARIANNE FIELD ASSETS**

Escalera Resources Co. ("Debtor"), as the debtor and debtor-in-possession, pursuant to 11 U.S.C. § 363(b) and (m), Rules 2002, 6004 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 Marianne Field Assets, as follows:

Preliminary Statement

Debtor is seeking to sell its small working interests in certain oil and gas wells and leases located in Wyoming and described below as the “Marianne Field Assets.” The Marianne Field Assets are not included in the potential sale of Debtor’s coal bed methane (“CBM”) Atlantic Rim assets.

Background

1. On November 5, 2015 (the "Petition Date"), Debtor filed a voluntary 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 an investment banker to conduct a sale process and file a new Plan.

4. On January 3, 2018, the U.S. Trustee filed its Motion to Dismiss or Convert Chapter 11 Case Pursuant to U.S.C. § 1112(b) (the “UST Conversion Motion”). [Docket No. 531, 532] A hearing on the UST Conversion Motion is set for February 23, 2018.

5. 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.

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

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

Proposed Sale

A. The Marianne Field Assets

8. The Marianne Field Assets are located in Sweetwater County, Wyoming, as described in Exhibits A through A-2 of the hereinafter described PSA (collectively, the “Properties”)¹, and consist of Debtor’s interests in and to the following:

(a) those certain Leases², which term includes various oil and gas leases, working interests, units and participating areas located in or on the Properties;

(b) all oil, gas, water and injection wells located in or upon the Properties;

(c) any currently existing pools or units which include any Lands, all or part of any Leases or any Wells including those pools or units shown on Exhibit A-2 to the PSA;

¹ The legal descriptions of the Properties are contained in Exhibits A through A-2 to the PSA.

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

(d) all Hydrocarbons produced from or attributable to the Leases, Lands and Wells from and after the Effective Time; and

(e) Records associated with the foregoing.

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

B. Marketing

9. 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 Marianne Field Assets, which were also included in the initial marketing process.

10. 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 fifteen (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.

11. 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.

12. 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.

13. 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, with the Marianne Field Assets being part of a larger package, and in July 2017 Seaport Global listed all of these packages for sale on the Petroleum Listing Service ("PLS").

14. 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).

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.

C. Material Terms of PSA and Proposed Order

15. As a result of the PLS listing, on November 6, 2017, Debtor received an offer from Chaco Energy Company (“Chaco”), a private oil and gas corporation located in Denver, Colorado, to purchase the Marianne Field Assets. Chaco is the operator of all but one of the wells. No other offers were received. After negotiations, Debtor and Chaco entered into a Purchase and Sale Agreement executed January 16, 2018, but effective on July 1, 2017 (the “PSA”), subject to the Court approval. A copy of the PSA is attached hereto as **Exhibit A**.

16. 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 Marianne Field Assets is \$40,000, 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 Marianne Field Assets are excluded from the sale, as identified in the PSA. (*PSA* § 1.3)

(c) Sale Free and Clear of Liens. The Marianne Field 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), and free and clear of all liens, claims and encumbrances (collectively, “Interests”) except as set forth in the PSA, (*PSA* § 3.2; *Motion*, ¶ 17; *Proposed Sale Order* ¶ 3) with those Interests which are not Permitted Encumbrances (hereinafter defined) attaching to the net sale proceeds of the Marianne Field Assets. (*Motion*, ¶¶ 18-23, 31, 32; *Proposed Sale Order* ¶ 3)

(d) Releases. The PSA contains a “Limitation on Damages” clause, in which both Debtor and Chaco 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 § 12.15*)

(e) Private Sale. The PSA does not contemplate an auction. As described in this Motion, (*Motion, ¶¶ 9-15, 28-32*) Debtor did attempt to sell the Marianne Field 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 Marianne Field Assets on the PLS in an attempt to generate interest, and eventually, after several months, received Chaco's offer.

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

(g) 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 Sweetwater County, Wyoming Treasurer at Closing. Such payment will prevent the further accrual of interest at 18% per annum on such claim. (*Motion, ¶¶ 21-23; Proposed Sale Order, ¶ 3*) Debtor may 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.

(h) Good Faith Purchaser. As requested later in this Motion (and as per the PSA), the proposed Sale Order contains a provision that Chaco is a good faith purchaser under § 363(m) of the Bankruptcy Code. (*PSA § 4.2; Motion, ¶¶ 37-39; Proposed Sale Order ¶ E*) The PSA was negotiated in good faith at arms' length, without collusion or fraud of any kind. Debtor is unaware of any connections between Chaco and Debtor or any other party involved in the sale process.

Debtor is unaware of any conduct by Chaco that would prevent the application of Section 363(m) of the Bankruptcy Code.

(i) 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*, ¶ 41; *Proposed Sale Order* ¶ 5) 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

17. The Marianne Field Assets are being sold subject to the following liens, claims and encumbrances (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 Marianne Field Assets;
- (c) Transfer Requirements applicable to the Marianne Field 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 Marianne Field 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 Marianne Field 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 Marianne Field Assets which Chaco 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 Marianne Field 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.

18. The following parties may have a claim in Interest in the Marianne Field Assets:

(a) Société Générale, as Administrative Agent for the senior secured lenders. 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.

(b) Sweetwater County, Wyoming Treasurer.

19. 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, as security for the Adequate Protection Obligations (as defined therein), the senior secured lenders have a valid, binding, continuing, enforceable, fully-perfected perfected, non-voidable first priority lien and/or replacement lien on, and security interest in, among other things, all of Debtor's rights in tangible and intangible assets, including without limitation, all prepetition and postpetition assets of Debtor's estate, including any and all oil and gas properties, well and production, and all products and proceeds thereof, to the extent of the aggregate postpetition diminution in value of the Prepetition Collateral (as defined therein) in the form of, among other things, superpriority claims under section 507(b) and Adequate Protection Liens (as defined therein).

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

21. The Sweetwater County, Wyoming Treasurer is owed prepetition taxes on the subject properties of \$211.34 plus accrued interest for gross proceeds-*ad valorem* taxes due (the “Prepetition Taxes”).

22. The Sweetwater County, Wyoming Treasurer is also owed postpetition taxes on such properties totaling \$165.11 (the “Postpetition Taxes”).

23. 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.

24. Debtor is unaware of any other Interests encumbering the Marianne Field Assets.

E. Preferential Purchase Rights

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

Legal Authority

A. Legal Authority for Sale

26. 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).

27. 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.

28. Debtor retained Seaport Global, a highly experienced investment banking firm, to market all of its assets. The Marianne Field Assets were included in a larger package listed for sale on the PLS by Seaport Global.

29. 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 Marianne Field 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 \$40,000 for the Marianne Field Assets is well within the market rate for a collection primarily of small working interests. Debtor further believes that if the Marianne Field Assets went to an auction, they would sell for less since the interests are so small.

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

31. 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 good method of obtaining the best price possible for such assets under the circumstances.

32. Based upon the foregoing, the potential sale of Debtor's Marianne Field 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

33. Debtor seeks to sell the Marianne Field 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.

34. 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).

35. Société Générale, as administrative agent, and Sweetwater 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.

36. As to the lien of the Sweetwater 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.

C. Determination that Chaco is a Good Faith Purchaser

37. 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).

38. 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, 147 (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).

39. 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 Chaco and Debtor or any

other party involved in the sale process. Debtor is unaware of any conduct by Chaco that would prevent the application of Section 363(m) of the Bankruptcy Code. Debtor anticipates making the appropriate showing at a hearing that Chaco has acted in good faith and otherwise in accordance with the statutory standards.

Notice

40. 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 Marianne Field Assets and all other secured creditors; (d) all parties who have filed an entry of appearance and request for all notices; and (e) all operators of the subject lands, listed in Exhibit A-1 to the PSA.⁴

Immediate Effect

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

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; and (ii) granting such further relief as is just and proper.

Dated: February 1, 2018.

Respectfully submitted,

Onsager | Fletcher | Johnson, LLC

s/ Alice A. White

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⁴ Since Debtor holds a small working interest in the Leases, Debtor avows that notice to the operators of the wells is sufficient.

EXECUTION COPY

EXHIBIT A

PURCHASE AND SALE AGREEMENT

between

ESCALERA RESOURCES CO.

(“Seller”)

and

CHACO ENERGY COMPANY

(“Purchaser”)

Executed on JANUARY 16, 2018

Effective on July 1, 2017

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT ("Agreement") is entered into on JANUARY 16, 2018, and effective on July 1, 2017, by and between ESCALERA RESOURCES CO., a Maryland corporation ("Seller"); and CHACO ENERGY COMPANY, a COLORADO CORPORATION ("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 2.1**.

“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.

“Excluded Assets” has the meaning set forth in **Section 1.3**.

“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.

“Lands” has the meaning set forth in Section 2.1(a).

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

“Leases” has the meaning set forth in Section 2.1(a).

“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(e)**.

“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.

“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.

“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), 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.

“Unit Operating Agreements” means all those agreements which govern the operation of the Units.

“Units” has the meaning set forth in **Section 1.2(c)**.

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

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 and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, in and to the following-described real and personal property located in Sweetwater County, Wyoming (but excluding the Excluded Assets):

(a) All of: (i) the oil and gas leases; subleases; leasehold estates; carried interests; farmout rights; options; units and participating areas; and other properties and interests described in **Exhibit A-1** (the "Leases"), together with each and every kind and character of right, title, claim and interest that Seller has in and to the Leases or in lands currently pooled, unitized, communitized or consolidated with the Leases; subject to such depth limitations and other restrictions as may be set forth in such Leases, instruments in the chain of title, **Exhibit A**, or as may be applicable to other interests not described on **Exhibit A** but on which any of the Wells (hereinafter defined) are located, together with each and every kind and character of right, title, claim and interest that Seller has in and to the Leases or the lands currently pooled, unitized, communitized or consolidated therewith (the "Lands");

(b) All oil, gas, water or injection wells located on the Lands, whether producing, shut-in, or temporarily abandoned, including, without limitation, the interests in the wells shown on **Exhibit A-1** attached hereto and the active permits associated therewith to the extent transferrable (the "Wells");

(c) All interest of Seller derived from the Leases in or to any currently existing pools or units which include any Lands, all or a part of any Leases, or any Wells, including those pools or units shown on **Exhibit A-2** (the "Units"; and the Units, together with the Leases, Lands and Wells, being hereinafter referred to as the "Properties" or any one of them as the "Property") and the Unit Operating Agreements relating thereto, and including all interests of Seller derived from the Leases in production of Hydrocarbons from any such Unit, whether such Unit production of Hydrocarbons comes from Wells located on or off of a Lease, and all tenements, hereditaments and appurtenances belonging to the Leases and the Units;

(d) All Hydrocarbons produced from or attributable to the Leases, Lands, and Wells from and after the Effective Time, together with Imbalances associated with the Properties; and

(e) 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; invitations to participate; authorizations for expenditure; 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 (provided, however, that Purchaser shall be informed in writing of any records not disclosed in accordance with this clause 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 (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 **Section 1.2**.

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 July 1, 2017 (the "Effective Time"), as described below.

(b) Purchaser shall be entitled to all Hydrocarbon production from or attributable to the Leases, Units and Wells 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 Leases, Units and Wells 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**: (i) liquid Hydrocarbons shall be deemed to be "from or attributable to" the Lands and Wells when they pass through the pipeline connecting into the storage facilities into which they are run, and (ii) gaseous Hydrocarbons shall be deemed to be "from or attributable to" the Leases, Units and Wells

when they pass through the delivery point sales meters on the pipelines through which they are transported. Seller shall utilize reasonable interpolative procedures to arrive at an allocation of Hydrocarbon production when exact meter reading, 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. Seller may retain original copies of any Records.

(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 \$40,000.00, adjusted as provided in Section 2.2 (the "Closing Payment").

Section 2.2 Adjustments to Purchase Price. Solely for the purposes of calculating the portion of the Purchase Price to be paid at Closing (the "Adjusted Purchase Price") 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);

(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 Wells, collapsed casing or sand infiltration of any Wells) 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 confirmation of recording of the assignment document(s) in the appropriate counties as soon as they are available.

Section 3.5 Environmental Assessment. Upon notice to Seller and subject to the approval of the operators of the Units, if necessary, 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 entry of an order of the Bankruptcy Court pursuant to the Sale Motion.

Section 4.2 **Sale Motion.** Pursuant to the Sale Motion to be filed within seven (7) Business Days of the execution of this Agreement, Seller is seeking a Sale Order approving 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 granting Purchaser the protections afforded to a good faith purchaser pursuant to Bankruptcy Code § 363(m).

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 **5.9**.

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, 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 Transfer Requirements. To Seller's knowledge, the sale of the Assets, or any portion thereof, is not subject to any preferential right of first refusal applicable to the transactions contemplated by this Agreement, or to any Transfer Requirements except as set forth on **Exhibit A** or any other exhibit.

Section 5.9 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 5.10 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 CORPORATION 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 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 Records 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 6.9 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 6.10 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 subject to that certain Confidentiality Agreement dated October 12, 2017.

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

Section 7.4 Letters-in-Lieu. 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.

Section 7.5 Operation of Business.

(a) Seller (i) will operate its business in the ordinary course, (ii) 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 \$100,000, proportionate to Seller's working interest, or make any capital expenditures in excess of \$100,000 proportionate to Seller's working interest, or terminate, materially amend, execute or extend any material agreements affecting the Assets, (iii) will maintain insurance coverage on the Assets presently furnished by nonaffiliated third parties in the amounts and of the types presently in force, (iv) will use commercially reasonable efforts to maintain in full force and effect all Leases, (v) will maintain all material governmental permits and approvals affecting the Assets, (v) will not transfer, farmout, sell, hypothecate, encumber or otherwise dispose of any material Assets except for sales and dispositions of Hydrocarbon production made in the ordinary course of business consistent with past practices and (vi) 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) Purchaser acknowledges that Seller may own an undivided interest in certain of the Assets, and the acts or omissions of the other working interest owners who are not affiliated with Seller shall not constitute a violation of the provisions of this **Section 7.5** nor shall any action required by a vote of working interest owners constitute such a violation so long as Seller has voted its interest in a manner consistent with the provisions of this **Section 7.5**.

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**) 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 a date mutually agreed by the parties, 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; and

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

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

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.

(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 hereof, 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) any and 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; 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 VICIES 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.

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:

Chaco Energy Corporation ~~COMPANY~~
P.O. BOX 1587
DENVER CO 80201
Telephone: 303.744.1480
Fax: 303.744.1428
Email: KURT @ CHACOENERGY.COM

With a copy to:

Telephone: _____
Fax: _____
Email: _____

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:

CHACO ENERGY COMPANY, a
COLORADO CORPORATION

By: 
Name: KURT T. NELSON
Title: PRESIDENT

SELLER:

ESCALERA RESOURCES CO., a
Maryland corporation

By: 
Adam Fenster
Chief Financial Officer

EXHIBITS

Exhibit A	Leases
Exhibit A-1	Wells
Exhibit A-2	Units

EXHIBIT "A"

Attached to and made a part of Purchase and Sale Agreement, dated January 16, 2018 between ESCALERA RESOURCES CO., "Seller" and CHACO ENERGY COMPANY, "Purchaser"

LEASES															
State	County	Doc	Date	Recording	Lessor	Lessee	TWP	RNG	SEC	QTR/QTR	Gross Acres	Property Name	Interest Type	W.I.	ORRI
WY	Sweetwater	OGL	1/1/1970	718/1651	USA WYW-022067	James F. LaCoy	20N	102W	18	Lots 1-4, E2, E2W2	624.040000	Marianne	WI	10.716000%	
WY	Sweetwater	OGL	6/1/1970	807/195	USA WYW-024136	Spelman Prentice	20N	103W	24	All	640.000000	Marianne	WI	10.450000%	
WY	Sweetwater	OGL	6/1/1970	718/1643	USA WYW-024135	Fred H. Lenway & Company, Inc.	20N	103W	12	W2	320.000000	Marianne	WI	17.500000%	
WY	Sweetwater	OGL	6/1/1970	718/1643	USA WYW-159223 *Segregated from WYW-024135	Fred H. Lenway & Company, Inc.	20N	103W	14	E2, NENW, S2NW, SW	600.000000	Marianne	WI	17.500000%	
WY	Sweetwater	OGL	4/2/1976	613/271	Champlin Petroleum Company	Amoco Production Company	20N	103W	11	S2, NW	480.000000	Marianne	WI	21.208000%	
							20N	103W	13	S2, NW	480.000000	Marianne	WI	21.208000%	
							20N	103W	23	S2, NW	480.000000	Marianne	WI	21.208000%	
							20N	103W	25	S2, NW	480.000000	Marianne	WI	21.208000%	

* This assignment is subject to any depth restrictions of record and/or contained within the above federal lease files.

EXHIBIT "A-1"

Attached to and made a part of Purchase and Sale Agreement, dated January 16, 2018 between ESCALERA RESOURCES CO., "Seller" and CHACO ENERGY COMPANY, "Purchaser"

WELLS

State	Well Name	TWP	RNG	SEC	QTR/QTR	Field	Operator	Interest Type	Revenue %
WY	Madex 18-1	20N	102W	18	SESW	Marianne	Chaco Energy Company	WI	8.912285%
WY	Anderson 12-1	20N	103W	12	SESE	Marianne	Chaco Energy Company	WI	4.468736%
WY	UPRC 13-3	20N	103W	13	NWNE	Marianne	Omimex Petroleum Inc.	WI	7.545313%
WY	Madex 13-1	20N	103W	13	SESW	Marianne	Chaco Energy Company	WI	16.696070%
WY	Steve Federal 14-1	20N	103W	14	SESE	Marianne	Chaco Energy Company	WI	13.491999%
WY	Madex 24-2	20N	103W	24	SESW	Marianne	Chaco Energy Company	WI	8.712697%

EXHIBIT "A-2"

Attached to and made a part of Purchase and Sale Agreement, dated January 16, 2018 between ESCALERA RESOURCES CO., "Seller" and CHACO ENERGY COMPANY, "Purchaser"

UNITS

None.

**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 MARIANNE FIELD ASSETS

THIS MATTER comes before the Court on Debtor’s Motion for Order Approving the Sale of Debtor’s Marianne Field Assets (the "Sale Motion") [Docket No. ___] and the Notice of Motion for Order Approving the Sale of Debtor’s Marianne Field Assets (the “Sale Notice”) [Docket No. ___]. Debtor represents it has provided proper notice of the Sale Motion and no objections have been filed. The Court has reviewed the Sale Motion and the Sale Notice, and the record in this case. Accordingly, based on the representations made in the Sale Motion, which are uncontested by any party in interest, the Court hereby FINDS THAT:

A. 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.

B. 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.

C. 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) and 6004, and L.B.R. 2002-1 and other applicable procedures.

D. Entry into the Purchase and Sale Agreement (the “PSA”) executed January 16, 2018, but effective July 1, 2017 between Debtor and Chaco Energy Company (“Chaco”), for the sale of the Marianne Field Assets¹ 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.

E. The transactions undertaken pursuant to the PSA have been undertaken at arm’s length, without collusion by the parties and were proposed by Chaco in good faith within the

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

meaning of 11 U.S.C. § 363(m) and represent the highest and best offer for the Marianne Field Assets.

F. Chaco 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).

Accordingly, the Court ORDERS that:

1. The Sale Motion is granted as provided herein.
2. The PSA between Debtor and Chaco is hereby authorized and approved, and Debtor is hereby authorized to take all actions and execute all documents and instruments that Debtor and Chaco deem necessary or appropriate to implement and effectuate the PSA.
3. Pursuant to the PSA, Debtor is authorized to sell, and convey to Chaco, 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 Marianne Field Assets, except for those Interests identified in the PSA as Permitted Encumbrances. The Interests of the Sweetwater County, Wyoming Treasurer and Société Générale, as Administrative Agent (collectively, the “Lien Claims”), including but not limited to the Adequate Protections Liens shall attach to the proceeds of the sale of the Marianne Field Assets pursuant to 11 U.S.C. § 363(f) to the same extent, validity and priority as such Interests attach to the Marianne Field 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 but not directed to pay the gross proceeds-ad valorem taxes owed to the Sweetwater County, Wyoming Treasurer in accordance with the cash collateral budget and liens for such taxes 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 not yet delinquent.
4. 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.
5. Notwithstanding Fed. R. Bankr. P. 6004(h), 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 Fed. R. Bankr. P. 7062 or otherwise.
6. The filing of the Motion and the entry of this Order shall be deemed to have satisfied any requirement under Fed. R. Bankr. 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 Marianne Field Assets.

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

8. 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.

9. To the extent permitted by 20 U.S.C. §§ 157 and 1334, 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