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**IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF UTAH, CENTRAL DIVISION**

In re

III EXPLORATION II LP,

Debtor.

Bankruptcy No. 16-26471 (RKM)

Chapter 11

**MOTION FOR ORDER APPROVING SALE OF DEBTOR'S NORTH DAKOTA
ASSETS AND THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY
CONTRACTS**

Pursuant to Bankruptcy Code §§ 105, 363 and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004 and 6006, III Exploration II LP, debtor and debtor-in-possession in the above-captioned case (the "Debtor"), through its undersigned counsel, hereby moves for the entry of an order (the "Sale Order"), substantially in the form attached as Exhibit 3, (i) approving the sale (the "Sale") of substantially all of the Debtor's North Dakota assets (the "North Dakota Assets"), as specifically described and defined in the PSA (as defined below), to Pivotal Williston Basin II, LP or its designee ("Pivotal"), (ii) approving the assumption and assignment of certain related executory

contracts, and (iii) finding that the Auction occurred in conformity with the procedures previously approved by the Court. In support of this motion (the "Motion"), the Debtor respectfully represents as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334.
2. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
3. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND REGARDING DEBTOR AND ITS OPERATIONS

4. The Debtor essentially is a real property holding company, which holds a variety of working interests in approximately 900 oil and gas leases in Utah, Colorado and North Dakota (the "Property") and generates the majority of its revenue through sales of crude oil and natural gas extracted from the Property by operators.

5. Prior to the Petition Date (defined below), the Debtor obtained financing from certain lenders (the "First Lien Lenders") pursuant to a senior secured credit facility evidenced by that certain Credit Agreement dated February 19, 2013 among the Debtor, as borrower, Wilmington Trust, National Association ("First Lien Agent"), as successor administrative agent to KeyBank National Association, and the First Lien Lenders (as amended, the "First Lien Facility"). The Debtor also obtained a second priority secured financing from KeyBank National Association, acting as administrative agent ("Second Lien Agent") for certain lenders (the "Second Lien Lenders"). The

obligations owing to the First Lien Lenders and Second Lien Lenders are secured by a pledge of substantially all of the assets of the Debtor.

THE BANKRUPTCY CASE

6. On July 26, 2016 (the "Petition Date"), the Debtor filed for voluntary relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").¹

7. Prior to the Petition Date, the Debtor explored a range of possible restructuring options, including a refinancing, recapitalization or a sale of some or all of the Debtor's assets outside of bankruptcy. In connection with such process, the Debtor engaged Tudor Pickering Holt & Co. ("TPH"), an investment bank focused on the energy market. The Debtor was unable to identify a workable solution to improve its liquidity, solve the ongoing events of default under the First Lien Facility and continue its current operations. As such, because the Debtor's existing capital structure was unsustainable, the Debtor filed for chapter 11 protection and quickly sought debtor in possession financing. The financing that was available, however, was provided on the condition that a substantial sale transaction be completed within an expedited timeframe. (Dkt. 89.)

8. Thus, the Debtor commenced this chapter 11 case to effectuate a sale of substantially all of its assets on a going concern basis. The Debtor, in consultation with TPH and the First Lien Lenders, determined that given its leveraged financial position, its diminishing revenue stream, and its conclusions about the valuation of the Debtor's

¹ The events leading to the chapter 11 filings are more fully described in the Initial Bid Procedures Motion and North Dakota Bid Procedures Motion (defined below), which are fully incorporated herein by reference.

business and assets, the most effective way to preserve the Debtor's going concern value for the benefit of all constituencies would be an expedited sale of the Property following a thorough marketing process.

A. Initial Bid Procedures²

9. On August 11, 2016, the Debtor filed the Motion for Order Approving Bid Procedures for Sale of Substantially All of the Debtor's Assets (the "Initial Bid Procedures Motion"). (Dkt. 69).

10. On August 23, 2016, the Court entered an order (the "Initial Bid Procedures Order") (Dkt. 94) approving the procedures (the "Initial Bid Procedures") by which the Debtor would identify potential bidders (the "Potential Bidders") for the Property, market the Property to the Potential Bidders, elicit offers from the Potential Bidders, and qualify offers from Potential Bidders (each, a "Qualified Bid"). Potential Bidders that submitted a Qualified Bid would become qualified bidders (the "Qualified Bidders") and be eligible to bid at the Initial Auction for the Property (assuming the Debtor received multiple Qualified Bids). (See Dkt. 69).

B. Identification of Potential Bidders

11. Following approval of the Initial Bid Procedures, the Debtor robustly sought motivated and financially able bidders for the Property. The Debtor engaged

² Capitalized terms used but not otherwise defined in this Motion shall have the meanings ascribed to them in the Bid Procedures authorized and described in the Order Approving Bid Procedures for Sale of Debtor's North Dakota Assets (Dkt. 171), as modified by the Debtor's Notice of Extended Bid Deadline and Auction Date for Sale of Debtor's North Dakota Assets (Dkt. 174), and the Court's prior Order Granting Motion for Order Extending Bid Procedure Deadlines for Sale of Substantially All of Debtor's Assets (Dkt. 115).

TPH as financial advisor and investment banker (Dkt. 85) to, among other things, facilitate a thorough solicitation and marketing process for the Property, which includes approximately 70,286 net operated acres and approximately 28,858 net non-operated acres in the Uinta, Williston and Raton basins.

12. TPH was already familiar with the Property and was able to quickly prepare marketing materials and open a virtual data room, which included financial data and a schedule of executory contracts, to provide prospective bidders an opportunity to conduct fulsome diligence.

13. Through TPH, the Debtor publicized the Sale and marketed the Property broadly in the Debtor's industry and in the general marketplace. Additionally, the Debtor provided notice of the Initial Bid Procedures Motion to the mailing matrix for this case, which included but was not limited to (a) non-debtor parties to relevant contracts or leases (executory or otherwise),³ (b) creditors and other parties, and (c) all known persons asserting a lien, claim, encumbrance or other interest in any of the Property.

14. The sale timeline provided the Debtor with sufficient time to solicit (and/or re-solicit) prospective purchasers in advance of the proposed bid deadline, while respecting the necessity to consummate a sale as quickly as possible to maximize the value obtained for the Property for the benefit of the Debtor's estate.

15. TPH contacted more than 82 parties to solicit interest in the Property. As a result, over 20 individuals executed a confidentiality and nondisclosure agreement, obtained access to the virtual data room and became Potential Bidders.

³ A list of the relevant executory contracts was included in the bid packet.

C. Bids and Identification of Qualified Bids

16. Pursuant to the discretion afforded to the Debtor in the Initial Bid Procedures and in consultation with TPH, the Debtor divided the Property into four separate lots: (1) the Western Uintah Basin Property, (2) the Eastern Uintah Basin Property, (3) the North Dakota Assets, and (4) the Colorado Raton Property.⁴

17. Bidding closed on Friday, October 28, 2016, and the Debtor received five (5) total bids for various lots of Property.

18. The Debtor determined which bids contained the Required Bid Materials required by the Initial Bid Procedures and notified each of the Potential Bidders that their bids met the requirements and was a Qualified Bid. Thus, such Potential Bidders became Qualified Bidders and were permitted to participate in the Initial Auction scheduled for November 4, 2016.⁵

D. Initial Auction

19. One business day prior to the Initial Auction, the Debtor provided each Qualified Bidder with a copy of the Qualified Bid submitted by QEP Energy ("QEP"), which the Debtor believed represented the then highest or otherwise best offer (the "Starting Bid").

20. The Initial Auction took place on Friday November 4, 2016 at 10:00 a.m. (prevailing Mountain Time) at the offices of the Debtor's counsel, Cohne Kinghorn, PC,

⁴ This Motion addresses the sale of only the North Dakota Assets. The disposition of the remaining properties is addressed in the Debtor's Amended Report of Auction Results. (Dkt. 149).

⁵ Pursuant to the Initial Bid Procedures, the First Lien Lenders and Second Lien Lenders were Qualified Bidders and permitted to bid at the Auction through their Agents, provided that a credit bid by an Agent required the approval of 100% of its respective Lenders.

111 East Broadway, 11th Floor, Salt Lake City, Utah. One Qualified Bidder chose not attend the Auction. However, that entity's Qualified Bid was not the pre-Auction highest or otherwise best offer for any lot.

21. The Initial Auction resulted in the Debtor's designation of Successful (and Backup) Bidders for the Western Uintah Basin Property and the Eastern Uintah Basin Property. The Debtor, in consultation with TPH, determined to continue the auction solely with respect to the North Dakota Assets in order to maximize the value of such assets.

E. The Continued Auction

22. On November 10, 2016, the Debtor filed the Motion for Order Approving Bid Procedures for Sale of Debtor's North Dakota Assets (the "North Dakota Bid Procedures Motion"). (Dkt. 150).

23. On November 22, 2016, the Court entered an order (the "North Dakota Bid Procedures Order") (Dkt. 171) approving the procedures (the "North Dakota Bid Procedures"), which modified certain terms of the Initial Bid Procedures Order.

Pursuant to the North Dakota Bid Procedures and the Debtor's Notice of Extended Bid Deadline and Auction Date for Sale of Debtor's North Dakota Assets (Dkt. 174), the auction of the North Dakota Assets (the "Continued Auction") proceeded according to the following deadlines:

<u>EVENT</u>	<u>DEADLINE</u>
Bid Deadline	November 30, 2016

Deadline for Debtor to notify Bidders if their Bids have been determined to be Qualified Bids	December 2, 2016
Continued Auction	December 6, 2016

24. Prior to the amended Bid Deadline, the Debtor received bids for the North Dakota Assets and determined that seven (7) potential bidders were Qualified Bidders eligible to participate in the Continued Auction: (i) Black Ridge Holding Company ("Black Ridge"); (ii) Castle Peak Energy ("Castle Peak"); (iii) GREP William LLC; ("GREP") (iv) Northern Oil and Gas Inc. ("Northern"); (v) Pivotal; (vi) QEP; and (vii) Slawson Exploration ("Slawson").

25. Each Qualified Bid included a list of the Debtor's executory contracts and unexpired leases that each Qualified Bidder wished to receive through assumption and assignment under Bankruptcy Code § 365.

26. On December 3, 2016, the Debtor notified the seven (7) Qualified Bidders that each of them was eligible to participate in the Continued Auction and that Pivotal had made the highest and best qualifying bid.

27. The Continued Auction was conducted on December 6, 2016 by the Debtor's counsel, George Hofmann, in the offices of Cohne Kinghorn, P.C. in Salt Lake City. QEP elected not to participate and did not appear at the Continued Auction. The six (6) other Qualified Bidders attended the Continued Auction. The Continued Auction was transcribed by a court reporter.

28. The opening bid for the North Dakota Assets was the qualified bid of Pivotal, in the amount of \$6,244,970, and the bidding proceeded among Castle Peak,

Pivotal and GREP⁶ until Castle Peak made its final bid of \$7,050,000 and Pivotal made its final bid of \$7,250,000. No higher or better bids were made, and the Debtor, in consultation with the First Lien Agent, declared, pursuant to the Initial Bid Procedures and North Dakota Bid Procedures, the \$7,250,000 bid of Pivotal as the winning bid (the “Successful Bid”) and declared the \$7,050,000 bid of Castle Peak as the binding backup bid (the “Backup Bid”).

29. As stated on the record at the Continued Auction, finalization of the Successful Bid required a few modifications to the Purchase and Sale Agreement that Pivotal submitted in its Required Bid Documents. A fully executed Purchase and Sale Agreement (the “PSA”) with all exhibits and schedules is attached hereto as Exhibit 1.

F. Assigned Contracts

30. In connection with the sale of the North Dakota Assets, the Debtor seeks authority to assume and assign to Pivotal certain unexpired leases and executory contracts (the “Assigned Contracts”). The Assigned Contracts are identified and listed in the table attached hereto as Exhibit 2.

31. Exhibit 2 identifies each Assigned Contract by the nondebtor party(ies) to the Assigned Contract, the date of each Assigned Contract, and the current amount each Assigned Contract is in default (the “Cure Amount”), if any. Absent an objection by a nondebtor party to each Assigned Contract, the Debtor requests that the Cure Amounts listed on Exhibit 2 become final and binding on the nondebtor parties.

⁶ No bids were made at the Auction by Black Ridge, Northern or Slawson.

BASIS FOR RELIEF

A. The Sale Satisfies the Requirements of Bankruptcy Code § 363(b) for a Sale Other than in the Ordinary Course of the Debtor's Business.

32. Bankruptcy Code § 363 provides that the Debtor, “after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate.” Bankruptcy Code § 363(b). To approve the use, sale or lease of property outside of the ordinary course of business, the Debtor must show four requirements: “(1) that a sound business reason exists for the sale; (2) there has been adequate and reasonable notice to interested parties, including full disclosure of the sale terms and the Debtor’s relationship with the buyer; (3) that the sale price is fair and reasonable; and (4) that the proposed buyer is proceeding in good faith.” In re Medical Software Solutions, 286 B.R. 431 (Bankr. D. Utah 2002); accord Committee of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1071 (2d Cir. 1983) (identifying the “sound business purpose” test); In re Abbotts Dairies of Penn., Inc., 788 F.2d 143, 145-47 (3d Cir. 1986) (implicitly adopting the articulated business justification test of Lionel, and adding the “good faith” requirement).

33. In general, bankruptcy courts often defer to a debtor’s business judgment regarding the sale of estate assets, unless such decision is arbitrary and capricious. See In re Curlew Valley Assocs., 14 B.R. 506, 511-13 (Bankr. D. Utah 1981). Courts generally will not second-guess a debtor’s business decisions when those decisions involve “a business judgment made in good faith, upon a reasonable basis, and within the scope of his authority under the Code.” Id. at 513-14 (footnotes omitted).

34. The Debtor has sound business reasons for the proposed sale of the

North Dakota Assets to Pivotal. The Debtor believes that the value of its business and the Property would decline rapidly if it were to run out of cash and be required to completely cease business operations. In order to realize the best value for its businesses and the Property in recognition of the time-sensitivity and potentially decreasing value of the assets, the Debtor was required to act promptly. In order to preserve that value, the Debtor sought and obtained approval of the Initial Bid Procedures (Dkt. 94), and, having complied with Initial Bid Procedures and the North Dakota Bid Procedures (Dkt. 171) (as amended), seeks approval of the Court to finalize the sale of the North Dakota Assets to Pivotal in order to realize the best value for its business and the North Dakota Assets. See, e.g., In re Medical Software Solutions, 286 B.R. at 441 (emphasizing “whether the asset is increasing or decreasing in value” as the most important consideration in determining whether to approve a sale motion).

35. There has been adequate and reasonable notice to interested parties. The Debtor served the Initial Bid Procedures Motion to the mailing matrix in this case, which included but was not limited to (a) non-debtor parties to relevant contracts or leases (executory or otherwise), (b) creditors and other parties, and (c) all known persons asserting a lien, claim, encumbrance or other interest in any of the Property. The North Dakota Bid Procedures substantively conformed to the Initial Bid Procedures, revising only the deadlines to conduct the Continued Auction. Therefore, adequate notice was given to parties in interest of the proposed Sale, and they received sufficient time to submit objections to the Initial Bid Procedures Motion. The Debtor served this Motion on the same persons. More importantly, TPH conducted a robust marketing and

sale process on behalf of the Debtor. Therefore, adequate notice was given to parties in interest of the Sale, and they received sufficient time to submit objections to the Sale.

36. The sale price is fair and reasonable. As further described in the preceding paragraphs, the Debtor used its best efforts to publicize the Initial Auction, including using the services of TPH. The Debtor identified over 20 Potential Bidders interested in the Property, obtained Qualified Bids from five (5) of those parties, and four (4) Qualified Bidders attended the Initial Auction. The Debtor continued the Initial Auction after receiving only one Qualified Bid for the North Dakota Assets, and thereafter continued to market such assets. Prior to the Continued Auction, the Debtor received Qualified Bids from seven (7) Qualified Bidders. Six (6) of those Qualified Bidders attended the Continued Auction, and three (3) submitted bids at the Continued Auction. Accordingly, the Debtor believes that the proposed sale price obtained through the Continued Auction represents fair value for the Debtor's assets.

37. The proposed buyer is proceeding in good faith. The Debtor identified Pivotal through the marketing process conducted by TPH. Pivotal is a wholly owned subsidiary of Pivotal Petroleum Partners II, LP ("Pivotal Petroleum"). Pivotal Petroleum is a privately-held oil and gas company, based in Dallas, Texas. Pivotal Petroleum was formed with the goal of building an oil and gas company focused exclusively on non-operated working interests, such as the North Dakota Assets. Pivotal seeks to grow its assets through the acquisition of non-operated working interests and leasehold positions alongside best-in-class exploration and production companies as well as drilling partnerships and joint ventures with select oil and gas companies in the top

unconventional resource plays in the country. Pivotal Petroleum is a portfolio company of Tailwater E&P Opportunity Fund II LP, a Tailwater Capital, LLC ("Tailwater") managed fund. Tailwater is a highly specialized middle market private equity firm focused exclusively on the energy industry. Tailwater has a strong history of creating solutions oriented, value-added partnerships with experienced management teams to invest growth equity across the midstream and upstream sectors. Tailwater currently manages \$1.7 billion in committed capital. Based upon the foregoing and including Pivotal's good faith deposit of \$624,497.00, the Debtor believes that Pivotal is proceeding in good faith, and the Debtor has neither received nor is aware of any information or actions to the contrary.

B. The Sale Satisfies the Requirements of Bankruptcy Code § 363(f) for a Sale Free and Clear of Liens, Claims, Encumbrances and Interests

38. Pursuant to Bankruptcy Code § 363(f), the Debtor may sell property free and clear of any lien, claim, or interest in such property, if, among other things:

- (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.

39. Because Bankruptcy Code § 363(f) is drafted in the disjunctive, satisfaction of any one of the five requirements will be sufficient to permit the sale of the North Dakota Assets free and clear of lines, claims, encumbrances, pledges,

mortgages, security interests, charges, options, and other interests (collectively, the "Interests").

40. The Debtor is not currently aware of any Interests in the North Dakota Assets other than the liens of the First Lien Lenders and Second Lien Lenders. The First Lien Lenders and Second Lien Lenders consent to the Sale. Therefore, the North Dakota Assets may be sold free and clear of any Interests asserted by the First Lien Lenders and Second Lien Lenders pursuant to Bankruptcy Code § 363(f)(2). Although, the Debtor is not aware of other parties claiming any Interest in the North Dakota Assets, entities that do not object to the Sale are deemed to have consented. In re C.W. Mining Co., No. 08-20105, 2010 WL 3123140, at *6 (Bankr. D. Utah Aug. 6, 2010); In re Korea Tech. Indus. Am., Inc., No. 11-32259, 2011 WL 6004120, at *4 (Bankr. D. Utah Nov. 15, 2011).

41. Because the Debtor is not currently aware of any Interests in the North Dakota Assets other than the liens of the First Lien Lenders and Second Lien Lenders, the Debtor requests authority to distribute the proceeds of the Sale at the closing to the First Lien Lenders.

42. The Debtor reserves the right to assert the Sale may proceed under other subsections of Bankruptcy Code § 363(f) to extent any parties in interest object to the Sale and this Motion.

C. The Assumption and Assignment of Executory Contracts and Unexpired Leases Should Be Authorized

43. Bankruptcy Code § 365(f)(2) provides that:

[T]he trustee may assign an executory contract or unexpired lease of the debtor only if—

(A) the trustee assumes such contract or lease in accordance with the provisions of this section; and

(B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

44. Under Bankruptcy Code § 365(a), a trustee, “subject to the court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). Section 365(b)(1) of the Bankruptcy Code, in turn, codifies the requirements for assuming an unexpired lease or executory contract of a debtor.

This subsection provides as follows:

(b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee —

(A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

(B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and

(C) provides adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

45. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given a “practical, pragmatic construction.” See e.g., EBG Midtown South Corp. v. McLaren/Hart Env. Engineering

Corp. (In re Sanshoe Worldwide Corp.), 139 B.R. 585, 593 (S.D.N.Y. 1992); In re Prime Motor Inns Inc., 166 B.R. 993, 997 (Bankr. S.D. Fla. 1994) ("[a]though no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance"); Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1988).

46. Among other things, adequate assurance may be provided by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. See, e.g., In re Bygaph, Inc., 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (reasoning that adequate assurance of future performance is present when prospective assignee of lease from debtor has financial resources and has expressed willingness to devote sufficient funding to business in order to give it strong likelihood of succeeding).

47. The Debtor does not believe that any defaults exist under any of the contracts and leases to be assumed and assigned under the sale of the North Dakota Assets. The Cure Amounts are listed on Exhibit 2 as \$0.00. At the Sale Hearing, the Debtor will request that the Cure Amounts identified on Exhibit 2 become final and binding on the nondebtor parties as to all Assigned Contracts where the nondebtor party has not objected to the amount identified on Exhibit 2.

48. At the Sale Hearing, the Debtor will further adduce facts demonstrating the financial wherewithal of Pivotal, its industry experience, and its willingness and ability to perform under the contracts to be assumed and assigned to it.

49. Therefore, the Court and other interested parties will have sufficient

opportunity to evaluate and, if necessary, challenge the ability of Pivotal to provide adequate assurance of future performance under the contracts to be assumed. Thus, the Court will have a sufficient basis to authorize the Debtor to assume and assign contracts as will be set forth in the PSA.

D. Cause Exists to Make the Order Approving this Motion Effective Immediately

50. Pursuant to Fed. R. Bankr. P. 6004(h), an order authorizing the sale of property of the estate is stayed until 14 days after the entry of the order, unless the Court orders otherwise. The Debtor respectfully requests that, under the circumstances of this case, time is of the essence, and the Court should waive the 14-day stay otherwise imposed by Fed. R. Bankr. P. 6004(h).

51. In particular, the Debtor has significant ongoing expenses that will be reduced substantially after this Sale closes. Additionally, the proposed Sale depends on the continued consent and cooperation from the First Lien Lenders. They have required that the Sale be finalized promptly and a distribution be made on account thereof without delay; and, in any event, the First Lien Lenders as of the date of the filing of this Motion require that the Sale close and a distribution be made by no later than the end of December 2016.⁷

CONCLUSION

WHEREFORE, the Debtor respectfully requests entry of an order, substantially in

⁷ The Debtor will shortly file a motion amend the December 2016 deadline, and the First Lien Lender have consented to such extension.

the form as the attached Exhibit 3,⁸ (i) approving the PSA and ordering and authorizing the Debtor and Pivotal to carry out its terms; (ii) approving the sale of assets contemplated by the PSA pursuant to Bankruptcy Code § 363, free and clear of Interests to the greatest extent possible under Bankruptcy Code § 363(f); (iii) approving the assumption and assignment of the Assigned Contracts by Pivotal pursuant to Bankruptcy Code § 365; (iv) waiving the 14-day stay that would otherwise apply by virtue of Fed. R. Bankr. P. 6004(h); (v) authorizing the Debtor to distribute to the First Lien Lenders proceeds of the Sale at the closing in an amount to be agreed upon by the Debtor and First Lien Lenders; and (vi) or such other and further relief as is just and proper under the circumstances.

Dated: December 22, 2016.

COHNE KINGHORN, P.C.

/s/Patrick E. Johnson

GEORGE B. HOFMANN

STEVEN C. STRONG

Patrick E. Johnson

Attorneys for the Debtor

⁸ The Sale Order attached as Exhibit 3 is subject to further negotiations and revisions with the First Lien Lenders and Pivotal.

EXHIBIT 1

PURCHASE AND SALE AGREEMENT

Dated as of December 16, 2016

between

III EXPLORATION II LP

as Seller, and

PIVOTAL WILLISTON BASIN II, LP

as Buyer

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”), dated December 16, 2016 (the “Execution Date”), is between III Exploration II LP, an Idaho limited partnership, debtor and debtor in possession (“Seller” or “Debtor”), with offices at 960 Broadway Ave., Suite 500, Boise, Idaho 83706, and Pivotal Williston Basin II, LP, a Delaware limited partnership (“Buyer”), with offices at 2021 McKinney Avenue, Suite 1250 Dallas, TX 75201.

Recitals:

A. Seller is a debtor and debtor in possession under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”) as a result of filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code on July 26, 2016 in the United States Bankruptcy Court for the District of Utah (the “Bankruptcy Court”), where Seller’s bankruptcy case is administered under Case No. 16-26471 (the “Bankruptcy Case”).

B. Buyer desires to purchase Seller’s interests in the Property (as defined herein) Free and Clear (as defined herein) (except for Permitted Encumbrances (as defined herein) and Buyer’s Assumed Obligations (as defined herein)) and Seller desires to sell its interests in the Property to Buyer, all subject to and according to the terms and conditions set forth below (such purchase and sale, the “Sale Transaction”).

C. Buyer and Seller (each, a “Party” and, collectively, the “Parties”) have agreed to seek an order of the Bankruptcy Court authorizing and approving the Sale Transaction Free and Clear (except for Permitted Encumbrances and Buyer’s Assumed Obligations), including the assumption and assignment of certain executory contracts and unexpired Leases, pursuant to sections 105, 363 and 365 of the Bankruptcy Code.

D. The Sale Transaction is conditioned on Bankruptcy Court approval as set forth herein.

E. The Parties acknowledge and agree that the terms of the Sale Transaction are the result of arm’s length negotiations.

F. Seller has solicited bids for the Property to obtain the highest and best offer.

G. Seller has determined that Buyer’s offer to purchase the Property is the highest and best offer received for the Property and constitutes a fair and adequate purchase price for the Property.

H. Capitalized terms used in this Agreement, and in the schedules and exhibits attached hereto, shall have the meanings given to such terms in Exhibit A, Definitions.

NOW, THEREFORE, the Parties agree to the sale and assignment of Seller’s interests in the Property to Buyer on the terms and conditions set forth in this Agreement, effective for the purposes set forth in this Agreement as of December 1, 2016, 7:00 a.m., Mountain time (the “Effective Date”).

Agreements:

NOW, THEREFORE, in consideration of the above recitals and of the covenants and agreements herein contained, Seller and Buyer agree as follows:

Section 1. **Purchased Property.** Subject to and upon the terms and conditions herein set forth, Seller shall sell, transfer, assign, convey, and deliver to Buyer, and Buyer shall purchase, receive, pay for, and accept all of Seller's right and title to, and interest in, and all privileges and obligations appurtenant to, the following described property rights, interests, privileges and obligations (such property rights, interest, privileges and obligations, SAVE and EXCEPT the Excluded Assets described in Section 3, are hereafter referred to collectively as the "Property") Free and Clear (except for Permitted Encumbrances and Buyer's Assumed Obligations):

(a) Oil and Gas Interests; and

(b) All Contracts set forth on Exhibit I (the Contracts set forth on such Exhibit as may be amended pursuant to Section 2, collectively, the "Assumed Contracts"). Including all rights, obligations and interests in all such Assumed Contracts and applicable to the other rights, titles and interests included in this definition of the term "Property."

Section 2. **Assumption and Rejection of Contracts.**

(a) Subject to approval of the Bankruptcy Court by the entry of a Final Order, the Assumed Contracts will be assumed by Seller and assigned to Buyer on the Closing Date in accordance with section 365 of the Bankruptcy Code. The final determination of which Contracts shall be Assumed Contracts shall be within the sole discretion of Buyer. The Cure Costs shall be paid by Buyer in accordance with the provisions herein.

(b) In absence of a dispute regarding the actions necessary with respect to an Assumed Contract, Buyer shall pay the Cure Costs on the Closing Date (or as soon thereafter as reasonably practicable), or upon such other terms as Seller (with the consent of Buyer) and the non-debtor party to an Assumed Contract may otherwise agree. In the event of a dispute regarding (i) the Cure Costs, or (ii) the ability of the Buyer or Seller to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under any Contract to be assumed, the Buyer's assumption thereof shall be conditioned upon resolution of such dispute by the Bankruptcy Court. Seller (with the consent of Buyer) or Buyer, as applicable, reserves the right either to reject or nullify the assumption of any Contract no later than the day that is one (1) Business Day after entry of a Final Order determining Cure Costs or any request for adequate assurance of future performance.

(c) Notwithstanding anything in this Agreement to the contrary, a Contract that is validly rejected or otherwise not assumed and assigned to Buyer pursuant to this Section shall constitute an Excluded Asset.

Section 3. Exclusions from Property. The Property to be conveyed and assigned under this Agreement does not include the following, which are reserved by Seller:

- (a) The Excluded Assets;
- (b) All of Seller's Contracts that are not Assumed Contracts; and
- (c) Any and all Claims and Actions in which Seller has an interest, including any Actions arising under Chapter 5 of the Bankruptcy Code or prior to the Effective Date.

Section 4. Purchase Price and Performance Deposit.

(a) Base Purchase Price. The aggregate consideration for the Property (the "Base Purchase Price") will be Seven Million Two Hundred and Fifty Thousand Dollars (\$7,250,000.00), with all of such amount being an amount to be paid in immediately available funds at the Closing as set forth in this Agreement less the Cure Costs of the Assumed Contracts and the Deposit.

(b) The Base Purchase Price shall be adjusted as provided herein and as adjusted is referred to herein as the "Purchase Price."

(c) Deposit. The Parties acknowledge that on November 30, 2016, Buyer delivered to Cohn Kinghorn, P.C. (the "Escrow Agent") a performance deposit of \$624,497 (the "Performance Deposit") to be governed by the escrow agreement executed by Seller, Buyer and the Escrow Agent as of the Execution Date (the "Escrow Agreement"). Such Performance Deposit is solely to assure Buyer's performance of its obligations hereunder. No interest shall be paid (or deemed earned) on the Performance Deposit. If Closing occurs, the Escrow Agent shall deliver the Performance Deposit to the Seller and such Performance Deposit shall be a Buyer's credit against the payment of the Base Purchase Price at Closing. If this Agreement is terminated without a Closing, then the distribution of the Performance Deposit shall be governed by the provisions of Section 21 and the Escrow Agreement.

(d) Allocation. Seller and Buyer agree that the Base Purchase Price shall be allocated among the Property as set forth on Exhibit E for the purpose of (i) establishing a basis for certain Taxes, (ii) for calculating adjustments to the Base Purchase Price in accordance with this Agreement and (iii) for calculating if all the conditions to Closing have been satisfied under Section 9. Such allocation for each Property shall be the "Allocated Value."

Section 5. Representations of Seller. As of the date hereof, Seller represents and warrants to Buyer as follows:

(a) Qualification. Seller is a limited partnership validly existing and in good standing under the laws of the State of Idaho and is duly qualified to own its properties and the Property and to carry on its business as now being conducted.

(b) Authority. Seller has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, subject to entry of the Sale Order.

(c) Validity of Obligation. This Agreement and all other transaction documents Seller is to execute and deliver on or before the Closing Date (i) have been duly or shall have been executed by its authorized representatives; (ii) constitute its valid and legally binding obligations; and (iii) are enforceable against it in accordance with their respective terms, in each case subject to entry of the Sale Order.

(d) No Violation of Contractual Restrictions. Except filings with, notices to, consents or approvals of Governmental Authorities customarily obtained subsequent to a sale or transfer and subject to the receipt of all consents or approvals applicable to the transactions contemplated hereunder, including those in Schedule 5(d) (the “Scheduled Consents”), this Agreement, and the execution and delivery hereof by Seller, subject to the entry of the Sale Order, do not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Seller or any other governing documents of Seller, (ii) violate, conflict with, or constitute a default under, or result in the creation or imposition of any security interest, lien, or encumbrance upon any property or assets of Seller under any mortgage, deed of trust, indenture, or agreement to which it is a party or by which the Property is bound, which violation, conflict, or default might adversely affect the ability of Seller to perform its obligations under this Agreement, or (iii) violate any statute or Law or any judgment, decree, order, writ, injunction, regulation, or rule of any court or Governmental Authority, which violation might adversely affect the ability of Seller to perform its obligations under this Agreement.

(e) No Restraining Litigation. There is no Action by any Person pending or, to Seller’s Knowledge, threatened against it before any Governmental Authority that seeks damages in connection with, or seeks to restrain, enjoin, impair or prohibit the consummation of all or part of the transaction contemplated in this Agreement.

(f) Contracts.

(i) Solely as of the Execution Date, the list of Contracts set forth in Exhibit J, as such Exhibit exists on the Execution Date, includes the following Contracts included in the Property: (a) all farmout, farmin, development and other similar agreements with remaining drilling or assignment obligations on the part of Seller or any other party, (b) all Contracts that would obligate Buyer to drill additional wells or conduct other material development operations after the Closing, (c) all Contracts that provide for an area of mutual interest, (d) all Contracts that contain a non-compete agreement that would restrict, limit or prohibit the manner in which, or the locations in which, Buyer may conduct its business, (e) all Contracts involving the transportation or processing of production that would not be cancelable by Buyer after Closing upon notice of 60 days or less without liability for further payment other than nominal penalty (including those providing for volumetric or monetary commitments or indemnification

therefor or for dedication of future production), (f) all Contracts providing for any call upon, option to purchase or similar rights with respect to the Property or to the production therefrom or the processing thereof, (g) all Contracts that provide for the supply or transportation of water associated with or used in production from the Leases, the Wells or the Units, and (h) all other material Contracts affecting the Oil and Gas Interests.

(ii) All Contracts with Cure Costs and the amount of such Cure Costs are set forth on Schedule 5(f) and, except as provided in Schedule 5(f), Seller is in material compliance with all Contracts.

(g) No Brokers' Fees. Seller has incurred no liability, contingent, or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer would be liable.

(h) Tax Matters. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended and in any regulations promulgated thereunder (the "Code"). All Tax returns required to be filed by Seller on or before the Closing Date with respect to Taxes payable in respect of the Property have been, or will be, timely filed with the appropriate Governmental Authority and all Taxes shown on such returns have been or will be paid. None of the Property is subject to a tax partnership agreement or arrangement for federal income tax purposes.

(i) Actions. Except as set forth on Schedule 5(i), there are no Claims, Actions, suits, or proceedings (including condemnation or similar proceedings) filed or, to Seller's Knowledge, threatened against the Property or any portion thereof.

(j) Production Matters. Except as set forth on Schedule 5(j), to Seller's Knowledge, none of the Oil and Gas Interests are encumbered by take-or-pay arrangements or similar arrangements with purchasers of oil or gas whereby Seller is obligated (i) to deliver production without receiving payment therefor or (ii) to repay monies received for production paid for but not taken.

(k) No Violation of Laws. To Seller's Knowledge, Seller has not violated any Laws (excluding Environmental Laws, which have been handled exclusively in Section 5(m)) applicable to any of the Property or the operation thereof which violation (i) would have a Material Adverse Effect on the value or operation of the affected Property or (ii) has not been remedied.

(l) Definition of Seller's Knowledge. In those instances where Seller's representations are made on the basis of "Seller's Knowledge," such representations are made by Seller on the basis of the actual knowledge, without any duty of inquiry, of Seller's personnel listed on Schedule 5(l).

(m) Certain Environmental Matters. Except as set forth in Schedule 5(m), to Seller's Knowledge, Seller has not received prior to the Execution Date any written communication from: (a) any Governmental Authority alleging the violation of or liability under any Environmental Law with respect to the Property or requesting, with

respect to the Property, information with respect to an investigation pursuant to any Environmental Law; or (b) any landowner or surface owner of any tract upon which any of the Property is located alleging material violation of or material liability under any Environmental Law, in each case, which has not been fully remediated in accordance with applicable Environmental Laws (to the extent remediation was required, if at all). For purposes of this representation, "Seller's Knowledge" shall include constructive knowledge of any notice of a violation of an Environmental Law that is properly filed in the public records as of the Execution Date.

(n) Preferential Purchase Rights and Consents. Seller's interest in the Property is not subject to any Preferential Purchase Rights, right of first refusal or other agreement which gives a third-party the right to purchase any interest of Seller in the Property (or any part thereof) or third party consents to assign or similar rights, except for any Scheduled Consents.

(o) Suspended Funds. There are no funds held in suspense by Seller related to proceeds of production and attributable to the interests of third parties in the Leases or lands pooled or unitized therewith, including funds suspended awaiting minimum disbursement requirements, funds suspended under division orders, and funds suspended for title and other defects (the "Suspended Funds").

(p) Outstanding Capital Expenditures. As of the date hereof, there are no outstanding authority for expenditures or other commitments to make capital expenditures which are binding on the Property and which Seller reasonably anticipates will individually require expenditures in excess of \$50,000 after the Effective Date.

(q) Condemnation. There is no actual or, to the Seller's Knowledge, threatened taking (whether permanent, temporary, whole or partial) of any part of the Property by reason of condemnation or the threat of condemnation.

(r) Wells. Except as set forth on Schedule 5(r) to Seller's Knowledge, there are no Wells located on the Property that: (i) Seller is currently obligated by Law or contract to plug and abandon; (ii) Seller will be obligated by Law or contract to plug or abandon with the lapse of time or notice or both because the Well is not currently capable of producing in commercial quantities; or (iii) have been plugged and abandoned but have not been plugged in accordance with all applicable requirements of each regulatory authority having jurisdiction over the Property; and Seller has not abandoned any Wells (or removed any material items of equipment, except those replaced by items of materially equal suitability) on the Property since the Effective Date.

Section 6. Representations of Buyer. As of the date hereof, Buyer represents and warrants to Seller as follows:

(a) Qualifications. Buyer is a limited partnership validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own its properties and assets and to carry on its business as now being conducted.

(b) Authority. Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, subject to entry of the Sale Order.

(c) Validity of Obligation. This Agreement and all other transaction documents Buyer is to execute and deliver on or before the Closing Date (i) have been duly or shall have been executed by its authorized representatives; (ii) constitute its valid and legally binding obligations; and (iii) are enforceable against it in accordance with their respective terms, in each case subject to entry of the Sale Order.

(d) No Violation. Buyer's execution, delivery and performance of this Agreement do not conflict with or violate any Contract or instrument to which it is a party or by which it is bound.

(e) No Brokers' Fees. Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller would be liable.

(f) No Restraining Litigation. There is no Action by any Person pending, or to Buyer's Knowledge, threatened against Buyer before any Governmental Authority that seeks substantial damages in connection with, or seeks to restrain, enjoin, materially impair or prohibit the consummation of all or part of the transaction contemplated in this Agreement.

(g) No Projections. Buyer acknowledges that neither Seller nor any of its Affiliates has made any warranty, express or implied, as to the performance, utility or prospects, financial or otherwise, or the profitability of the Property for Buyer, or with respect to any forecasts, projections or business plans prepared by or on behalf of Seller and delivered to Buyer in connection with Buyer's review of the Property and the negotiation and the execution of this Agreement.

(h) Permits. Buyer is now or at Closing will be, and thereafter will continue to be, qualified to own any federal, state or tribal oil, gas and mineral leases, and any oil, gas and mineral leases for all states in which the Property is located, including meeting all bonding requirements. Consummating the transaction contemplated in this Agreement will not cause Buyer to be disqualified or to exceed any acreage limitation imposed by applicable Law.

(i) Sufficient Funds. Buyer has, and will have on the Closing Date and thereafter, sufficient cash to enable it to make payment in immediately available funds of the Purchase Price and any other amounts to be paid by it hereunder.

(j) Knowledgeable Investor. Buyer is an experienced and knowledgeable investor in the oil and gas business and is sophisticated in the evaluation, purchase, ownership, and operation of oil and gas properties and related facilities. Buyer is not acquiring the Property in connection with a distribution or resale thereof in violation of federal or state securities laws and the rules and regulations thereunder.

(k) No Reliance. Prior to executing this Agreement, Buyer has been afforded an opportunity to (i) examine the Property and such documents, instruments, and other materials as it has requested to be provided to it by Seller, (ii) discuss with representatives of Seller such documents, instruments, and other materials and the nature, condition, and operation of the Property, and (iii) investigate the condition, including the surface and subsurface condition, of the Property. In entering into this Agreement, Buyer (x) has relied solely on the express representations and covenants of Seller in this Agreement, its independent investigation of, and judgment with respect to, the Property, and the advice of its own legal, tax, economic, environmental, engineering, geological, and geophysical advisors, and not on any comments or statements of Seller or its Affiliates, or any representatives or agents of, or consultants or advisors engaged by, Seller or its Affiliates and (y) has satisfied itself, or shall satisfy itself through its own due diligence, of the environmental and physical condition and contractual arrangements of the Property.

(l) Governmental Approval. To Buyer's Knowledge, no fact or circumstance exists which would preclude or inhibit approval of Seller's assignment(s) of that portion of the Property which constitutes state or federal oil, gas and mineral leases to Buyer, by any Governmental Authority having jurisdiction, including meeting existing or increased state and federal bonding or supplemental security requirements of such authority.

(m) Definition of Buyer's Knowledge. In those instances where Buyer's representations are made on the basis of "Buyer's Knowledge," such representations are made by Buyer on the basis of the actual knowledge, without any duty of inquiry, of Buyer's personnel listed on Schedule 6(m).

Section 7. Due Diligence Review.

(a) Records. Prior to Closing, Seller has made available, and will make available, to Buyer, and Buyer's authorized representatives, for examination as Buyer may reasonably request, electronic copies of all Lease files, land files, right-of-way files, well files, product purchase and sale, gathering, and processing contracts, division order files, abstracts, drilling and division order title opinions, engineering and geological data, reports, maps, logs, and well records and other information contained in Seller's files relating to the Property, other than (i) any information subject to third party confidentiality agreements for which a consent or waiver cannot be secured by Seller after reasonable efforts, (ii) any information subject to an attorney/client, work product, or similar privilege, (iii) any proprietary evaluations or projections of Seller related to the Property, and (iv) other information related solely to the Excluded Assets (collectively, the "Records").

(b) Inspections. Prior to Closing, Seller shall permit Buyer and Buyer's authorized representatives to consult with Seller's employees during reasonable business hours and to conduct, at Buyer's sole risk and expense, non-invasive site inspections and inventories of the Property; provided, however, that Buyer shall provide Seller with not less than two (2) Business Days' written notice prior to Buyer's entry to the Property, and that Seller shall have the right to send a designated representative to accompany Buyer

for the duration of such access. The scope of the work comprising such inspections shall be limited to conducting a review of the compliance status of the Property with respect to Environmental Laws and a Phase I review and otherwise as may be agreed upon by Buyer and Seller prior to commencement. During such inspections, Buyer shall have the right to evaluate the Property to determine the condition of the Property, but Buyer shall have no right to, and shall not, conduct any soil testing, groundwater testing, or other invasive or destructive testing of the Property or take samples from the Property, without Seller's prior written consent. Seller shall assist Buyer in obtaining such access from the operators of the Property. Buyer shall not contact the operator of any non-operated Oil and Gas Interests directly. If Buyer or any of its representatives accesses any of the Property or Seller's offices, **BUYER AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS** the Seller Parties (as hereinafter defined) from and against any and all Claims occurring on or arising out of access to the Property or Seller's offices, as the case may be, by Buyer and its representatives, unless caused by the gross negligence or willful misconduct of the Seller Parties. Buyer agrees to comply fully with all rules, regulations, and instructions issued by Seller regarding Buyer's actions while upon, entering, or leaving the Property and Seller's offices.

(c) Notice of Title Defects. Prior to Closing, Buyer will review the Records and the inspection results for the Property and determine, based on the records, inspection of the Property, and such other information as may be available to Buyer, if any Title Defects. Buyer will notify Seller in writing of any Title Defects it discovers with respect to the Property as soon as reasonably practicable after its discovery, but at least five (5) Business Days prior to Closing. Such notice must be in writing and will include: (i) a detailed description of the alleged Title Defect, including the legal theories supporting Buyer's claim that Seller is liable for such Title Defect; (ii) the Property affected; (iii) all data and information in Buyer's possession or control which Buyer reasonably believes has bearing thereon, and (iv) the estimated Title Defect Value attributable thereto, with computation and information upon which said estimate is based. Further, in determining Title Defect Value, reference shall be made to the Allocated Value Tracts.

(d) Remedies for Title Defects. Seller shall have the right, but not the obligation, to perform such curative work to Buyer's satisfaction prior to the Closing Date. In the event that such curative work cannot be cured prior to Closing, then (i) the Parties will proceed towards Closing and the affected Property will be conveyed to the Buyer and (ii) the Base Purchase Price shall be adjusted downward by the Title Defect Value of such uncured Property in accordance with Section 7(e) below.

(e) Adjustment of Base Purchase Price for Title Defects. In the event that Seller is unable or unwilling to cure a Title Defect prior to Closing, Buyer shall receive a Base Purchase Price adjustment downwards equal to the aggregate Title Defect Values; provided, however, that in no event shall there be an adjustment to the Base Purchase Price for any Title Defect unless (i) the individual Title Defect Value is greater than Thirty Thousand Dollars (\$30,000.00) net to Seller's interest in the affected portion of the Property (the "Defect Threshold"), in which event the value of the Title Defect will be taken into account from the first dollar; and (ii) the aggregate Title Defect Values exceeding the Defect Threshold exceeds Two Hundred Fifty Thousand Dollars

(\$250,000.00) (the “Defect Deductible”), and then only to the extent such amount exceeds the Defect Deductible.

Section 8. Operations Pending Closing. Seller’s ownership of the Property shall be in accordance with best practices and industry standards until Closing, including without limitation the management of the Property and paying any associated liabilities timely. During the period from the Execution Date through and including the completion of the Closing, Seller (i) shall obtain written consent from Buyer prior to (a) approving any AFE’s over Fifty Thousand Dollars (\$50,000.00) net to the interests of Seller with respect to any Property and (b) incurring of costs related to the Property in excess of Fifty Thousand Dollars (\$50,000.00) net to the interest of Seller, except as to the operations described in Schedule 8, which Seller may conduct without consulting with Buyer, and (ii) not transfer, sell, hypothecate, encumber, abandon, or otherwise dispose of any material portion of the Property (other than the sale of production in the ordinary course of business) without the written consent of Buyer.

Section 9. Conditions to Obligations of Both Parties. The obligations of each Party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) Neither the Bankruptcy Court nor any other Governmental Authority shall have enacted, issued, promulgated, enforced or entered any order, decree or ruling or taken any other action which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(b) Except for such consents and approvals of transfer of the Leases, Units, Permits, Easements and Surface Rights as are customarily obtained from Governmental Authorities subsequent to a sale or transfer, the Parties shall have received all consents, authorizations, orders and approvals from Governmental Authorities that are required in connection with the consummation of the transactions contemplated by this Agreement, including the Sales Order, in each case, in form and substance reasonably satisfactory to the Buyer and the Seller, and no such consent, authorization, order and approval shall have been revoked.

(c) The sum of adjustments to the Base Purchase Price for (i) Title Defects in accordance with Section 7(e), *plus* (ii) Casualty Loss in accordance with Section 12(b) shall not have exceeded fifty percent (50%) of the Base Purchase Price.

(d) The Parties shall have mutually agreed, in writing, on the final Closing Statement.

Section 10. Conditions of Closing by Seller. The obligation of Seller to consummate the transaction contemplated hereunder is subject to the satisfaction of the following conditions:

(a) the representations and warranties of Buyer contained in Section 6 are true and correct on the Execution Date and true and correct in all material respects on and as of the Closing Date, and all covenants and agreements hereunder to be performed by

Buyer at or prior to the Closing have been performed and satisfied in all material respects;

(b) no other event has occurred that will prevent Seller from Closing on, or will cause Seller to be unable to close and convey, all of the Property at one Closing and to receive at such Closing the entire Base Purchase Price, as adjusted in accordance with the terms of this Agreement and to be paid pursuant to Section 14(i);

(c) as of the Closing Date, no Action is pending or threatened before any Governmental Authority seeking to restrain, prohibit, or declare illegal, or seeking substantial damages in connection with, the transaction that is the subject of this Agreement;

(d) as of the Closing Date and to the extent required by Law, Buyer shall have obtained and filed with the applicable Governmental Authority in the name of Buyer, replacements for Seller's and or its Affiliates, bonds, letters of credit and guarantees relating to the Property posted by Seller or its Affiliates with such Governmental Authority; and

(e) the Bankruptcy Court shall have entered the Sale Order in form and substance satisfactory to the Seller and Buyer and the Sale Order shall be in full force and effect and shall have become a Final Order or (ii) the Sale Order shall expressly permit the immediate Closing of the transactions contemplated by this Agreement in accordance with Bankruptcy Rule 6004(h) and Bankruptcy Rule 6006(d).

Section 11. Conditions of Closing by Buyer. The obligation of Buyer to consummate the transaction contemplated hereunder is subject to the satisfaction of the following conditions:

(a) the representations and warranties of Seller contained in Section 5 are true and correct on the Execution Date and true and correct in all material respects on and as of the Closing Date, and all covenants and agreements hereunder to be performed by Seller at or prior to the Closing have been performed and satisfied in all material respects; and

(b) as of the Closing Date, no Action is pending or threatened before any Governmental Authority seeking to restrain, prohibit, or declare illegal, or seeking substantial damages in connection with, the transaction that is the subject of this Agreement.

(c) Seller shall have obtained and delivered in writing all Scheduled Consents.

Section 12. Casualty Loss and Government Takings; Insurance Proceeds.

(a) Notice of Casualty Losses and Government Takings. If, prior to the Closing Date, all or part of the Property is damaged or destroyed by fire, flood, storm, or other accident ("Casualty Loss"), or is taken in condemnation or under the right of eminent domain, or if proceedings for such purposes shall be pending or threatened ("Government Taking"), Seller must promptly notify Buyer in writing of the nature and

extent of the Casualty Loss or Government Taking and Seller's estimate of the cost required to repair or replace that portion of the Property affected by the Casualty Loss or value of the Property taken by the Government Taking. Notwithstanding the foregoing, no individual matter described above shall be deemed to be or constitute a Casualty Loss or a Government Taking unless the estimate of the cost required to repair or replace that portion of the Property affected by the Casualty Loss or value of the Property taken by the Government Taking for such matter exceeds Fifty Thousand Dollars (\$50,000.00), net to Seller's interest in the affected portion of the Property.

(b) Remedies for Casualty Losses and Government Takings. . In the event of Casualty Loss or Government Taking of the Property, the Parties will proceed with Closing and Seller shall elect by written notice to Buyer prior to Closing either (i) to adjust the Base Purchase Price by the agreed cost of the Casualty Loss or the agreed value of the Property taken in any Government Taking, or (ii) to cause the portion of the Property affected by the Casualty Loss to be repaired or replaced, at Seller's cost, prior to Closing.

(c) Insurance Proceeds and Settlement Payments. In each case under subparts (i) and (ii) of Section 12(b), Seller will be entitled to (i) all insurance proceeds with respect to any such Casualty Loss, (ii) all sums paid to Seller or Buyer by third parties by reason of any such Casualty Loss, and (iii) all compensation paid to Seller or Buyer with respect to any such Government Taking.

(d) Change in Condition. After the Effective Date, Buyer will assume all risk and loss with respect to, and any change in the condition of the Property, including production of hydrocarbons through normal depletion, the depreciation of personal property through ordinary wear and tear, and changes arising from operations conducted by on the Properties pursuant to Section 8. None of the events or conditions set forth in this Section 12(d) will be considered a Casualty Loss with respect to the Property, nor will they be cause for any other reduction in the Base Purchase Price, or give rise to any right to terminate this Agreement.

Section 13. Closing. Subject to the satisfaction or waiver of the conditions to Closing set forth in Section 10 and 11 above, the Closing shall be held on or before the later of January 18, 2016 or three (3) Business Days after the Sale Order has been entered by the Bankruptcy Court at the offices of Cohn Kinghorn, P.C., 11 East Broadway, 11th Floor, Salt Lake City, Utah 84111 or at such other time and place as Seller and Buyer may mutually agree in writing (the "Closing" or "Closing Date"). Notwithstanding anything in this Agreement to the contrary, neither Party will be obligated to close if, as of the Closing Date, the Sale Order shall not have been entered by the Bankruptcy Court.

Section 14. Transactions at Closing. The following actions shall occur at Closing:

(a) Seller shall execute, acknowledge, and deliver to Buyer the instrument of conveyance in the form as set forth in Exhibit F conveying the Property;

(b) Seller and Buyer shall execute and deliver a preliminary Closing Statement that shall set forth the Base Purchase Price, each adjustment to Base Purchase Price under this Agreement, and the calculation of such adjustments used to determine such amount under this Agreement, and the final Purchase Price, in the form as set forth in Exhibit G;

(c) Seller and Buyer shall execute, acknowledge, and deliver mutually agreeable transfer orders or letters-in-lieu prepared by the Buyer, directing all purchasers of production to make future payments of proceeds attributable to production from the Property to Buyer;

(d) Seller shall deliver to Buyer a “non-foreign person” affidavit that complies with Section 1445 of the Code in the form as set forth in Exhibit H;

(e) Buyer shall deliver to Seller a certificate stating that the representations and warranties of Buyer contained in Section 6 are true and correct, in all material respects, as of the Closing Date, and that Buyer has performed, in all material aspects, all covenants and agreements to be performed by Buyer hereunder at or prior to Closing;

(f) Seller shall deliver to Buyer a certificate stating that the representations and warranties of Seller contained in Section 5 are true and correct, in all material respects, as of the Closing Date, and that Seller has performed, in all material aspects, all covenants and agreements to be performed by Seller hereunder at or prior to Closing;

(g) Buyer shall deliver to Seller a complete copy of Buyer’s environmental assessment of the Property, including, but not limited to, reports, data, valuation, assessments, and conclusions;

(h) Seller shall deliver to Buyer possession of the Property, subject to any applicable operating agreements or other related agreements affecting the Property;

(i) Buyer shall deliver to Seller cash by wire transfer in the amount of the Base Purchase Price, as adjusted pursuant to the terms of this Agreement and less the Performance Deposit and the Cure Costs, to an account designated in writing by Seller; and

(j) the Buyer and Seller shall execute and deliver any other appropriate assignments, bills of sale, deeds or instruments necessary to transfer the Property to Buyer or to effect and support the transaction contemplated in this Agreement, including, without limitation, any conveyances on official forms and related documentation necessary to transfer the Property to Buyer in accordance with requirements of governmental regulations, including, without limitation, any forms required by the Bureau of Land Management.

Section 15. Post-Closing; Delivery of Records.

(a) Post Closing Adjustments. It is understood that there will be no adjustments after Closing.

(b) Delivery of Records. No later than five (5) Business Days after Closing, Seller shall deliver to Buyer the Records (and Seller shall retain copies of the Records).

(c) Further Assurances. Buyer and Seller agree to execute and deliver from time to time such further instruments (including written instructions to the Escrow Agent) and do such other acts as may be reasonably requested and necessary to effectuate the purposes of this Agreement.

Section 16. Taxes and Suspended Funds.

(a) Taxes. All Taxes, other than Transfer Taxes, and similar obligations with respect to the tax period in which the Effective Date occurs (the “current tax period”) shall be apportioned between Seller and Buyer as of the Effective Date based on an estimate of the immediately preceding tax period assessment and prorating such Taxes on a per diem basis, and the Base Purchase Price shall be reduced at Closing by the amount of such estimated Taxes owed by Seller for that portion of the current tax period prior to the Effective Date. Buyer shall be liable and shall indemnify Seller for all Taxes attributable to Property, other than Transfer Taxes, for the portion of the current tax period after the Effective Date as well as any and all tax periods beginning on or after the Effective Date.

(b) Transfer Taxes. It is the reasonable anticipation of the Parties that the transactions to occur pursuant to this Agreement, including the transfer of the Property, shall not give rise to any transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees arising out of or in connection with the transactions effected pursuant to this Agreement (the “Transfer Taxes”), but to the extent there are any Transfer Taxes attributable to the consummation of the transactions under this Agreement, such Transfer Taxes shall be paid by the Buyer. Any Transfer Tax inclusive of any penalty and interest, assessed at a future date against the Parties with respect to the transactions covered herein shall be paid by the Buyer, or if paid by the Seller shall be promptly reimbursed by the Buyer. The Parties shall reasonably cooperate to mitigate, reduce or eliminate any Taxes referred to in this Section 16(a), and to use reasonable efforts to obtain any certificate or other documents from any Governmental Authority as may be possible to mitigate, reduce or eliminate any such Transfer Taxes. For the avoidance of doubt, “Transfer Taxes” shall not include any federal, state and local income and gain Taxes resulting from the transactions hereunder.

(c) Suspense Accounts. At Closing, the Base Purchase Price shall be decreased by an amount equal to the Suspended Funds. After Closing, Buyer shall administer all such accounts and assume all payment obligations to the proper parties with respect to the Suspended Funds in accordance with the terms of the Leases and all applicable Laws.

Section 17. Proceeds and Expenses.

(a) Proceeds Prior to Effective Date. All proceeds, including proceeds held in suspense or escrow and proceeds received after the Effective Date for oil produced and

held in storage on the Leases but not sold as of the Effective Date, attributable to the Property and accruing to the period prior to the Effective Date (including outstanding accounts receivable attributable to the period prior to the Effective Date) shall belong to Seller.

(b) Proceeds On and After Effective Date. All proceeds attributable to the Property and accruing to the period on and after the Effective Date shall belong to Buyer. If Seller has received proceeds belonging to Buyer after the Effective Date, Seller will account to Buyer for such proceeds at the same price Seller received for the production in accordance with its existing product purchase and sale contracts. In addition, there is excepted, reserved, and excluded from the Property any and all rights and claims for reimbursement, recovery, or recoupment by any lawful means of payments for any royalties, overriding royalties, or other payments from production arising from or attributable to the Property prior to the Effective Date that were tendered by Seller (or any of its Affiliates) to and accepted by any lessor, mineral owner, or other party (collectively, "Royalty Owners") that are in excess of the amount of royalties, overriding royalties, or other payments from production, if any, actually due or owing to such Royalty Owners prior to the Effective Date. If Buyer becomes aware of any such payments, Buyer shall promptly notify Seller and shall cooperate with Seller in Seller's efforts in respect of such payments.

(c) Expenses. Solely with regard to calculating the Closing Statement, and not otherwise, (i) Seller shall be entitled to be reimbursed by Buyer for any costs and expenses paid by Seller with respect to the Property for any period after the Effective Date and attributable to the ownership or operation of the Property on or after the Effective Date, and (ii) Buyer shall be entitled to be reimbursed by Seller for any costs and expenses paid by Buyer with respect to the Property for any period prior to the Effective Date and attributable to the ownership or operation of the Property prior to the Effective Date.

Section 18. Assumption of Obligations and Indemnities of Buyer.

(a) Assumption by Buyer. Except to the extent discharged by the Sale Order and the conveyance of Seller's assets to Buyer thereunder Free and Clear (except for Permitted Encumbrances and Buyer's Assumed Obligations), upon and after Closing, Buyer will assume, perform, pay, and perform all obligations, liabilities and duties with respect to ownership and (if applicable) operation of the Property, arising on or after the Effective Date, and all obligations arising under the Assumed Contracts, arising on or after the Effective Date, and those obligations expressly assumed or required to be performed by Buyer under this Agreement (collectively, the "Buyer's Assumed Obligations"). Without limiting the generality of the foregoing and except to the extent discharged by the Sale Order and conveyance of Seller's assets to Buyer thereunder Free and Clear (except for Buyer's Assumed Obligations), Buyer's Assumed Obligations shall also specifically include its proportionate share: (i) of royalties, overriding royalties, non-participating royalties, and other burdens on production, (ii) of any liabilities associated with balancing of overproduction or underproduction from the Property, (iii) of any liability related to the compliance with all laws and governmental regulations with

respect to the Property, including financial obligations of lawful plugging and abandonment of oil and gas wells and the restoration of the surface of the land, or any governmental request or other requirement to abandon any pipeline or facility or take any clean-up, remedial, or other action with respect to the Property, regardless of when the events occurred that caused such condition to exist or the obligation to arise, (iv) of any liabilities related to dismantling or decommissioning and removing any personal property used with respect to the Property and other property of whatever kind related to or associated with operations and activities conducted by whomever on the Property, (v) of financial obligations applicable to or imposed on the lessee, owner or operator under the Leases and any applicable contracts, or as required by any law, and (vi) of any administration and payment of the Suspended Funds. Without limitation of the foregoing or Buyer's rights under this Agreement, Buyer agrees to assume and perform any and all of the obligations and liabilities or alleged or threatened liabilities and obligations of Seller for any violation of Environmental Laws with respect to the Property, regardless of when the events occurred that caused such condition to exist or the obligation to arise.

(b) Buyer's Indemnity. From and after Closing, subject to the provisions of this Agreement, Buyer shall, to the fullest extent permitted by law, **PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS** Seller and its Affiliates, and the directors, officers, employees, agents, and representatives of each of them (collectively, the "Seller Parties") from and against any and all Claims attributable to or arising out of the following: (i) the use, ownership, or operation of the Property relating to periods of time on or after the Effective Date, (ii) Buyer's assumption of any obligation or liability contained in this Section 18, (iii) the breach by Buyer of any of its representations in Section 6, and (iv) the breach by Buyer of any of its agreements and covenants in this Agreement.

(c) Compliance with Express Negligence Rule. THE INDEMNIFICATION, WAIVER, RELEASE, AND ASSUMPTION PROVISIONS OF BUYER IN THIS AGREEMENT, INCLUDING THOSE IN THIS SECTION 18 AND SECTION 19 BELOW, SHALL BE APPLICABLE WHETHER OR NOT THE CLAIMS IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, CONTRIBUTORY, CONCURRENT, GROSS, SOLE OR JOINT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF ANY OF THE SELLER PARTIES OR ANY OTHER PERSON.

Section 19. DISCLAIMERS AND WAIVERS.

(a) Special Warranty of Title. THE PROPERTY SHALL BE CONVEYED AND TRANSFERRED WITHOUT ANY REPRESENTATION, WARRANTY, OR COVENANT OF TITLE OF ANY KIND OR NATURE, EITHER EXPRESS, IMPLIED, OR STATUTORY, EXCEPT BY, THROUGH OR UNDER SELLER, BUT NOT OTHERWISE.

(b) No Reliance. Buyer has reviewed and has access to all contracts, documents, records, and information which it has desired to review in connection with its decision to enter into this Agreement, and to consummate the transactions contemplated

hereby. Buyer has not relied upon any representation, warranty, statement, advice, document, projection, or other information of any type provided by Seller, or its Affiliates, or any of their representatives, except for those expressly set forth in this Agreement. In deciding to enter into this Agreement, and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own knowledge, investigation, and analysis (and that of its representatives and advisors) and not on any disclosure or representation made by, or any duty to disclose on the part of, Seller or its Affiliates, or any of their representatives or advisors, other than the representations and warranties of Seller expressly set forth in this Agreement.

(c) Limited Duties. Any and all duties and obligations which either Party may have to the other Party with respect to or in connection with the Property, this Agreement, or the transactions contemplated hereby are limited to those in this Agreement. The Parties do not intend (i) that the duties or obligations of either Party, or the rights of either Party, shall be expanded beyond the terms of this Agreement on the basis of any legal or equitable principle or on any other basis whatsoever or (ii) that any equitable or legal principle or any implied obligation of good faith or fair dealing or any other matter requires either Party to incur, suffer, or perform any act, condition, or obligation contrary to the terms of this Agreement and that it would be unfair, and that they do not intend, to increase any of the obligations of any Party under this Agreement on the basis of any implied obligation or otherwise.

(d) Defects. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE PROPERTY IS BEING CONVEYED AND ASSIGNED TO AND ACCEPTED BY BUYER IN ITS "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, WITHOUT ANY REPRESENTATION, WARRANTY, OR COVENANT OF ANY KIND OR NATURE, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MARKETABILITY, QUALITY, CONDITION, CONFORMITY TO SAMPLES, MERCHANTABILITY, AND/OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY SELLER AND WAIVED BY BUYER. BUYER RECOGNIZES THAT THE PROPERTY HAS BEEN USED FOR OIL AND GAS DRILLING, PRODUCTION, GATHERING, PIPELINE, TRANSPORTATION, STORAGE, AND RELATED OPERATIONS. PHYSICAL CHANGES IN THE PROPERTY AND IN THE LANDS BURDENED THEREBY MAY HAVE OCCURRED AS A RESULT OF SUCH USES. THE PROPERTY ALSO MAY INCLUDE BURIED PIPELINES AND OTHER EQUIPMENT, THE LOCATIONS OF WHICH MAY NOT BE KNOWN BY SELLER OR READILY APPARENT BY A PHYSICAL INSPECTION OF THE PROPERTY. IT IS UNDERSTOOD AND AGREED THAT BUYER SHALL HAVE INSPECTED PRIOR TO CLOSING (OR SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT) THE LEASES, EQUIPMENT, PIPELINES, AND THE ASSOCIATED PREMISES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT BUYER SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE OF

NATURALLY OCCURRING RADIOACTIVE MATERIAL AND MAN-MADE MATERIAL FIBERS.

(e) Records Disclaimer. Seller makes no representation, covenant, or warranty, express, implied, or statutory, as to the accuracy or completeness of any data or records delivered to Buyer with respect to the Property, or concerning the quality or quantity of hydrocarbon reserves, if any, attributable to the Property, or the ability of the Property to produce hydrocarbons, or the product prices which Buyer is or will be entitled to receive from the sale of any such hydrocarbons.

(f) Environmental Waiver and Release. From and after Closing, Buyer does hereby agree, warrant, and covenant to release, acquit, and forever discharge Seller and all Seller Parties from any and all Claims, including all claims, demands, and causes of action for contribution and indemnity under statute or common law, which could be asserted now or in the future relating to or arising out of environmental matters or liabilities and related to the Property, including any and all Claims attributable to or arising out of a violation of any Environmental Law. From and after Closing, Buyer warrants, agrees, and covenants not to sue or institute arbitration against Seller or any Seller Parties upon any claim, demand, or cause of action for indemnity and contribution that have been asserted or could be asserted for any such environmental matters or liabilities.

(g) Consequential Damages Waiver. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE, OR SPECULATIVE DAMAGES ARISING OUT OF OR RELATING TO, IN ANY MANNER, THIS AGREEMENT, THE TRANSACTION CONTEMPLATED HEREUNDER, OR THE PROPERTY, EVEN IF SUCH DAMAGES ARE CAUSED BY THE SOLE, JOINT, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF THE PARTY WHOSE LIABILITY IS BEING WAIVED HEREBY; PROVIDED, HOWEVER, THAT THIS WAIVER SHALL NOT APPLY WITH REGARD TO CLAIMS BY THIRD PARTIES FOR WHICH ONE PARTY HAS AGREED TO INDEMNIFY THE OTHER UNDER THE TERMS OF THIS AGREEMENT.

Section 20. Further Assurances. Incidental and subsequent to Closing, each of the Parties shall execute, acknowledge, and deliver to the other Party such further instruments, and take such other actions, as may be reasonably necessary to carry out the provisions of this Agreement.

Section 21. Failure to Close. Subject to the other provisions of this Section 21, if all of the conditions to Closing set forth in Sections 10 and 11 hereof have not been satisfied or waived by the Parties, or if the Sale Order (a) shall not have been entered by the Bankruptcy Court or (b) if entered by the Bankruptcy Court, shall not have become a Final Order, on or before January 31, 2016 (or such later date as hereafter may be mutually agreed upon by the Parties in writing), this Agreement shall terminate automatically, and neither Party hereto shall have any further obligations or any liability to the other Party under this Agreement. If (i) the

conditions to Seller's obligations to close as set forth in Section 10(a) and Section 10(d) have not been satisfied or waived by such date, the Performance Deposit shall be delivered to Seller as its sole remedy and AS AGREED LIQUIDATED DAMAGES AND NOT AS A PENALTY, IT BEING AGREED THAT ACTUAL DAMAGES WOULD BE DIFFICULT TO ASCERTAIN AND THAT THE AMOUNT OF THE PERFORMANCE DEPOSIT IS REASONABLE; if this Agreement is terminated prior to Closing for any other reason, the Performance Deposit shall be returned to Buyer. Upon any termination of this Agreement, Seller shall be free immediately to enjoy all rights of ownership of the Property and to sell, transfer, encumber, or otherwise dispose of the Property to any party without any restriction under this Agreement. Buyer and Seller mutually to execute any required instruction letter on documents required by the Escrow Agent to effect the payment of the Performance Deposit in accordance with this Section 21.

Section 22. Use of Seller Names. Buyer agrees that, as soon as practicable after requests from Seller identifying the location of any names or marks, it will remove or cause to be removed the names and marks of III Exploration II LP and the fictitious name "Petroglyph," or any form or derivative thereof, where and if they exist, and all variations and derivatives thereof and logos relating thereto from the Property and will not thereafter make any use whatsoever of such names, marks, and logos.

Section 23. Operatorship. Seller does not presently operate any Oil and Gas Interest and Seller makes no representation, warranty, or covenant that the Buyer will become operator of any or all of the Property. Buyer acknowledges that operations will be governed by the applicable operating agreements or other related agreements affecting the Property.

Section 24. Recording Documents Notices. Buyer shall pay all documentary, filing, and recording fees incurred in connection with the filing and recording of the instruments of conveyance. Buyer shall provide Seller with recorded copies of all documents conveying the Property to Buyer, promptly upon receipt of same.

All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, or to the extent receipt is confirmed by the party charged with notice, sent by documented overnight delivery service, by United States Mail, or email (with a copy to follow the next Business Day by overnight courier) to the appropriate address or number as set forth below. Notices to Seller or Buyer shall be addressed to:

SELLER

III Exploration II LP
960 Broadway Avenue, Suite 500
Boise, Idaho 83706
Attn: Paul R Powell
Phone: 208-685-7685
Email: ppowell@pgei.com

With a copy to:

Cohne Kinghorn, P.C.

George Hofmann
111 East Broadway, 11th Floor
Salt Lake City, Utah 84111
Phone: 801-363-4300
E-mail: ghofmann@cohnekinghorn.com

BUYER

Pivotal Williston Basin II, LP
2021 McKinney Avenue, Suite 1250
Dallas, Texas 75201
Attn: William DeArman
Email: wdearman@tailwatercapital.com

With a copy to:

Locke Lord LLP
Jason Schumacher
2200 Ross Avenue, Ste. 2800
Dallas, Texas 75201
Phone: 214-740-8417
E-mail: jaschumacher@lockelord.com

Section 25. Entire Agreement. This instrument states the entire agreement and supersedes all prior agreements between the Parties concerning the subject matter hereof. This Agreement may be supplemented, altered, amended, modified, or revoked only by writing signed by both Parties.

Section 26. Counterparts. This Agreement may be executed by Buyer and Seller in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission or other electronic copy, and a facsimile or electronic copy of this Agreement or of a signature of a Party will be effective as an original.

Section 27. Time of Essence. Time is of the essence in this Agreement.

Section 28. Announcements; Disclosures. Except as may be required or contemplated by applicable Laws (including those of any Governmental Authority having jurisdiction over Seller or Buyer, as the case may be) or the applicable rules and regulations of any Governmental Authority or stock exchange, neither Buyer nor Seller shall issue any such press release or other publicity at any time without the prior written consent of the other Party, which consent, may be withheld in the sole discretion of the other Party; provided, however, that this Agreement and the terms and provisions thereof may be disclosed to Buyer's Affiliates, lenders, if any, consultants, bankers, financing parties, equity owners, investors and agents who shall be required to keep such information confidential. The opinion of counsel of either Party shall be conclusive

evidence of such requirement or contemplation of applicable Laws. Without limitation of the foregoing Buyer shall not disclose the terms or existence of this Agreement to any person or entity without the prior written consent of Seller.

Section 29. Waiver. Any of the terms, provisions, covenants, representations, warranties, or conditions hereof may be waived only by a written instrument executed by the Party waiving compliance. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect such Party's right to enforce the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 30. Governing Law. THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH DAKOTA, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT APPLY THE LAW OF ANOTHER JURISDICTION. THE ASSIGNMENT DOCUMENTS, AND ANY OTHER INSTRUMENTS OF CONVEYANCE EXECUTED UNDER THIS AGREEMENT, WILL BE GOVERNED BY AND MUST BE CONSTRUED ACCORDING TO THE LAWS OF THE STATE WHERE THE PROPERTY TO WHICH THEY PERTAIN IS LOCATED, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT APPLY THE LAW OF ANOTHER JURISDICTION.

Section 31. Arbitration and Dispute Resolution. Without limiting any party's right to appeal any Order of the Bankruptcy Court, the Parties expressly consent to (a) exclusive jurisdiction of the Bankruptcy Court over any dispute (i) arising out of or relating to this Agreement, or (ii) in connection with the Sale Transaction, and (b) the authority of the Bankruptcy Court to adjudicate any dispute (i) arising out of or relating to this Agreement, or (ii) in connection with the Sale Transaction. In the event the Bankruptcy Court does not have jurisdiction over a dispute that arises under this Agreement, or for whatever reason fails or refuses to take jurisdiction over any other dispute arising hereunder or in connection with the Sale Transaction then, except as otherwise expressly set forth in this Agreement and to the fullest extent permitted by applicable law, the Parties hereby agree to resolve any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement, including without limitation any dispute as to its validity, interpretation, enforceability or breach, and including any state or federal statutory claims and including claims for tortious conduct, by binding arbitration before the American Arbitration Association ("AAA"), and the Parties waive all rights to have any such disputes heard before a court of law and expressly waive their rights to a trial by jury, except the right to enforce an arbitration award under the provisions of this Section, and except for any claims requiring emergency Temporary or Preliminary Injunctive relief. Any arbitration shall proceed in accordance with the following terms:

(a) Arbitration shall be governed by the following rules of procedure and (in relation to the enforcement of awards) by the Federal Arbitration Act, 9 U.S.C. § 1 et seq., notwithstanding any state law provisions to the contrary. Either Party may require that the matter be resolved through binding arbitration by notice to the other. The notice must contain a statement of the issue(s) to be determined by arbitration.

(b) Within ten (10) days after receipt of a notice, the other Party may designate any additional issue(s) for arbitration by notice in reply. Within twenty (20) days of the notice, each Party must designate a AAA arbitrator. Once each Party has designated their respective arbitrator, the two arbitrators shall agree upon a third arbitrator chosen from a list of potential arbitrators provided by the AAA. In the event that the third arbitrator has a conflict that prevents him/her from hearing the matter, then a new arbitrator shall be selected by the remaining two arbitrators.

(c) The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the AAA, save and except to the extent amended herein.

(d) Limited civil discovery shall be permitted only for the production of documents. No other discovery shall be allowed. The Parties shall attempt to reach agreement on a proposal for limited document discovery. If discovery is requested by either Party, but the Parties are unable to reach agreement on a proposal for limited discovery within thirty (30) days after the request for discovery is made, the Parties shall submit their discovery dispute to the arbitration panel who shall enter their own order concerning discovery. The aforesaid discovery shall be governed by the Federal Rules of Civil Procedure except as modified by order of the arbitration panel.

(e) The arbitration panel has no authority to award punitive or exemplary damages. The panel's award must be rendered within thirty (30) days following the conclusion of the hearing or submission of evidence. The award of the panel shall be in writing and signed by the arbitrators, and such award shall not be accompanied by a reasoned opinion. Such award shall be final and binding (subject to corrections for errors to be determined by the arbitrator) without the right of appeal.

(f) All evidence submitted in an arbitration proceeding, transcripts of such proceedings, and all documents submitted by the Parties in an arbitration proceeding, shall be kept confidential by the arbitration panel and the Parties. Each Party must bear its expenses and costs of its own attorneys and witnesses, and one-half of the expense and costs of the arbitration panel, unless otherwise decided by the panel.

(g) The arbitrator's award will, if a monetary award is made, provide for interest as described below and may award to the prevailing Party, if any, as determined by the arbitration panel some or all of its Costs and Fees. "Costs and Fees" means all reasonable pre-award expenses of arbitration, including the arbitrators' fees, administrative fees, travel expenses, out of pocket expenses such as copying, telephone, witness fees and attorneys' fees. In addition, should the arbitrators' award be challenged in court, the prevailing Party shall be entitled to recover all of its attorneys fees and costs of litigation incurred after the date the panel's award is provided to both Parties. The award shall include interest from the date of any breach or violation of the Agreement at the pre-judgment interest rate in North Dakota, and from the date of the award until paid in full at the lower of the maximum interest rate permitted by North Dakota law to the Parties or 14% per annum. Judgment upon any award rendered by the panel may be entered in any court having jurisdiction. The prevailing Party is entitled to reasonable attorneys' fees in any court proceeding necessary to enforce or collect any award or

judgment rendered by the panel. The exclusive venue for the arbitration shall be Denver, Colorado. The Expedited Procedures, the Optional Procedures and the Optional Rules set out in AAA's Commercial Dispute Resolution Procedures shall not apply to this arbitration.

Section 32. Legal Fees. The prevailing Party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing Party.

Section 33. Interpretation of Agreement. In construing this Agreement, the following principles shall be followed:

(i) no consideration shall be given to the fact or presumption that one Party had a greater or lesser hand in drafting this Agreement;

(ii) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(iii) the word "includes" and its syntactical variants mean "includes, but is not limited to" and corresponding syntactical variant expressions;

(iv) a defined term has its defined meaning throughout this Agreement, regardless of whether it appears before or after the place in this Agreement where it is defined;

(v) unless otherwise specified, the plural shall be deemed to include the singular, and vice versa; and

(vi) each gender shall be deemed to include the other genders.

Section 34. Agreement for the Parties' Benefit Only. This Agreement is not intended to confer upon any person not a party hereto any rights or remedies hereunder, and no person other than the Parties hereto is entitled to rely on any representation, covenant, or agreement contained herein.

Section 35. Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of Law or public policy, 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 any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 36. Assignment and Binding Effect. This Agreement or any portion thereof and the rights and obligations hereunder shall not be assignable or delegable by either Party without the prior written consent of the other Party. Except as provided in the preceding

sentence, the terms, provisions, covenants, representations, and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties hereto and their successors.

Section 37. Bonds. Prior to Closing, Buyer shall take such actions as may be necessary or appropriate so that all surety bonds, guaranties, and cash collateral listed on Schedule 37 and required by Law will be released and replaced immediately after Closing with comparable surety bonds, guaranties, and cash collateral from Buyer or an Affiliate of Buyer. Buyer shall promptly reimburse Seller for any losses or costs incurred by Seller in connection with such surety bonds, guaranties, or cash collateral after Closing.

Section 38. Exclusive Remedy. THE PARTIES HAVE VOLUNTARILY AGREED TO DEFINE THEIR RIGHTS, LIABILITIES AND OBLIGATIONS RESPECTING THE SUBJECT MATTER OF THIS AGREEMENT EXCLUSIVELY IN CONTRACT PURSUANT TO THE EXPRESS TERMS AND PROVISIONS OF THIS AGREEMENT, AND, WITHOUT LIMITING THE RIGHT OF ANY PARTY TO RELY ON THE REPRESENTATIONS AND WARRANTIES MADE TO SUCH PARTY EXPRESSLY IN THIS AGREEMENT (SUBJECT TO THE EXPRESS TERMS OF THIS AGREEMENT AS TO THE SURVIVAL THEREOF), THE PARTIES EXPRESSLY DISCLAIM THAT THEY ARE OWED ANY DUTIES OR ARE ENTITLED TO ANY REMEDIES NOT EXPRESSLY SET FORTH IN THIS AGREEMENT. FURTHERMORE, THE PARTIES EACH HEREBY ACKNOWLEDGE THAT THIS AGREEMENT EMBODIES THE JUSTIFIABLE EXPECTATION OF SOPHISTICATED PARTIES DERIVED FROM ARM'S LENGTH NEGOTIATIONS, AND ALL PARTIES TO THIS AGREEMENT SPECIFICALLY ACKNOWLEDGE THAT NO PARTY HAS ANY SPECIAL RELATIONSHIP WITH ANOTHER PARTY THAT WOULD JUSTIFY ANY EXPECTATION BEYOND THAT OF AN ORDINARY BUYER AND AN ORDINARY SELLER IN AN ARM'S LENGTH TRANSACTION. THE SOLE AND EXCLUSIVE REMEDY FOR ANY BREACH OF THE TERMS AND PROVISIONS OF THIS AGREEMENT (INCLUDING ANY REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN SUBJECT TO THE EXPRESS TERMS OF THIS AGREEMENT AS TO THE SURVIVAL THEREOF) SHALL BE THOSE RIGHTS TO INDEMNIFICATION AND THOSE REMEDIES PROVIDED IN THIS AGREEMENT (AS SUCH RIGHTS TO INDEMNIFICATION AND REMEDIES MAY BE FURTHER LIMITED OR EXCLUDED PURSUANT TO THE EXPRESS TERMS OF THIS AGREEMENT), AND, WITHOUT LIMITING THE RIGHT OF ANY PARTY TO RELY ON THE REPRESENTATIONS AND WARRANTIES MADE IN THIS AGREEMENT HEREIN (SUBJECT TO THE EXPRESS TERMS OF THIS AGREEMENT AS TO THE SURVIVAL THEREOF), THE PARTIES HEREBY WAIVE AND RELEASE ANY AND ALL TORT CLAIMS AND CAUSES OF ACTION THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT, OR THE NEGOTIATION, EXECUTION OR PERFORMANCE OF THIS AGREEMENT (INCLUDING ANY TORT CLAIM OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATED TO ANY REPRESENTATION OR WARRANTY MADE IN OR IN CONNECTION WITH THIS AGREEMENT OR AS AN INDUCEMENT TO ENTER INTO THIS AGREEMENT). WITHOUT LIMITATION OF THE FOREGOING, FROM AND AFTER THE CLOSING, THE SOLE AND EXCLUSIVE REMEDY OF BUYER FOR ANY AND ALL (A) CLAIMS RELATING TO ANY REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS CONTAINED IN THIS AGREEMENT

(SUBJECT TO THE EXPRESS TERMS OF THIS AGREEMENT AS TO THE SURVIVAL THEREOF), (B) OTHER CLAIMS PURSUANT TO OR IN CONNECTION WITH THIS AGREEMENT AND (C) OTHER CLAIMS RELATING TO THE PROPERTY AND THE PURCHASE AND SALE THEREOF SHALL BE (1) ANY RIGHT TO INDEMNIFICATION FROM SUCH CLAIMS OR REMEDIES THAT ARE EXPRESSLY PROVIDED IN THIS AGREEMENT (AS SUCH RIGHT TO INDEMNIFICATION OR REMEDIES MAY BE FURTHER LIMITED OR EXCLUDED PURSUANT TO THE EXPRESS TERMS OF THIS AGREEMENT), AND IF NO SUCH RIGHT TO INDEMNIFICATION OR REMEDY IS EXPRESSLY PROVIDED HEREIN, THEN SUBJECT TO THE FOLLOWING SUB-CLAUSE (2), SUCH CLAIMS ARE HEREBY WAIVED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND (2) THE RIGHT TO SEEK AN INJUNCTION OR INJUNCTIONS TO PREVENT BREACHES OF THE TERMS OF THIS AGREEMENT OR SPECIFIC PERFORMANCE OF THE TERMS HEREOF, IN EACH CASE, FROM A COURT OF COMPETENT JURISDICTION.

Section 39. Survival of Representations and Warranties. The representations and warranties of Seller in this Agreement, other than Section 5(b), Section 5(c) and Section 19(a) of this Agreement, shall not survive the Closing. The representations and warranties of Buyer in this Agreement shall survive the Closing for one year.

[The remainder of the page is intentionally left blank]

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

"Seller"

III EXPLORATION II LP

By: Petroglyph Energy, Inc., its General Partner

By: _____
Name: Michael Rich
Title: Executive Vice President and Chief Financial Officer

"Buyer"

PIVOTAL WILLISTON BASIN II, LP

By: Pivotal Williston GP II, LLC, its General Partner


By: Wm B. DeArman
Name: William B. DeArman
Title: Vice President

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

"Seller"

III EXPLORATION II LP

By: Petroglyph Energy, Inc., its General Partner

By: 
Name: Michael Rich
Title: Executive Vice President and Chief Financial Officer

"Buyer"

PIVOTAL WILLISTON BASIN II, LP

By: Pivotal Williston GP II, LLC, its General Partner

By: _____
Name: William B. DeArman
Title: Vice President

LIST OF SCHEDULES AND EXHIBITS

Schedules:

Schedule 5(d) Scheduled Consents
Schedule 5(f) Contracts with Cure Costs
Schedule 5(i) Claims
Schedule 5(j) Oil and Gas Interest Encumbrances
Schedule 5(l) Seller's Knowledge Personnel
Schedule 5(m) Environmental
Schedule 5(r) Wells
Schedule 6(m) Buyer's Knowledge Personnel
Schedule 8 Pre-Closing Operations
Schedule 37 Bonds

Exhibits:

A Definitions
B-1 Oil and Gas Interests – Leases
B-2 Oil and Gas Interests - Wells
C Permits, Easements and Surface Rights
D Excluded Rights and Interests
E Allocated Values
F Form of Assignment and Bill of Sale
G Form of Closing Statement
H Form of Non-Foreign Person Affidavit
I Contracts to be Assumed and Assigned with Cure Costs
J List of Contracts

SCHEDULE 5(d)

Scheduled Consents

None.

SCHEDULE 5(f)

Contracts with Cure Costs

There are no Contracts with Cure Costs.

SCHEDULE 5(i)

Claims

None.

SCHEDULE 5(j)

Oil & Gas Interest Encumbrances

None.

SCHEDULE 5(I)

Seller's Knowledgeable Personnel

Name	Title
Paul Powell	President
Michael Rich	Executive Vice President & CFO
Marshall Murrin	Vice President & Treasurer
Kevin Dickey	Vice President, Operation

Environmental

The two wells operated by Slawson Exploration Company, Inc. (Atlantis Federal 1 34-35H and Pike {Federal} 1 SLH) are listed in the list of well pads with alleged storage tanks violations in the proposed Consent Decree between USEPA and Slawson to resolve alleged Clean Air Act violations at Slawson's approximately 170 well pads in North Dakota that have wells in production (\$2.1 million civil penalty assessment) (see attached 12/1/2016 Press Release and Proposed Consent Decree). The Proposed settlement is subject to a 30-day public comment period and approval by the U.S. District Court for the District of North Dakota.

SCHEDULE 5(r)

Wells

None.

SCHEDULE 6(M)

Buyer's Knowledgeable Personnel

Name

William DeArman

Tony Stebleton

SCHEDULE 8

Pre-Closing Operations

None.

SCHEDULE 37

Bonds

None.

Exhibit A

Section 1.1 Definitions. The following terms, when used in this Agreement and the attached schedules and exhibits, shall have the meanings given below.

“Action” means any action, claim, demand, arbitration, hearing, charge, complaint, investigation, examination, indictment, litigation, suit or other civil, criminal, administrative or investigative proceedings.

“AFE” means any authorization for expenditure with respect to Property.

“Affiliate” means, with respect to any specified Person, any other Person that directly or indirectly controls, is controlled by or is under common control with such specified Person. For the purposes of this definition, the term “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; and the terms “controlling” and “controlled” have correlative meanings.

“Allocated Value Tract” is each described tract of land set forth on Exhibit E.

“Assignment” means the Assignment, Assumption Agreement, and Bill of Sale attached hereto as Exhibit F.

“Assumed Contract” is defined in Section 1(b).

“Base Purchase Price” is defined in Section 4(a).

“Business Day” means any day other than a Saturday, a Sunday or other day on which commercial banks in Salt Lake City, Utah are authorized or required by Law to close.

“Buyer” is defined in the preamble.

“Buyer’s Assumed Obligations” is defined in Section 17(a).

“Buyer’s Knowledge” is defined in Section 6(l).

“Casualty Loss” is defined in Section 12(a).

“Claims” means a claim as such term is defined in section 101(5) of the Bankruptcy Code, and any and all demands, losses, liabilities, damages, obligations, expenses, fines, penalties, costs, claims, causes of action and judgments for: (a) breaches of Contract; (b) loss or damage to property, injury to or death of persons (including illness and disease), and other tortious injury; or (c) violations of applicable Laws, Orders or any other legal right or duty actionable at Law or equity. The term “Claims” also includes reasonable attorneys’ fees, court costs, and other reasonable costs resulting from the investigation or defense of any Claim.

“Closing” and “Closing Date” are defined in Section 13.

“Code” is defined in Section 5(h).

“Contract” means any contract, agreement, indenture, note, bond, loan, lease, sublease, conditional sales contract, mortgage, license, sublicense, franchise agreement, obligation, promise, undertaking, commitment or other binding arrangement (in each case, whether written or oral) relating to the Properties, but expressly excluding the Leases.

“Cure Costs” means to pay or otherwise satisfy all liabilities, including pre-petition monetary liabilities, of Seller that must be paid or otherwise satisfied to cure, pursuant to section 365 of the Bankruptcy Code, all of Seller’s monetary and non-monetary defaults under each Assumed Contract at the time of the assumption thereof, in each case as determined by the Bankruptcy Court or as agreed by Seller and the non-debtor party to any such Assumed Contract.

“current tax period” is defined in Section 16.

“Defect Deductible” is defined in Section 7(e).

“Defect Threshold” is defined in Section 7(e).

“Effective Date” is defined in the first paragraph following Recital H.

“Environmental Law” means any statute, law, ordinance, rule, regulation, code, order, judicial writ, injunction or decree issued by any federal, state or local governmental authority in effect on or before the Effective Date relating to the control of any pollutant or protection of the air, water, land or environment or the release or disposal of hazardous materials, hazardous substances or waste materials, including, without limitation, the Clean Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act, as amended, the Resources Conservation and Recovery Act, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendment and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, the Oil Pollution Act, as amended, the Emergency Planning and Community Right to Know Act, as amended, and comparable state and local laws addressing pollution or protection of the environment or biological or cultural resources and all regulations implementing the foregoing.

“Escrow Agent” is defined in Section 4(c).

“Escrow Agreement” is defined in Section 4(c).

“Excluded Assets” means: (i) all of Seller’s corporate minute books and corporate financial records that relate to Seller’s business generally; (ii) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Property with respect to any period of time prior to the Effective Date; (iii) all Claims and causes of action of Seller arising under or with respect to any Contracts included in the Oil and Gas Interests that are attributable to periods of time prior to the Effective Date (including claims for adjustments or refunds); (iv) all rights and interests of Seller under any policy or agreement of insurance, under any bond, or to any insurance or condemnation proceeds or awards arising, in each case, from

acts, omissions or events, or damage to or destruction of property; (v) all claims of Seller for refunds of, credits attributable to, or loss carry forwards with respect to taxes attributable to any period (or portion thereof) prior to the Effective Date; (vi) all documents and instruments of Seller that are protected by legal privilege (except for title opinions); (vii) all data and Contracts that cannot be disclosed to Buyer as a result of confidentiality arrangements under agreements with third parties; (viii) all audit rights arising under any of the Contracts or otherwise with respect to any period prior to the Effective Date; and (ix) all causes of action under Chapter 5 of the Bankruptcy Code; and (xi) any assets described in Exhibit D.

“Execution Date” is defined in the preamble.

“Final Order” means an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for *certiorari*, or move for reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for reargument or rehearing shall then be pending or as to which any appeal, petition for *certiorari*, reargue, or rehear shall have been waived in writing in form and substance reasonably satisfactory to Seller and Buyer, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied or resulted in no modification of such order and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under section 502(j) of the Bankruptcy Code, Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Federal Rules of Bankruptcy Procedure or applicable state court rules of civil procedure may be, but has not been, filed with respect to such order shall not cause such order not to be a Final Order.

“Free and Clear” means free and clear of all liens, Claims, causes of action, encumbrances, interests, pledges, security interests, rights of setoff, restrictions or limitations on use, successor liabilities, conditions, rights of first refusal, options to purchase, obligations to allow participation, agreements or rights, rights asserted in litigation matters, rights asserted in adversary proceedings in the Bankruptcy Case, competing rights of possession, obligations to lend, matters filed of record that relate to, evidence or secure an obligation of Seller (and all related expenses and charges) of any type under, among other things, any document, instrument, Contract, affidavit, matter filed of record, cause, or Law, whether known or unknown, legal or equitable, and all liens, rights of offset, replacement liens, adequate protection liens, charges, obligations, or claims granted, allowed or directed in any Order, to the fullest extent provided by applicable Law.

“Governmental Authority” and “Governmental Authorities” means (a) any federal, provincial, state, local, municipal, national or international government or governmental authority, regulatory or administrative agency, governmental commission, department, board, bureau, agency or instrumentality, court, tribunal, arbitrator or arbitral body (public or private); (b) any self-regulatory organization; (c) any political subdivision of any of the foregoing; (d) or any applicable tribal authority whose consent or approval to a transaction hereunder is required.

“Government Taking” is defined in Section 12(a).

“Law” means any law, statute, ordinance, code, regulation, rule or other requirement of any Governmental Authority.

“Leases” means (i) all oil, gas and mineral leases described in Exhibit B-1, (ii) leasehold, working carried, force-pooled, non-consent and reversionary interests, operating rights and any interests arising by operation of law, (iii) fee mineral interests, fee royalty or non-participating royalty interests, overriding royalty interests, net profits interest, production payments and other rights of a similar nature, and together with the lands covered thereby or pooled, communized or unitized therewith.

“Material Adverse Effect” means any adverse effect on the ownership, operation or value of the Property, as currently operated, which is material to the ownership, operation or value of the Property, taken as a whole; provided, however, that the following shall be deemed not to constitute, create, or cause a Material Adverse Effect: any changes, circumstances or effects that (a) affect generally the oil and gas industry, such as fluctuations in the price of commodities, industry inputs, or hydrocarbons, (b) result from international, national, regional, state, or local economic conditions, (c) result from changes in Laws (including regulatory or enforcement policy) applicable to the Property, (d) result from any of the transactions contemplated by this Agreement and any public announcement thereof, (e) result from acts of God or natural disasters, (f) result from an outbreak or escalation of hostilities (whether nationally or internationally), or the occurrence of any other calamity or crisis (whether nationally or internationally), including terrorist attacks, (g) result from a condition that is cured or eliminated on or before Closing, or (h) result from the Bankruptcy Case.

“Net Mineral Acre” means, for each Allocated Value Tract: (x) the number of gross acres in each Allocated Value Tract as set forth on Exhibit E, multiplied by (y) the interest in oil and gas covered by the Leases in such Allocated Value Tract, multiplied by (z) Seller’s aggregate undivided interest in such Leases in such Allocated Value Tract insofar as it covers such lands (provided that if items (y) and/or (z) vary as to any tract or tracts of land covered by the Leases, a separate calculation shall be done for each such tract or tracts, as applicable).

“Net Mineral Acre Value” is the value of each Net Mineral Acre within each Allocated Value Tract as set forth on Exhibit E.

“Oil and Gas Interests” means all of Seller’s right, title, and interest in and to the following rights, interests, and assets:

(i) The Leases;

(ii) All rights, obligations and interests in any unit or pooled area in which the Leases or lands covered thereby are included, including all rights and obligations derived from any unitization, pooling, operating, communitization or other Assumed Contract or from any Order (the “Units”)

(iii) All oil, gas and condensate wells (whether producing, not producing or abandoned), water source, water injection and other injection or disposal wells and systems described on Exhibit B-2 (the “Wells”) or located on

the Leases or on the lands covered by the Leases, other than leased equipment located on the Leases;

(iv) (i) All flow lines, oil, gas, water and other pipelines, gathering systems and related equipment located on the Leases, the Units, or the Permits, Easements and Surface Rights or otherwise associated with the production or the transportation of production from the Leases, the Wells or the Units, and (ii) all facilities, equipment, compressors, booster stations, field offices, plants, meters, Well pads, tank batteries, radio towers, remote terminal units, supervisory control and data acquisition (SCADA) equipment and other similar equipment, personal computer equipment, vehicles, communication equipment, improvements, fixtures, inventory, spare parts, tools, abandoned property and junk and other personal property located on the Leases, the Units, or the Permits, Easements and Surface Rights or otherwise associated with (A) operations on the Leases, the Units or the Permits, Easements and Surface Rights or (B) the sale, processing or transportation of production from Leases, the Wells and the Units, including all off-Lease facilities and other personal property (collectively referred to as the “Equipment”);

(v) All easements, rights-of-way, licenses, permits, servitudes, surface leases, surface use agreements, surface fee tracts, and similar rights, obligations and interests, whether located on the Leases or on other property, applicable to or used in operating the Leases, Units, Wells, or Equipment (the “Permits, Easements and Surface Rights”), including those described on Exhibit C;

(vi) All Lease files, right-of-way files, Well files (including Well logs), production records, division order files, abstracts, title opinions, and Contract files and reservoir and field studies related to any or all of the Leases, Units, Wells, Equipment, Permits, Easements and Surface Rights, Royalty Interests and Assumed Contracts, and all other tangibles, movables, immovables, miscellaneous interests or other assets on the Leases or Units;

(vii) All hydrocarbons produced from the Leases from and after the Effective Date;

(viii) All funds payable to owners of working interests, royalties and overriding royalties and other interests in the Property held in suspense by Seller as of the Closing Date; and

(ix) To the extent transferrable without payment (unless Buyer makes such payment), all (i) seismic, geological, geochemical, or geophysical data (including cores and other physical samples or materials from Wells or tests) belonging to Seller or licensed from third parties, and (ii) interpretations of seismic, geological, geochemical or geophysical data belonging to Seller or licensed from third parties, in each case to the extent pertaining to the Leases, Units or Wells.

“Order” means any writ, judgment, decree, injunction or similar order, writ, ruling directive or other requirement of the Bankruptcy Court or Governmental Authority (in each such case whether preliminary or final).

“Performance Deposit” is defined in Section 4(c).

“Permitted Encumbrances” means:

(i) any obligations or duties reserved to or vested in any Governmental Authority to regulate or control any Property in any manner;

(ii) the terms and conditions of all Leases and Contracts set forth on Exhibit J;

(iii) any Scheduled Consents;

(iv) easements, rights-of-way, permits, surface leases, and other similar rights on, over, or in respect of any of the Property, to the extent such matters do not interfere in any material respect with exploration and production of hydrocarbons and related operations on the portion of the Property burdened thereby;

(v) lessor’s royalties, overriding royalties, production payments, net profits interests, reversionary interests, and similar burdens that run with the Property, to the extent that the net cumulative effect of such burdens, as to a particular Property, does not operate to reduce the net revenue interest of Seller in such Property below that specified in Exhibit B-1;

(vi) liens or other encumbrances for ad valorem, property, production, severance, excise, and similar Taxes that accrue after the Effective Date;

(vii) materialman’s, mechanic’s, repairman’s, employee’s, contractor’s, operator’s, and other similar liens or encumbrances arising in the ordinary course of business for payments or obligations not yet due;

(viii) oil and gas production imbalances whether resulting from overproduction or underproduction, plugging and surface restoration obligations; and

(ix) conventional rights of reassignment obligating Seller to reassign its interest in any portion of the Leases to a third party upon surrender or abandonment of any Property.

“Person” means any natural person, corporation, company, partnership, association, limited liability company, limited partnership, limited liability partnership, joint venture, business enterprise, trust or other legal entity, including any Governmental Authority.

“Preferential Purchase Right” means any option, right of first refusal, or similar preferential purchase right burdening any of the Oil and Gas Interests.

“Prepetition Lenders” means the Second Lien Lenders collectively with the First Lien Lenders.

“Property” is defined in Section 1.

“Purchase Price” is defined in Section 4(b).

“Records” is defined in Section 7(a).

“Royalty Owners” is defined in Section 17(b).

“Sale Order” means an order of the Bankruptcy Court approving the transaction contemplated by this Agreement, which order must be reasonably acceptable in form and substance to the Parties, the First Lien Agent, the Prepetition Lenders, and the DIP Secured Parties and not inconsistent with the terms of this Agreement and which (i) approves the Sale Transaction contemplated hereby and the terms and conditions of this Agreement, (ii) finds that notice of the hearing concerning approval of this Agreement and of the Sale Transaction was given in accordance with the Bankruptcy Code and constitutes such notice as is appropriate under the particular circumstances, (iii) finds that Buyer is a “good faith” purchaser entitled to the protections afforded by section 363(m) of the Bankruptcy Code, (iv) provides that the Sale Transaction is not subject to avoidance pursuant to section 363(n) of the Bankruptcy Code, and (iii) provides for the vesting of the Property in Buyer, in each case, Free and Clear (except for Permitted Encumbrances and Buyer’s Assumed Obligations).

“Seller” is defined in the preamble.

“Seller Parties” is defined in Section 18(b).

“Seller’s Knowledge” is defined in Section 5(l).

“Suspended Funds” is defined in Section 5(o).

“Transfer Taxes” is defined in Section 16(b).

“Taxes” means any income taxes or similar assessments or any sales, excise, occupation, use, ad valorem, property, production, severance, transportation, employment, payroll, franchise, or other tax imposed by any federal, state, or local taxing authority, including any interest, penalties, or additions attributable thereto.

“Title Defect” means any impairment, encumbrance, encroachment, irregularity, defect in or dispute concerning Seller’s title to the Property, and that would (a) reduce the Net Mineral Acres in the Allocated Value Tracts (including any depth restrictions that would disallow the drilling or development of the Bakken or Three Forks formations or any Lease that is not currently held by the production of paying quantities) set forth in Exhibit E or (b) create or maintain any lien, security interest, or pledge affecting the Property. Notwithstanding the

foregoing, the following shall not be considered Title Defects: (1) any matter based solely on lack of information or documents in Seller's files; or (2) any Permitted Encumbrance.

"Title Defect Value" The Title Defect Value resulting from a Title Defect shall be determined as follows:

(i) if Buyer and Seller agree on the Title Defect Value, that amount shall be the Title Defect Value;

(ii) if the Title Defect is a lien, encumbrance or other charge which is undisputed and liquidated in amount, then the Title Defect Value shall be the amount necessary to be paid to remove the Title Defect from Seller's interest in the affected Property;

(iii) if the Title Defect results from Seller owning fewer Net Mineral Acres (including any acreage affected by depth restriction disallowing the drilling and development of the Bakken or Three Forks formations or any Lease that is not currently held by the production of paying quantities) in any Allocated Value Tract than Net Mineral Acres set for such Allocated Value Tract on Exhibit E, the Title Defect Value shall be equal to the product obtained by multiplying:

(a) the Net Mineral Acre Value for such Allocated Value Tract, by

(b) the number of Net Mineral Acres that Seller owns less than Net Mineral Acres set for such Allocated Value Tract on Exhibit E;

(iv) if the Title Defect represents a lien, charge, encumbrance, obligation, discrepancy or other defect in Seller's title of a type not described in subsections (i) – (iv) above, then, in each case, the Title Defect Value shall be determined by taking into account the Net Mineral Acre Value of the Allocated Value Tracts where the Title Defect exists, the portion of Seller's interest in the Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the affected Property, the values placed upon the Title Defect by Buyer and Seller and such other factors as are necessary to make a proper evaluation.

EXHIBIT B-1

Oil and Gas Interests – Leases

[see attached]

Leases

Lease Number	Lessor Name	GMA	NMA	WI	NRI	Legal Description	County	State	Entry
NDM 98558	United States of America, Bureau of Land Management	1040	260	0.25000000	.21875	T152N R92W 5TH PM SEC 27: NW/4, E/2SW/4, SE/4 SEC 34: NE/4, E/2E/2NW/4, E/2SE/4 E/2W/2SE/4 SEC 35: N/2	Mountrail	North Dakota	362507
NDM 098716	United States of America, Bureau of Land Management	160	40	0.25000000	.21875	T152N R92W 5TH PM SEC 27: NE/4	Mountrail	North Dakota	377039
	Sherri Lyn Reynolds	80.0000	5.0000	0.06250000		T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	333841
	Evelyn M. Reynolds	80.0000	10.0000	0.12500000		T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	318963
	Kenneth H. Reynolds	80.0000	5.0000	0.06250000		T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	318969
	Sherri Lyn Reynolds	120.0000	12.0000	0.10000000		T152N R92W 5TH PM SEC 34: W/2E/2NW/4, W/2NW/4	Mountrail	North Dakota	319373
	Jean G. Rohde* (Individually and as Trustee of the J. G. Rohde Living Trust dated 5-18-1998; and Trustee of the Anton O Rohde Credit Trust, Successor to the A.O. Rohde Living Trust dated 5-18-1998)	120.0000	12.0000	0.10000000		T152N R92W 5TH PM SEC 34: W/2E/2NW/4, W/2NW/4	Mountrail	North Dakota	318968

EXHIBIT B-2

Oil and Gas Interests – Wells

Well Name	Location	Operator	API Number	Working Interest	Net Revenue Interest	County	State
FED 3-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027470000	0.24062499	0.20773439	Mountrail	North Dakota
FED 5-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027490000	0.24062499	0.20773438	Mountrail	North Dakota
FED 7-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027480000	0.24062499	0.20773438	Mountrail	North Dakota
FED 1-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061011270000	0.24062501	0.20773438	Mountrail	North Dakota
FED 1-27H-152-92	Section 21-T152N-R92W	QEP Energy Company	33061014540000	0.25000000	0.21640623	Mountrail	North Dakota
ATLANTIS 1-34-35H	Section 34-T152N-R92W	Slawson	33061012290000	0.04687500	0.04101563	Mountrail	North Dakota
PIKE {FEDERAL} 1 SLH	Section 4-T151N-R92W	Slawson	33061033090000	0.00781217	0.00683565	Mountrail	North Dakota

EXHIBIT C

Permits, Easements and Surface Rights

None.

EXHIBIT D

Excluded Rights and Interests

There are no additional Excluded Assets

EXHIBIT E

Allocated Value Tracts

Allocated Value Tracts	Net Mineral Acres Owned by Seller	Net Mineral Acre Value
Township 152 North, Range 92 West 5th PM, Sec. 27	160	\$16,859.67
Township 152 North, Range 92 West 5th PM, N/2 of Sec. 34 and 35	154	\$26,865.00
Township 152 North, Range 92 West 5th PM, S/2 of Sec. 34 and 35	30	\$13,841.43

EXHIBIT F

Form of Assignment

[see attached]

When Recorded, Return To:

Locke Lord LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201
Attention: Jason A. Schumacher

Assignment and Bill of Sale

THIS ASSIGNMENT AND BILL OF SALE (this “**Assignment**”), dated as of _____, at 12:01 a.m., Mountain time (the “**Effective Date**”), is from III Exploration II LP, an Idaho limited partnership (“**Assignor**”), with an address of 960 Broadway Ave., Suite 500, Boise, Idaho to Pivotal Williston Basin II, LP, a Delaware limited partnership (“**Assignee**”), with an address of 2021 McKinney Avenue, Suite 1250, Dallas, Texas 75201. Assignor and Assignee are each a “**Party**,” and collectively, are the “**Parties**.”

For and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which Assignor hereby acknowledges, Assignor has sold, transferred, assigned, conveyed, and delivered, and does hereby sell, transfer, assign, convey, and deliver to Assignee, effective as of the Effective Date, all of Assignor’s right, title and interest in, and all privileges and obligations appurtenant to, the following described property rights, interests, privileges, and obligations (such property rights, interest, privileges, and obligations, SAVE and EXCEPT the Excluded Assets, are hereafter referred to collectively as the “**Property**”), Free and Clear (except for Permitted Encumbrances and Assignee’s Assumed Obligations):

- (a) All of the Oil and Gas Interests; and
- (b) All Contracts that Assignee has elected to assume as set forth on Exhibit I attached to the Purchase Agreement (the Contracts set forth on such Schedule as may be amended pursuant to Section 2 of the Purchase Agreement, collectively, the “Assumed Contracts”), including all rights, obligations and interests in all such Assumed Contracts and applicable to the other rights, titles and interests included in this definition of the term “Property.”

NOTWITHSTANDING THE FOREGOING, the Property shall not include, and there is hereby excepted, reserved, and excluded from the sale, transfer, and assignment contemplated hereby, the following excluded properties, rights, and interests (collectively, the “**Excluded Assets**”):

- (1) all of Assignor’s corporate minute books and corporate financial records that relate to Assignor’s business generally;
- (2) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Property with respect to any period of time prior to the Effective Date;
- (3) all Claims and causes of action of Assignor arising under or with respect to any Contracts included in the Oil and Gas Interests that are attributable to periods of time prior to the Effective Date (including Claims for adjustments or refunds);
- (4) all rights and interests of Assignor under any policy or agreement of insurance, under any bond, or to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property;
- (5) all Claims of Assignor for refunds of, credits attributable to, or loss carry forwards with respect to Taxes attributable to any period (or portion thereof) prior to the Effective Date;
- (6) all documents and instruments of Assignor that are protected by legal privilege (except for title opinions);
- (7) all data and Contracts that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with third parties;
- (8) all audit rights arising under any of the Contracts or otherwise with respect to any period prior to the Effective Date; and
- (9) all causes of action under Chapter 5 of the Bankruptcy Code.

TO HAVE AND TO HOLD the Property unto Assignee, its successors and assigns, forever, subject to the terms and other provisions herein stated.

This Assignment is made and accepted subject to the following terms and conditions:

1. Definitions. As used herein, the following terms shall have the meanings ascribed to them below:

(a) “**Oil and Gas Interests**” means all of Assignor’s right, title, and interest in and to the following rights, interests, and assets:

- (i) The Leases;
- (ii) All rights, obligations and interests in any unit or pooled area in which the Leases or lands are included, including all rights and obligations derived from any unitization, pooling, operating, communitization or other Assumed Contract or from any Order (the “**Units**”);
- (iii) All oil, gas and condensate wells (whether producing, not producing or abandoned), water source, water injection and other injection or disposal wells and systems described on Exhibit A-2 (the “**Wells**”) or located on the Leases or on the lands covered by the Leases or pooled, communitized or unitized therewith, other than leased equipment located on the Leases;
- (iv) (A) All flow lines, oil, gas, water and other pipelines, gathering systems and related equipment located on the Leases, the Units, or the Permits, Easements and Surface Rights or otherwise associated with the production, gathering, processing or transportation of Hydrocarbons from the Leases, the Wells or the Units, [or the gathering, delivery, injection or disposal of water to or from the Leases, the Wells and the Units] and (B) all facilities, equipment, compressors, booster stations, field offices, plants, meters, well pads, tank batteries, radio towers, remote terminal units, supervisory control and data acquisition (SCADA) equipment and other similar equipment, personal computer equipment, vehicles, communication equipment, improvements, fixtures, inventory, spare parts, tools, abandoned property and junk and other personal property located on the Leases, the Units, or the Permits, Easements and Surface Rights or otherwise associated with (Y) operations on the Leases, the Units or the Permits, Easements and Surface Rights or (Z) the sale, gathering, compression, processing, transportation of production from Leases, the Wells and the Units, or the gathering, delivery, injection or disposal of water to or from the Leases, the Wells and the Units, including all off-Lease facilities and other personal property (collectively referred to as the “**Equipment**”);
- (v) All easements, rights-of-way, licenses, permits, servitudes, surface leases, surface use agreements, surface fee tracts, and similar rights, obligations and interests, whether located on the Leases or on other property, applicable to or used in operating the Leases, Units, Wells, or Equipment (the “**Permits, Easements and Surface Rights**”);

- (vi) All Lease files, right-of-way files, Well files (including well logs), production records, division order files, abstracts, title opinions, and Contract files and reservoir and field studies related to any or all of the Leases, Units, Wells, Equipment, Permits, Easements and Surface Rights, and Assumed Contracts, and all other tangibles, movables, immovables, miscellaneous interests or other assets on the Leases or Units;
 - (vii) All hydrocarbons produced from the Leases from and after the Effective Date;
 - (viii) All funds payable to owners of working interests, royalties and overriding royalties and other interest in the Property held in suspense by Assignor as of the Closing Date; and
 - (ix) To the extent transferable without payment (unless Assignee makes such payment), all (i) seismic, geological, geochemical, or geophysical data (including cores and other physical samples or materials from wells or tests) belonging to Assignor or licensed from third parties, and (ii) interpretations of seismic, geological, geochemical or geophysical data belonging to Assignor or licensed from third parties, in each case to the extent pertaining to the Leases, Units or Wells.
- (b) “**Leases**” means the (i) oil, gas and mineral leases described in Exhibit A-1, together with all amendments, extensions, renewals and top leases thereof, (ii) leasehold, working, carried, force-pooled, non-consent and reversionary interests, operating rights and any interests arising by operation of law, and (iii) fee mineral interests, fee royalty or non-participating royalty interests, overriding royalty interests, net profits interests, production payments and other rights of a similar nature, and together with the lands covered thereby or pooled, communitized or unitized therewith.

2. Purchase and Sale Agreement. This Assignment is subject to the Purchase and Sale Agreement dated December __, 2016 between the Parties (“**Purchase Agreement**”). This Assignment is intended to evidence the consummation of the sale by Assignor and the purchase by Assignee of the Property, and the assignment by Assignor and the assumption by the Assignee of the Assumed Contracts contemplated by the Purchase Agreement. Assignor and Assignee, by their execution of this Assignment, each hereby acknowledge and agree that neither the representations and warranties nor the rights and remedies of any Party under the Purchase Agreement shall be deemed to be enlarged, modified or altered in any way by this Assignment. Any inconsistencies or ambiguities between this Assignment and the Purchase Agreement shall be resolved in favor of the Purchase Agreement.

3. Assumed Obligations. Except to the extent discharged by the Sale Order and Assignor’s conveyance of the Property to Assignee thereunder Free and Clear (except for

Permitted Encumbrances and Assignee's Assumed Obligations), Assignee will assume, pay, and perform all obligations, liabilities and duties with respect to ownership and (if applicable) operation of the Property, arising on or after the Effective Date, and all obligations arising under the Assumed Contracts and those obligations expressly assumed or required to be performed by Assignee under the Purchase Agreement (collectively, the "Assignee's Assumed Obligations"). Without limiting the generality of the foregoing and except to the extent discharged by the Sale Order and conveyance of Assignor's assets to Assignee thereunder Free and Clear (except for Assignee's Assumed Obligations), Assignee's Assumed Obligations shall also specifically include its proportionate share: (i) of royalties, overriding royalties, non-participating royalties, and other burdens on production, (ii) of any liabilities associated with balancing of overproduction or underproduction from the Property, (iii) of any liability related to the compliance with all Laws with respect to the Property, including the lawful plugging and abandonment of oil and gas Wells and the restoration of the surface of the land, or any governmental request or other requirement to abandon any pipeline or facility or take any clean-up, remedial, or other action with respect to the Property, regardless of when the events occurred that caused such condition to exist or the obligation to arise, (iv) of any liabilities related to dismantling or decommissioning and removing any personal property used with respect to the Property and other property of whatever kind related to or associated with operations and activities conducted by whomever on the Property, (v) of financial obligations applicable to or imposed on the lessee, owner or operator under the Leases and any applicable contracts, or as required by any law, and (vi) of any administration and payment of the Suspended Funds. Without limitation of the foregoing, Assignee agrees to assume and perform any and all of the obligations and liabilities or alleged or threatened liabilities and obligations of Assignor for any violation of Environmental Laws with respect to the Property, regardless of when the events occurred that caused such condition to exist or the obligation to arise.

4. SPECIAL WARRANTY OF TITLE. THE PROPERTY IS CONVEYED AND TRANSFERRED WITHOUT ANY REPRESENTATION, WARRANTY, OR COVENANT OF TITLE OF ANY KIND OR NATURE, EITHER EXPRESS, IMPLIED, OR STATUTORY, EXCEPT BY, THROUGH, AND UNDER ASSIGNOR, BUT NOT OTHERWISE.

5. Defects. EXCEPT AS PROVIDED IN THIS ASSIGNMENT AND THE PURCHASE AGREEMENT, THE PROPERTY IS CONVEYED AND ASSIGNED TO AND ACCEPTED BY ASSIGNEE IN ITS "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, WITHOUT ANY REPRESENTATION, WARRANTY, OR COVENANT OF ANY KIND OR NATURE, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MARKETABILITY, QUALITY, CONDITION, CONFORMITY TO SAMPLES, MERCHANTABILITY, AND/OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY ASSIGNOR AND WAIVED BY ASSIGNEE. ASSIGNEE RECOGNIZES THAT THE PROPERTY HAS BEEN USED FOR OIL AND GAS DRILLING, PRODUCTION, GATHERING, PIPELINE, TRANSPORTATION, STORAGE, AND RELATED OPERATIONS. PHYSICAL CHANGES IN THE PROPERTY AND IN THE LANDS BURDENED THEREBY MAY HAVE OCCURRED AS A RESULT OF SUCH USES. THE PROPERTY ALSO MAY INCLUDE BURIED PIPELINES AND OTHER EQUIPMENT, THE LOCATIONS OF WHICH MAY NOT BE KNOWN BY ASSIGNOR OR READILY APPARENT BY A PHYSICAL

INSPECTION OF THE PROPERTY. IT IS UNDERSTOOD AND AGREED THAT ASSIGNEE HAS INSPECTED PRIOR TO CLOSING (OR SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT) THE LEASES, EQUIPMENT, PIPELINES, AND THE ASSOCIATED PREMISES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT ASSIGNEE ACCEPTS ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE OF NATURALLY OCCURRING RADIOACTIVE MATERIAL AND MAN-MADE MATERIAL FIBERS.

6. Subrogation. To the extent permitted by law, Assignee shall be subrogated to Assignor's rights in and to representations, warranties and covenants given with respect to the Property. Assignor hereby grants and transfers to Assignee, its successors and assigns, to the extent so transferable, the benefit of and the right to enforce the covenants, representations and warranties, if any, which Assignor is entitled to enforce with respect to the Property, but only to the extent not enforced by Assignor.

7. Further Assurances. Assignor and Assignee agree to execute and deliver all such other and additional instruments and other documents and to do all such other and further acts and things as may be necessary to more fully and effectively grant, convey and assign to Assignee the Property conveyed hereby or intended to be conveyed hereby.

8. No Third-Party Beneficiaries. This Assignment is intended only to benefit the Assignor and Assignee and their respective successors and assigns.

9. Binding Effect. This Assignment and the provisions contained herein shall be covenants running with the land and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

10. Governing Law; Arbitration and Dispute Resolution. This Assignment shall be governed by and construed according to the laws of the State of North Dakota, excluding any conflict-of-law rule or principle that might apply the law of another jurisdiction. The Arbitration and Dispute Resolution provision in Section 31 of the Purchase Agreement is incorporated herein by reference.

11. Defined Terms. All capitalized terms not defined herein shall have the meaning provided in the Purchase Agreement.

12. Exhibits. All exhibits attached hereto are made a part hereof and incorporated herein by this reference. References in such exhibits to instruments on file in the public records are made for all purposes. Unless provided otherwise, all recording references in such exhibits are to the appropriate records of the county in which the Property is located.

13. Counterparts. This Assignment may be executed by Assignor and Assignee in counterparts, each of which shall be deemed an original instrument, but both of which together shall constitute but one and the same instrument.

EXECUTED on the date set forth in the acknowledgments below to be effective for all purposes as of the Effective Date.

ASSIGNOR:

III EXPLORATION II LP

By: Petroglyph Energy, Inc., its general partner

By: _____

Name: Michael Rich, Executive Vice President and Chief
Financial Officer

ASSIGNEE:

PIVOTAL WILLISTON BASIN II, LP

By: Pivotal Williston GP II, LLC, its general partner

By: _____

Name: William B. DeArman, Vice President

Acknowledgement of III Exploration II LP

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016 by Paul R. Powell, as President of Petroglyph Energy, Inc., in its capacity as general partner of III Exploration II LP, an Idaho limited partnership.

Witness my hand and official seal.

Notary Public

My commission expires: _____

Acknowledgement of Buyer

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016 by William B. DeArman, Vice President of Pivotal Williston GP II, LLC in its capacity of general partner of Pivotal Williston Basin II, LP on behalf of said company.

Witness my hand and official seal.

Notary Public

My commission expires: _____

EXHIBIT A-1

Leases

Lease Number	Lessor Name	Legal Description	County	State	Entry
NDM 98558	United States of America, Bureau of Land Management	T152N R92W 5TH PM SEC 27: NW/4, E/2SW/4, SE/4 SEC 34: NE/4, E/2E/2NW/4, E/2SE/4 E/2W/2SE/4 SEC 35: N/2	Mountrail	North Dakota	362507
NDM 098716	United States of America, Bureau of Land Management	T152N R92W 5TH PM SEC 27: NE/4	Mountrail	North Dakota	377039
	Sherri Lyn Reynolds	T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	333841
	Evelyn M. Reynolds	T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	318963
	Kenneth H. Reynolds	T152N R92W 5TH PM SEC 27: W/2SW/4	Mountrail	North Dakota	318969
	Sherri Lyn Reynolds	T152N R92W 5TH PM SEC 34: W/2E/2NW/4, W/2NW/4	Mountrail	North Dakota	319373
	Jean G. Rohde* (Individually and as Trustee of the J. G. Rohde Living Trust dated 5- 18-1998; and Trustee of the Anton O Rohde Credit Trust, Successor to the A.O. Rohde Living Trust dated 5-18- 1998)	T152N R92W 5TH PM SEC 34: W/2E/2NW/4, W/2NW/4	Mountrail	North Dakota	318968

EXHIBIT A-2

Wells

Well Name	Location	Operator	API Number	County	State
FED 3-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027470000	Mountrail	North Dakota
FED 5-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027490000	Mountrail	North Dakota
FED 7-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061027480000	Mountrail	North Dakota
FED 1-34-35H-152-92	Section 34-T152N-R92W	QEP Energy Company	33061011270000	Mountrail	North Dakota
FED 1-27H-152-92	Section 21-T152N-R92W	QEP Energy Company	33061014540000	Mountrail	North Dakota
ATLANTIS 1-34-35H	Section 34-T152N-R92W	Slawson	33061012290000	Mountrail	North Dakota
PIKE {FEDERAL} 1 SLH	Section 4-T151N-R92W	Slawson	33061033090000	Mountrail	North Dakota

EXHIBIT G

Form of Closing Statement

[see attached]

Closing Statement

Preliminary Settlement Statement Dated _____, 201

Effective Date: December 1, 2016

Closing Date: January __, 2017

Purchase Price:

Base Purchase Price \$7,250,000.00

Upward Adjustments:

Value of liquid Hydrocarbons in storage on the Effective Date \$ _____

Property Costs which are paid by or on behalf of Seller \$ _____

Downward Adjustments:

Amount received by Seller for production from and after Effective Date \$ _____

Amount of Suspended Funds \$ _____

Amount of all Property Costs which are paid by or on behalf of Buyer \$ _____

Casualty loss or Government Taking amount \$ _____

Agreed upon Amount of Title Defects \$ _____

Adjusted Purchase Price Due to Seller \$ _____

Less Escrow Amount Held by Seller \$ 624,497

Net Additional Purchase Price due to Seller at Closing \$ _____

“Seller”

III Exploration II LP

By: Petroglyph Energy, Inc., its general partner

By: _____

Name: Paul R. Powell

Title: President

“Buyer”

Pivotal Williston Basin II, LP

By: Pivotal Williston GP II, LLC, its general partner

By: _____

Name: William B. DeArman

Title: Vice President

EXHIBIT H

Non-Foreign Person Affidavit

[see attached]

AFFIDAVIT OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code of 1986, as amended, provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform Pivotal Williston Basin II, LP (“**Transferee**”) that withholding of tax is not required upon the disposition of a U.S. real property interest by III Exploration II LP (hereinafter “**III Exploration**”), the undersigned hereby certifies the following on behalf of **III Exploration**:

1. III Exploration is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. III Exploration’s U.S. employer identification number is 82-0536791; and
3. III Exploration’s office address is 960 Broadway Ave., Suite 500, Boise, Idaho 83706.

III Exploration understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct and completed, and I further declare that I have authority to sign this document on behalf of III Exploration.

III Exploration II LP

By: Petroglyph Energy, Inc.,
its general partner

By: _____
Name: Paul R. Powell
Title: President

EXHIBIT I

Assumed Contracts

Contract	Counter Party	Date	Legal Description
Joint Operating Agreement	QEP Energy Company	9/1/2010	T152N-R92W, 5 th PM; Section 27: All
Joint Operating Agreement	Questar Exploration and Production Company	8/1/2009	T152N-R92W, 5 th PM; Section 34: N/2 and Section 35: N/2
Joint Operating Agreement	Slawson Exploration Company, Inc.	1/15/2010	T152N-R92W, 5 th PM; Section 34 S/2 and Section 35 S/2
Communitization Agreement	Slawson Exploration Company, Inc.	12/1/2009	NDM-100846; T152N-R92W, 5 th PM; Section 34: N/2 and Section 35: N/2
Communitization Agreement	QEP Energy Company	11/1/2010	NDM-102908; T152N-R92W, 5 th PM; Section 27: All

EXHIBIT J

List of Contracts

Same Contracts as set forth on Exhibit I

EXHIBIT 2

EXHIBIT I

Assumed Contracts

Contract	Counter Party	Date	Legal Description
Joint Operating Agreement	QEP Energy Company	9/1/2010	T152N-R92W, 5 th PM; Section 27: All
Joint Operating Agreement	Questar Exploration and Production Company	8/1/2009	T152N-R92W, 5 th PM; Section 34: N/2 and Section 35: N/2
Joint Operating Agreement	Slawson Exploration Company, Inc.	1/15/2010	T152N-R92W, 5 th PM; Section 34 S/2 and Section 35 S/2
Communitization Agreement	Slawson Exploration Company, Inc.	12/1/2009	NDM-100846; T152N-R92W, 5 th PM; Section 34: N/2 and Section 35: N/2
Communitization Agreement	QEP Energy Company	11/1/2010	NDM-102908; T152N-R92W, 5 th PM; Section 27: All