

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA**

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| In re: | : | Chapter 11 |
| | : | |
| NICHOLS BROTHERS, INC., et al.¹ | : | Case No. 18-11123-M |
| | : | |
| Debtors. | : | (Jointly Administered) |
| | : | |
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**MOTION OF W.O. OPERATING COMPANY, LTD. FOR ORDER AUTHORIZING
SALE OF ASSETS OUTSIDE OF THE ORDINARY COURSE OF BUSINESS,
FREE AND CLEAR OF LIENS, CLAIMS, AND ENCUMBRANCES, AND
APPROVING ENTRY INTO AND CONSUMMATION OF ASSET
PURCHASE AGREEMENT, ALL PURSUANT TO 11 U.S.C. § 363**

W.O. Operating Company, Ltd., debtor and debtor-in-possession herein (“WO”), respectfully moves this Court for the entry of an order approving sale of its oil and gas assets (“WO Assets”) to SB Energy 1, LLC or its assignee (“Buyer”), free and clear of all liens, claims, and encumbrances, with such liens, claims, and encumbrances attaching to the sale proceeds. The sale will be pursuant to the Asset Purchase Agreement by and between WO and Buyer, dated October 18, 2018, as amended (the “Agreement”).² The Agreement and amendment are appended hereto as Exhibit “A.” In support of this Motion, WO presents the following:

¹ The debtors are Nichols Bros, Inc., Case No. 18-11123-M, NBI Properties, Inc., Case No. 18-11124-M, NBI Services, Inc., Case No. 18-11125-M, Ladder Companies, Inc., Case No. 18-11126-M, Red Water Resources, Inc., Case No. 18-11127-M, Cano Petro of New Mexico, Inc., Case No. 18-11128-M, and W.O. Operating Company, Ltd., Case No. 18-11129-M. The Court entered an order directing joint administration of these Chapter 11 cases on June 12, 2018.

² All descriptions of the Agreement contained herein and are for summary purposes only. Reference is made to the Agreement for all the terms and conditions between WO and Buyer.

JURISDICTION AND VENUE

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

BACKGROUND

2. This bankruptcy case was commenced by the filing of a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code on June 1, 2018 (the “Petition Date”).

3. WO is a Texas limited partnership which owns oil and gas properties in Texas and previously engaged in the production of hydrocarbons and operation of oil and gas wells in connection therewith. WO has its principal place of business in Tulsa, Oklahoma.

4. WO remains in possession of its assets as debtor-in-possession but such assets are not and have not been operated as producing oil and gas properties during this Bankruptcy Case.

5. Pursuant to the Agreement, Buyer will purchase virtually all of WO’s Assets for the purchase price of \$1 million “Base Consideration” and a potential additional amount of up to \$1 million as an “earnout” if certain production is achieved on certain “Earn Out” Leases by specified deadlines, calculated on the value of such leases denominated as the “Earn Out Leases” are restored to operations as set forth in the Agreement (“Purchase Price”). Of the total Purchase Price, only the \$1 million Base Consideration is guaranteed. “Earnout” consideration is contingent upon certain events.

6. Under the Agreement, WO will retain ownership of certain hydrocarbons in tank batteries to be sold by Buyer for account of WO, discussed more fully in paragraph 3.1 of the Agreement. All hydrocarbons in any WO tank in a quantity above a “Base Amount” are excluded from sale and are retained by WO, together with all right to proceeds from the sale of such hydrocarbons and any claims, accounts receivables, or funds related to the sale. The Agreement in

paragraph 1.5(e) defines “Base Amount” as hydrocarbons not to exceed 40 bbls in a particular tank. Anything over the 40 bbls “Base Amount” constitutes hydrocarbons retained by WO. See Section 3.1 of the Agreement. Pursuant to the Agreement Buyer agrees, as agent and on behalf of WO, to sell the hydrocarbons above the Base Amount in accordance with normal industry practice, deducting therefrom the amounts due to royalty owners on a pro-rata share of such production proceeds, to be paid by the hydrocarbon purchaser to the respective royalty owners, or for Buyer to otherwise use commercially reasonable efforts to make payments to the royalty owners of the amount due them on the sale of hydrocarbons. WO’s net revenue interest share of the hydrocarbon sale proceeds shall be separately paid to WO by Buyer within the timeframe set forth in the Agreement. This payment is in addition and separate from any consideration for the purchase of the WO Assets under the Agreement.

7. The Assets of WO being sold to SB pursuant to the Agreement are subject to encumbrances, claims, liens, and mortgages of CrossFirst Bank (“CrossFirst”) as pre-petition agent for a certain pre-petition debt, and as administrative agent and collateral agent for itself, Arena Limited SPV, LLC, Kirkpatrick Bank, and Valley National Bank.

8. Cross First has previously recorded liens against the oil and gas assets being sold, by filing on oil and gas mortgages, which oil and gas mortgages have not been released.

9. WO seeks authority herein to pay to Cross First net sale proceeds on WO’s pre-petition secured debt proceeds from Base Consideration the hydrocarbon sales and from the Earnout leases for application to principal, when and if such additional funds are paid to WO.

10. WO will file a report of sale within 15 days of each of the following: (i) closing of the sale contemplated under the Agreement and (ii) receipt of proceeds reporting on sale of

hydrocarbons and, (iii) payment to Cross First on the Pre-Petition Indebtedness due to Cross First from proceeds arising from the Agreement.

11. At date of Commencement of these Bankruptcy cases, the principal sum stipulated to be due to CrossFirst on the pre-petition debt in the DIP Order \$29,087,695.09, which has been reduced by payment of Collateral Sale Proceeds to \$23,267,125 as shown by CrossFirst as of October 1, 2018.

12. The Railroad Commission of Texas (“TRRC”) is charged with duties and responsibilities in connection with the regulation of operation of oil and gas properties in the State of Texas and administers laws and regulations in effect with respect to the same within its jurisdiction.

13. WO, Buyer, and their respective representatives have been actively engaged in discussions with the TRRC concerning the terms and conditions of a proposed sale of the WO Assets.

14. On October 19, 2018, representatives of WO, Buyer, and the TRRC met in Austin, Texas to address the regulatory requirements respecting the operation of the wells attendant to the proposed sale of the WO Assets to Buyer. On November 5, 2018, WO, Buyer, the TRRC, and the newly identified operator for the WO Assets Large Operating LLC executed a binding Term Sheet (“Term Sheet”) that has cleared the way for the sale of the assets to Buyer, but which is subject to formal approval of the TRRC which is a condition precedent to the consummation of the Agreement. It is scheduled for consideration by the Commissioners of the Texas Railroad Commission at its meeting on November 13, 2018. The provisions negotiated in the Term Sheet are a material condition of the proposed sale and, accordingly, the sale cannot close until Buyer and Large Operating, LLC comply with the requirements of the Term Sheet. A copy of the Term

Sheet is attached as Exhibit “B.” As part of the settlement, WO has filed a Rule 9019 Motion (the “Motion to Settle”) concurrently with this Motion that provides for resolution of all claims and disputes between WO and the TRRC. Approval of the 9019 Motion is part and parcel of this proposed sale. Formal approval of the Term Sheet is a pre-requisite to the Motion to Settle and this Motion. The Bankruptcy Court of the Northern District of Oklahoma shall have jurisdiction regarding the interpretation and enforcement of the Agreement the sale order. As to disputes between the TRRC, Buyer, or Large Operating regarding or arising from regulatory enforcement of any provision of the Term Sheet, those disputes shall be determined in Travis County State District Court located in the city of Austin, Texas or in an administrative hearing before an administrative law judge.

15. Prior to entry into the Agreement with SB, WO had attempted to sell these properties for approximately five years. WO made contact with a substantial number of potential purchasers and five to six Letters of Intent were executed by potential purchasers. No efforts to effect a sale were successful, and despite best efforts no agreements were entered into prior to the Agreement that is subject of this Motion. Negotiations with Buyer’s representatives commenced pre-petition and continued until the Agreement was executed. Resolution of numerous substantial issues related to the sale, issues and requirements of the TRRC, and terms agreeable to Buyer required extended negotiation. It is respectfully submitted that the WO Assets to be sold have value, but the Assets are in a distressed and currently inoperable condition, with a limited market of qualified or otherwise interested purchasers. Any purchaser would be required to meet the requirements of the TRRC with respect to the transfer of the operations of the properties and qualifications as operator. This series of obstacles has been addressed between WO, Buyer, and

the TRRC. Restoration of the properties to operation is critical to preservation of value and to prevent waste for both WO and its creditors and for Buyer.

RELIEF REQUESTED

16. By this Motion, the Debtor requests entry of an order approving the sale of the WO Assets to Buyer free and clear of all liens, claims and encumbrances and consistent with the terms of the Agreement and other related relief (the “Sale Order”). The Debtor shall file the proposed Sale Order on the docket prior to the objection deadline to this motion.

17. The Debtor also requests entry of a short-form of the Sale Order (the “Short-Form Sale Order”) that may be filed in the applicable county recoding offices to memorialize the transfer of the WO Assets in the real property records. The Debtor will file the Short-Form Sale Order together with the Sale Order.

BASIS FOR RELIEF

A. Sale of the WO Assets is An Exercise of the Debtor’s Reasonable Business Judgment

18. Section 363(b)(1) of the Bankruptcy Code provides: “[t]he Trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Courts have held that approval of a proposed sale of substantially all of the assets of a debtor under Section 363 of the Bankruptcy Code outside the ordinary course of business and prior to the confirmation of a plan of reorganization is appropriate if a court finds that the transaction represents a reasonable business judgment on the part of the trustee or debtor-in- possession. *See e.g., In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143 (3d Cir. 1986); *In re Delaware & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991) (holding that the following non-exclusive list of factors may be considered by a court in determining whether there is a sound business purpose for an asset sale: “the proportionate value of the asset to the estate as a whole; the amount of elapsed time since the filing; the effect of the proposed disposition of [sic] the future plan of reorganization; the

amount of proceeds to be obtained from the sale versus appraised values of the property; and whether the asset is decreasing or increasing in value.”).

19. It is respectfully suggested that WO, in the exercise of its business judgment, should be authorized to enter into the Agreement and consummate the proposed sale free and clear of liens as a private sale as provided by Federal Rule of Bankruptcy Procedure 6004(f). The requirements of the TRRC imposed upon Buyer are unique to the circumstances, and WO believes location of another “qualified” bidder is extremely unlikely, and such buyer would be required to satisfy the conditions of the TRRC, a time intensive process thereby subjecting the WO Assets to further deterioration in value.

B. Sale of the Assets Should Be Free and Clear of Claims and Interests

20. The sale to Buyer will be free and clear of any and all liens, claims, encumbrances, and other interests, with such liens, claims, encumbrances, and other interests, if any, to attach to the proceeds with the same validity, priority, and extent as they attached to WO Assets prior to the sale. *See generally In re Lady H Coal Co., Inc.*, 199 B.R. 595, 605 (S.D. W. Va. 1996). A debtor-in-possession may sell the assets of the estate free and clear of liens, claims, encumbrances, and other interests if, among other things, applicable non-bankruptcy law allows such a sale, the interest holder consents, there is a bona fide dispute, or if the interest holder could be compelled to accept a money satisfaction for its interest. See 11 U.S.C. § 363(f).

21. These WO Assets to be sold serve as collateral for the pre-petition lenders of the WO. CrossFirst is the agent for the lenders under pre-petition facility. Based on discussions, WO believes that CrossFirst, for itself and as agent for the other lenders, has consented to the proposed sale. In the event that parties claiming a security interest or mortgage do not consent, the Court may nonetheless approve the sale because the secured creditor’s asserted interest will either be in

a bona fide dispute or such secured creditor could be compelled under applicable law to accept a money satisfaction of their interest in such interests owned by WO, hereunder.

C. Buyer Should Be Granted the Protections of Section 363(m) of the Bankruptcy Code

22. WO also submits that Buyer should be entitled to the protections afforded by Bankruptcy Code § 363(m). Specifically, Bankruptcy Code § 363(m) provides that:

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

11 .S.C. § 363(m).

12 While the Bankruptcy Code does not define “good faith,” “[t]he requirement that a purchaser act in good faith . . . speaks to the integrity of his conduct in the course of the sale proceedings. *See e.g., In re Bel Air Assocs., Ltd.*, 706 F.2d 301, 304 (10th Cir. 1983).

13 Buyer has proceeded in good faith, as it has negotiated and dealt with WO at arm’s length. Under these circumstances, this Court should find that Buyer is entitled to all of the protections of Bankruptcy Code § 363(m).

CONCLUSION

WHEREFORE, WO moves the Court for the entry of the Sale Order and Short-Form Sale Order:

A. Authorizing the sale of the WO Assets to Buyer pursuant to the Agreement, free and clear of any and all liens, claims, encumbrances, and other interests, with any such liens, claims, encumbrances, and other interests to attach to the proceeds, and approving and authorizing WO’s performance and consummation of the Agreement effectuating the sale;

- B. Finding that Buyer has acted in good faith within the meaning of 11 U.S.C. § 363(m) and, as such, is entitled to the protection afforded by the same;
- C. Such other relief as set forth in the proposed Sale Order; and
- D. Such other relief as the Court may deem just and proper.

Respectfully submitted,

/s/Chad J. Kutmas

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EXHIBIT “A”

ASSET PURCHASE AGREEMENT
BY AND BETWEEN
W.O. OPERATING COMPANY, LTD.
AS SELLER
AND
SB ENERGY 1, LLC
AS BUYER

Dated as of October 18, 2018

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “*Agreement*”) dated as of October 18, 2018 (the “*Signing Date*”), is executed by and between W.O. Operating Company, Ltd., a limited partnership organized under the laws of the State of Texas, and a Debtor-in-Possession pursuant to Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Oklahoma, Case No. 18-11123 (“*Seller*”), and SB Energy 1, LLC (“*Buyer*”). Seller and Buyer are each referred to herein as a “*Party*” and collectively as the “*Parties*.” Capitalized terms used in this Agreement are defined in the **Definition Appendix** attached hereto.

RECITALS

- A. Seller owns certain oil and gas leases and related assets as noted herein.
- B. On June 1, 2018, Seller filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the U.S. Bankruptcy Court for the Northern District of Oklahoma (the “*Bankruptcy Court*”) commencing a bankruptcy case (the “*Bankruptcy Case*”).
- C. Seller desires to sell to Buyer certain assets, and Buyer desires to purchase from Seller certain assets and assume certain liabilities, upon the terms and conditions hereinafter set forth.
- D. The Parties hereto intend to effectuate the transactions contemplated by this Agreement through a sale pursuant to Sections 105, 363 and 365 of title 11 of the United States Code (the “*Bankruptcy Code*”).

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

ARTICLE I. PURCHASE AND SALE

Section 1.1. Status of Operations.

Seller is the owner of oil and gas interests under various leases and is operator of record of wells situated in Roberts, Carson, Gray and Hutchinson Counties, Texas. The Texas Railroad Commission (“*TRRC*”) has denied Seller's P-5 renewal application which compelled Seller to discontinue operations. As a result of the denial of the P-5 application, the Seller is currently prohibited from operating the wells associated with the Leases. The current condition of the wells is that they are not producing. Several tank batteries, estimated at forty (40), contain hydrocarbons produced prior to the denial of the P-5 Application, but Seller has been precluded from selling the hydrocarbons.

Section 1.2. Status of Liens on Assets.

The Assets of Debtor to be sold hereunder and hereinafter defined are subject to encumbrances, claims, liens, and mortgages of CrossFirst Bank ("**CrossFirst**") as pre-petition agent for a certain pre-petition debt, and as administrative agent and collateral agent for itself, Arena Limited SPV, LLC, Kirkpatrick Bank, and Valley National Bank on the CrossFirst Pre-Petition Debt. CrossFirst is also agent under a certain debtor-in-possession credit facility which is likewise secured by liens, claims, encumbrances, and mortgages of CrossFirst for itself and other debtor-in-possession lenders. As contemplated by this Agreement, the Assets will be sold to Buyer hereunder pursuant to the Bankruptcy Code and Bankruptcy Court Orders as set forth herein, which shall provide that the sale of Assets shall be free of all liens, claims, encumbrances, and mortgages of CrossFirst and any other party, with all such liens, claims, and encumbrances to attach to the proceeds of sale, in the same priority and to the same extent that such liens, claims, encumbrances, and mortgages attached to the Assets immediately prior to sale.

Section 1.3. Purchase and Sale.

Upon the terms and subject to the conditions of this Agreement, Seller shall sell, transfer, assign, convey and deliver, or cause to be sold, transferred, assigned, conveyed and delivered, to Buyer, and Buyer shall purchase from Seller, the Assets "as is where is" in their current condition and status, free and clear of all Liens and Claims (other than the Assumed Liabilities).

Section 1.4. Assets.

As used herein, the term "**Assets**" means, subject to the terms and conditions of this Agreement, all of Seller's right, obligation, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, in and to the following (but excluding the Excluded Assets):

(a) All of the oil and gas leases described on **Exhibit A** and any mineral, royalty, overriding royalty, net profits interests, carried interests, farmout rights, options, contractual rights (each a Lease, collectively, the "**Leases**"); and other properties and interests, together with each and every kind and character of right, title, claim, and interest that Seller has in and to the lands covered by the Leases or the lands currently pooled, unitized, communitized or consolidated therewith including, without limitation all rights with respect to the use of the surface of and the subsurface depths under the lands covered by the Leases (collectively, the "**Lands**");

(b) All oil, gas, water, disposal or injection wells located on or associated with the Leases whether producing, shut-in, or temporarily or permanently abandoned, and any other oil, gas, water, disposal or injection wells owned by Seller located on or associated with the Lands, whether producing, shut-in, or temporarily or permanently abandoned (collectively, the "**Wells**");

(c) All rights, obligations and interests in any unit or pooled area in which the Leases or Lands are included (the "**Units**");

(d) All easements, rights-of-way, surface leases, servitudes, permits, licenses, franchises, and other estates or similar rights and privileges directly related to or used in connection with the Leases, Lands, Wells and Units (the “*Easements*” and together with the Leases, Lands, Wells and Units the “*Oil and Gas Interests*”);

(e) All flow lines, oil, gas, water and other pipelines, gathering systems, tank batteries, structures, buildings and related equipment located on the Leases, Lands, Units and Easements or otherwise associated with the production or the transportation of production from the Leases, the Wells or the Units, and all facilities, equipment, compressors, booster stations, plants, meters, well pads, radio towers, remote terminal units, supervisory control and data acquisition (SCADA) equipment and other similar equipment, personal computer equipment, communication equipment, improvements, fixtures, inventory (excluding hydrocarbons in tank batteries pursuant to ¶ 1.5, spare parts, tools, and other personal property located on the Leases, the Lands, the Units, or the Easements or otherwise associated with operations on the Leases, the Wells, or the Units or the sale, processing or transportation of production from the Leases, the Wells and the Units (collectively referred to as the “*Equipment*”); for avoidance of doubt the Equipment does not include any motor vehicles;

(f) All Hydrocarbons produced from or attributable to the Leases, Lands, and Wells from and after the Closing Date;

(g) to the extent assignable or transferable, all contracts, agreements, and other arrangements that directly relate to the Oil & Gas Interests or the Equipment, including, without limitation, production sales contracts, farmout agreements, operating agreements, service agreements (the “*Contracts*”);

(h) All lease files; land files; well files; gas and oil sales contract files; gas processing files; division order files; abstracts; title opinions; land surveys; environmental surveys, inspections, assessments, and reports; logs; maps; engineering data and reports; interpretive data, technical evaluations and technical outputs; reserve studies and evaluations, and other books, records, data, files, and accounting records, in each case to the extent related to the Oil and Gas Interests, or used or held for use in connection with the maintenance or operation thereof, but excluding any books, records, data, files, logs, maps, evaluations, outputs, and accounting records to the extent disclosure or transfer would result in a violation of applicable law (subject to such exclusions, the “*Records*”); provided, however, that Seller may retain the originals of such Records as Seller has reasonably determined may be required for existing litigation, tax, accounting, and auditing purposes;

(i) All geological and geophysical data relating to the Oil & Gas Interests, other than such data that is interpretive in nature or that cannot be transferred without the consent of, or payment to, any third party.

(j) All computers, software (provided it is transferable), specialty tools, SCADA systems, peripherals, radio equipment, and telephone equipment to the extent the same are necessary to operate the Oil and Gas Interests or Equipment and are located in the field.

Without limiting the definition of the term Assets, the Assets shall specifically include (i) seventeen (17) oil-and-gas leases that have produced hydrocarbons since September 2017, shown on **Schedule 2.2** (the “*Effective Leases*”). The Leases that do not fall within the term Effective Leases are referred to herein as “*Earn Out Leases*.” The term “**Leases**” includes both Effective Leases and Earn Out Leases.

Section 1.5. Excluded Assets.

Notwithstanding the foregoing, the Assets shall not include any assets of the Seller that are not listed in **Section 1.4** (collectively, the “*Excluded Assets*”), and these are excepted, reserved and excluded from the purchase and sale contemplated herein. The Excluded Assets include:

(a) As of the Effective Time, all fluids in each tank above a Base Amount, attributable to the Oil & Gas Interests together with all proceeds from the sale of such fluids, and any claims, accounts receivable, or funds related thereto, which shall be retained by Seller; for the purposes hereof “*Base Amount*” is defined as fluids not to exceed 40 bbls in a particular tank.

(b) all other proceeds, income, royalties, or revenues (and any security or other deposits made) attributable to the Assets for any period prior to the Effective Time; and

(c) all corporate, partnership, limited liability company, financial, income and franchise tax and legal records of Seller that relate to Seller’s business, and all books, records and files that relate to the Excluded Assets.

Section 1.6. Assumed Liabilities.

Subject to the terms and conditions of this Agreement, as of the Closing, Buyer assumes and agrees to pay, perform and discharge, or cause to be paid, performed, and discharged, only the following obligations and Liabilities (the “*Assumed Liabilities*”);

(a) all Liabilities relating to or arising from the Assets relating to or arising from the period commencing on or after the Effective Time;

(b) all Taxes related to the Assets attributable to taxable periods, or portions thereof, beginning after the Closing Date, including Liabilities for Taxes attributable to the ownership of the Assets after the Effective Time; and

(c) such pre-petition liabilities arising from TRRC’s police and regulatory powers that the Buyer agrees to assume in writing in its sole discretion.

The assumption by Buyer of the Assumed Liabilities shall not, in any way, enlarge the rights of any third parties relating thereto. For the avoidance of doubt, all liabilities arising out of or related to the Assets or the operations thereof prior to the Effective Time shall not be Assumed Liabilities unless specifically provided in this Agreement.

Section 1.7. Excluded Liabilities.

Notwithstanding any provision in this Agreement to the contrary, Buyer shall not assume and shall not be obligated to assume or be obliged to pay, perform or otherwise discharge any Liability of Seller other than the Assumed Liabilities, and Seller shall be solely and exclusively liable with respect to all Liabilities of Seller (including all Liabilities arising out of or relating to the Assets or the operation thereof prior to the Effective Time) (such Liabilities, collectively, the “*Excluded Liabilities*”). For purposes of clarity, and without limitation of the generality of the foregoing, the Excluded Liabilities shall include, without limitation, each of the following Liabilities:

(a) any and all Liabilities for Taxes arising from or with respect to the Assets for any taxable periods, or portions thereof, ending prior to the Effective Time;

(b) any and all Liabilities arising under Environmental Laws or other any other Law in connection with any environmental, health, or safety matters relating to the operation of the Assets on or before the Effective Time;

(c) any fines or penalties imposed or assessed related to or arising out of or relating to the ownership or operation of the Assets prior to the Effective Time (including fines and penalties imposed or assessed in connection with Sellers’ alleged pre-Effective Time violation of Legal Requirements, including Environmental Laws), except to the extent such fines or penalties are imposed or assessed relating to or arising out of the actions of Buyer or after the Effective Time;

(d) all obligations arising out of or relating to the accounting for, failure to pay or the incorrect payment to or from any royalty owner, overriding royalty owner, working interest owner or other interest holder under the Assets and escheat obligations, in each case, insofar as the same are attributable to periods, and Hydrocarbons produced with respect to the Assets, prior to the Effective Time;

(e) any and all Liability for: (i) costs and expenses incurred by Seller or owed in connection with the administration of the Bankruptcy Case (including the U.S. Trustee fees, the fees and expenses of attorneys, accountants, financial advisors, consultants, and other professionals retained by Seller, and any official or unofficial creditors’ committee, the fees and expenses of the post-petition lenders or the pre-petition lenders incurred or owed in connection with the administration of the Bankruptcy Case); and (ii) all costs and expenses of Seller incurred in connection with the negotiation, execution, and consummation of the transactions contemplated under this Agreement.

**ARTICLE II.
PURCHASE PRICE**

Section 2.1. Purchase Price.

(a) The aggregate consideration for the sale and transfer of the Assets shall be: (i) ONE MILLION DOLLARS (\$1,000,000) (the “*Base Purchase Price*”); (ii) in addition, to

the extent applicable, the Earn Out set forth herein; and (iii) assumption of the Assumed Liabilities.

- (b) The Base Purchase Price shall be paid to Seller at Closing.

Section 2.2. Allocation of Purchase Price.

The Base Purchase Price shall be allocated to each Lease listed on **Schedule 2.2** (the “**Allocated Value**”). Within 30 days following Closing, the Buyer and Seller shall work in good faith to reach an agreement on the Allocated Values. If the Parties have any dispute with respect to the Allocated Values, the Parties will seek resolution of the dispute by the Bankruptcy Court. The Allocated Values may be relied upon for all purposes hereunder, including all of the following:

- (a) Buyer and Seller shall use the Allocated Values as the basis for reporting asset values for purposes of all federal, state, and local Tax Returns, including without limitation Internal Revenue Service Form 8594, if required, or any similar statement of such allocation that may be required; and

- (b) As otherwise provided in this Agreement.

Section 2.3. Earn Out. In addition to the Base Purchase Price, the Buyer shall make an additional payment to Seller of up to ONE MILLION DOLLARS (\$1,000,000) upon the satisfaction of the conditions described in this Section 2.3 (the “**Earn Out**”):

- (a) If any Earn Out Lease produces hydrocarbons in paying quantities on or before December 31, 2019 (any such lease, a “**Producing Earn Out Lease**”), the Buyer shall cause royalty payments to be made to all holders of royalty interests in the Producing Earn Out Lease by check (each such check, a “**Royalty Check**”) on or before January 31, 2020.

- (b) If Royalty Checks representing fifty percent (50%) or more of the total amount of royalties payable under a Producing Earn Out Lease have been cashed on or before March 15, 2020, the Buyer shall make an additional payment to the Seller with respect to such Producing Earn Out Lease (each such payment, an “**Earn Out Payment**”).

- (c) The amount of each Earn Out Payment shall be determined on a proportional basis pursuant to the following formula. First, the number of wells on the Producing Earn Out Lease shall be divided by the total number of wells on all Earn Out Leases. Second, the quotient of the operation in the immediately preceding sentence shall be multiplied by \$1,000,000. The resulting product shall be the Earn Out Payment. For example, if there are 25 wells on a Producing Earn Out Lease for which the required amount of Royalty Checks have been cashed and the total number of wells on all Earn Out Leases is 400, the Buyer shall make an Earn Out Payment with respect to such Producing Earn Out Lease in the amount of \$62,500.

- (d) The Buyer shall pay any and all Earn Out Payments to the Seller on or before April 1, 2020.

Section 2.4. Deposit. As of the date hereof, Buyer shall transfer to counsel to the Seller a deposit in the amount of \$100,000.00 (the “*Deposit*”). The Deposit shall be applied to the Base Purchase Price hereunder or disposed of in accordance with the terms of this Agreement.

ARTICLE III. SALE OF SELLER’S HYDROCARBONS

Section 3.1. Buyer’s Sale of Seller’s Hydrocarbons.

The pre Effective Date production (Hydrocarbons) that is being retained by the Seller pursuant to **Section 1.5** of this Agreement and that is stored in Seller’s tank batteries, shall be sold by Buyer as agent for Seller in accordance with normal industry practices. Buyer shall endeavor to have the royalty owners pro rata share of such production proceeds paid to the respective royalty owners by the crude purchaser, or otherwise use commercially reasonable efforts to make payments to the royalty interest owners of their pro rata share. Seller’s net revenue interest share of such production sales proceeds shall be paid to Seller in Buyer’s next revenue accounting and payment cycle following receipt of the production sales proceeds from the crude purchaser. The amount of pre-Effective Date production (Hydrocarbons) subject to this provision shall be the amount determined pursuant to Section 1.5(a) hereof.

ARTICLE IV. CLOSING AND DELIVERIES

Section 4.1. Closing.

The Closing shall take place on or before the third Business Day following the date on which the conditions contained in **Article VIII** have been satisfied or (if permissible) waived (other than the conditions which by their nature are to be satisfied at the Closing, but subject to the satisfaction or (if permissible) waiver of such conditions) or on such other date and time as may be mutually agreed to by the Parties in writing (the date on which the Closing occurs, hereinafter, the “*Closing Date*”). Unless otherwise agreed by the Parties in writing, the Closing shall be deemed effective and all right, title, and interest of Seller to be acquired by Buyer hereunder shall be considered to have passed to Buyer as of 12:01 a.m. (Central Time) on the Closing Date (the “*Effective Time*”).

Section 4.2. Obligations of Seller at Closing.

At the Closing, upon the terms and subject to the conditions of this Agreement, Seller shall deliver or cause to be executed and delivered to Buyer, or perform or cause to be performed, the following, all in forms acceptable to the Buyer:

- (a) assignment of Seller’s interest in the Oil and Gas Interests as a special warranty deed (the “*Oil and Gas Interests Assignments*”);
- (b) assignment of oil and gas lease operating rights for any of the Leases or the Units (the “*Assignment of Operating Rights*”);

(c) assignment, conveyance and bill of sale of the Equipment (Bill of Sale, together with the Oil and Gas Interests Assignments and the Assignment of Operating Rights, each a “*Conveyance*”);

(d) a certificate of non-foreign status, with an executed statement described in Treasury Regulation 1.1445-2(b)(2), certifying that Seller is not a foreign person within the meaning of the Internal Revenue Code; and

(e) any other agreements, instruments and documents which are required or contemplated by other terms of this Agreement to be executed and/or delivered at Closing.

Section 4.3. Obligations of Buyer at Closing.

At the Closing, upon the terms and subject to the conditions of this Agreement, Buyer shall deliver or cause to be executed and delivered to Seller, or perform or caused to be performed, the following:

(a) The Base Purchase Price pursuant to **Section 2.1(a)** hereof and in accordance with instructions from Seller; and

(b) any other agreements, instruments and documents which are required by other terms of this Agreement to be executed and/or delivered at Closing.

ARTICLE V. REPRESENTATIONS AND WARRANTIES OF SELLER

Section 5.1. Generally.

(a) Any representation or warranty qualified “to the knowledge of Seller” or “to Seller’s knowledge” or with any similar knowledge qualification is limited to matters within the actual knowledge of the officers of Seller or its Affiliates and those employees of Seller or any of its Affiliates who have responsibility for the Assets.

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

(c) Subject to the foregoing provisions of this **Section 5.1**, Seller represents and warrants to Buyer the matters set out in the remainder of this **Article V**.

Section 5.2. Organization and Good Standing.

Seller is a Texas limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas and is duly qualified to do business as a foreign corporation

where the Assets are located, except where the failure to so qualify would not have a Material Adverse Effect.

Section 5.3. Power.

Seller has, subject to entry of the Sale Order, the power and authority to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 5.4. Approvals, Authorization and Enforceability.

Subject to entry of the Sale Order, the execution, delivery and performance of this Agreement, and the performance of the transactions contemplated hereby, have been duly and validly authorized by all necessary limited partnership action on the part of Seller. This Agreement has been duly and validly executed and delivered by Seller and each other Transaction Document required to be executed and delivered by Seller at the Closing will be duly and validly executed and delivered by Seller at the Closing. Subject to entry of the Sale Order, this Agreement and the other Transaction Documents constitute, with respect to Seller, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms. Except for (a) entry of the Sale Order, (b) notices, filings and consents required in connection with the Bankruptcy Case, (c) any applicable notices, filing, consents or approvals under any applicable antitrust, competition or trade regulation or other Legal Requirements, and (d) the Post-Closing Consents, Seller is not required to give any notice to, make any filing with or obtain any consent from any Person (including any Governmental Authority) in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation or performance of any of the transactions contemplated hereby and thereby except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.5. No Conflicts.

Subject to the giving of all notices to third parties and the receipt of all consents, approvals and waivers from third parties in connection with the transactions contemplated hereby, including entry of the Sale Order, the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated herein will not (i) conflict with or result in a breach of any provisions of the organizational documents of Seller, (ii) result in a default or the creation of any encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any Lease, Contract, note, bond, mortgage, indenture, license or other material agreement to which any Seller is a party or by which any Seller or the Assets may be bound or (iii) to Seller's knowledge, violate any material Laws applicable to Seller or any of the Assets.

Section 5.6. No Brokers or Finders.

No agent, broker, finder, or investment or commercial banker, or other Person or firm engaged by, or acting on behalf of, Seller in connection with the negotiation, execution, or performance of this Agreement or the transactions contemplated by this Agreement, is or will be entitled to any brokerage or finder's or similar fees or other commissions as a result of this Agreement or such transactions.

Section 5.7. Litigation.

With respect to the Assets and Seller's ownership, operation, development, maintenance, or use of any of the Assets except as shown on **Schedule 5.7**: (i) no proceeding, arbitration, action, suit, pending settlement, or other legal proceeding of any kind or nature before or by any Governmental Body (each, a "**Proceeding**," and collectively "**Proceedings**") (including any take-or-pay claims) to which Seller is a party and which relates to the Assets is pending or, to Seller's knowledge, threatened against Seller; (ii) to Seller's knowledge, no Proceeding or investigation to which Seller is not a party which relates to the Assets is pending or threatened; and (iii) no notice in writing from any third party (including any Governmental Body) has been received by Seller threatening any Proceeding relating to the Assets which could have a Material Adverse Effect (excluding any notices relating to any Environmental Law to the extent reflected in **Section 5.157**).

Section 5.8. Taxes and Assessments.

For all periods prior to Closing, Seller has filed all Tax Returns required to be filed by any Governmental Body and certain *ad valorem*, property, production, severance and similar taxes and assessments (including penalties and interest) based on or measured by the ownership of the Assets, the production of Hydrocarbons or the receipt of proceeds therefrom that have become due and payable before the Closing, and those that have not been paid in full at Closing shall attach to the proceeds of the sale of the Assets, to the same extent, order and priority of such liens, claims, or encumbrances had against the Assets.

Section 5.9. Condemnation.

To Seller's knowledge, there is no actual or threatened taking (whether permanent, temporary, whole or partial) of any part of the Assets by reason of condemnation or the threat of condemnation.

Section 5.10. Consents.

Except for Customary Post-Closing Consents, there are no consents or other restrictions on assignment that Buyer is obligated to obtain or furnish, including, but not limited to, requirements for consents from third parties to any assignment (in each case) that would be applicable in connection with the consummation of the transactions contemplated by this Agreement by Buyer

Section 5.11. Marketing Contracts.

Seller has paid its share of all costs (including all Property Costs) payable by it under Marketing Contracts. Seller is in compliance and, to Seller's knowledge, all counterparties are in compliance under all Marketing Contracts. The Marketing Contracts include all agreement(s) or contracts for the sale, exchange, or other disposition of Hydrocarbons produced from or attributable to Seller's interest in the Assets that is not cancelable without penalty or other material payment without first providing more than 60 days prior written notice.

Section 5.12. Payments for Hydrocarbon Production.

All material rentals, royalties, excess royalty, overriding royalty interests, Hydrocarbon production payments, and other payments due and payable by Seller to lessors, overriding royalty holders and other interest owners under or with respect to the Assets and the Hydrocarbons produced therefrom or attributable thereto, have been paid, and Seller is not obligated under any contract or agreement for the sale of gas from the Assets containing a take-or-pay, advance payment, prepayment, or similar provision, or under any gathering, transmission, or any other contract or agreement with respect to any of the Assets to gather, deliver, process, or transport any gas without then or thereafter receiving full payment therefor.

Section 5.13. Governmental Authorizations.

Subject to matters with the Texas Railroad Commission, as set forth in paragraph 1.1., or any other matters with the Texas Railroad Commission, Seller has obtained and is maintaining all material federal, state and local governmental licenses, permits, franchises, orders, exemptions, variances, waivers, authorizations, certificates, consents, rights, privileges and applications therefor (the “*Governmental Authorizations*”) that are presently necessary or required for the ownership and operation of the Seller Operated Assets as currently owned and operated (excluding Governmental Authorizations required by Environmental Law). Seller has operated the Seller Operated Assets in all material respects in accordance with the conditions and provisions of such Governmental Authorizations, and no written notices of material violation have been received by Seller, and no Proceedings are pending or, threatened in writing that might result in any material modification, revocation, termination or suspension of any such Governmental Authorizations or which would require any material corrective or remediation action by Seller.

Section 5.14. No Violation of Laws.

Except as set forth on **Schedule 5.14**, and subject to paragraph 1.1 hereof, Seller has not violated applicable Laws with respect to the ownership or operation of any Assets of which Seller is the operator, except where such violation would not have a Material Adverse Effect. This **Section 5.14** does not include any matters with respect to Environmental Laws.

Section 5.15. Environmental.

Subject to paragraph 1.1 hereof, with respect to Seller Operated Assets, to the Seller’s knowledge, Seller has not violated, except as set forth on **Schedule 5.15** (a) any Environmental Law or (b) any order, judgment, injunction, ruling or decree of any court or other Governmental Body to which it is a party or by which it is bound that relates to any Environmental Law. Further, to Seller’s knowledge, there are no Claims relating to the existence of any Environmental Liabilities affecting the Assets or arising out of Seller’s ownership and operation of the Seller Operated Assets, which could reasonably be expected to have a Material Adverse Effect.

**ARTICLE VI.
REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller as follows:

Section 6.1. Existence and Qualification.

Buyer is duly organized, validly existing and in good standing under the laws of the state of its formation; and Buyer is duly qualified to do business in Texas.

Section 6.2. Power.

Buyer has the power, financial ability, and authority to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 6.3. Authorization and Enforceability.

The execution, delivery and performance of this Agreement, and the performance of the transaction contemplated hereby, have been duly and validly authorized by all necessary action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer (and all documents required hereunder to be executed and delivered by Buyer at Closing will be duly executed and delivered by Buyer) and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of Buyer, enforceable against such Buyer in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 6.4. No Conflicts.

The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated herein will not conflict with or result in a breach of any provisions of the organizational or other governing documents of Buyer nor will it violate any Laws applicable to Buyer or any of its property.

Section 6.5. Liability for Brokers' Fees.

Seller shall not directly or indirectly have any responsibility, liability or expense, as a result of undertakings or agreements of the Buyer for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 6.6. Litigation.

There are no Proceedings pending, or to the Actual Knowledge of Buyer, threatened in writing before any Governmental Body against Buyer or any Affiliate of Buyer which are reasonably likely to materially impair Buyer's ability to perform its obligations under this Agreement.

Section 6.7. Development of Assets.

The Buyer shall make investments in one or more Earn Out Leases in an attempt to return them to production.

**ARTICLE VII.
COVENANTS OF THE PARTIES**

Section 7.1. Access to Property and Information Prior to Closing.

Seller agrees that, prior to the Closing Date (or the earlier termination of this Agreement), Buyer shall be entitled, through its officers, employees and representatives (including, without limitation, its legal advisors and accountants), to make on-site investigations of the Assets of Seller and examinations of the books and records of Seller relating to the Assets as it reasonably requests and to make extracts and copies of such books and records, all at Buyer's sole expense. Any such investigations and examinations shall be conducted during regular business hours and under reasonable circumstances, and Seller shall cooperate fully therein. No investigation by Buyer prior to or after the date of this Agreement shall diminish or obviate any of the representations, warranties, covenants or agreements of Seller contained in this Agreement. Each Party shall cause its officers, employees, consultants, agents, accountants, attorneys and other representatives to cooperate fully with the representatives of the other Party in connection with such review and examination. Seller shall promptly deliver to Buyer copies of all pleadings, motions, notices, statements, schedules, applications, reports and other papers filed by Seller in the Bankruptcy Case. Seller shall promptly provide to Buyer all documents and materials relating to the proposed sale of the Assets, or any portion thereof, including, without limitation, with respect to competing bids, and otherwise cooperate with Buyer, to the extent reasonably necessary in connection with Buyer's preparation for or participation in any part of the Bankruptcy Case in which Buyer's participation is necessary, required or reasonably appropriate.

Section 7.2. Government Reviews.

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

Section 7.3. Tax Matters.

(a) Proration of Real and Personal Property Taxes. All real and personal property taxes and assessments on the Assets for the 2018 calendar taxable period commencing on or prior to the Closing Date (the "**Adjustment Date**") and ending on or after the Adjustment Date (a "**Straddle Period**") shall be prorated between Buyer and Seller as of the close of business on the Adjustment Date based on the best information then available, with (a) Seller being liable for such Taxes attributable to any portion of a Straddle Period ending on the day prior to the

Adjustment Date and (b) Buyer being liable for such Taxes attributable to any portion of a Straddle Period on or after the Adjustment Date. All such prorations shall be allocated so that items relating to the portion of a Straddle Period ending on the day prior to the Adjustment Date shall be allocated to Seller based upon the number of days in the Straddle Period prior to the Adjustment Date and items related to the portion of a Straddle Period on and after the Adjustment Date shall be allocated to Buyer based upon the number of days in the Straddle Period from and after the Adjustment Date; provided, however, that the Parties shall allocate any real property Tax in accordance with section 164(d) of the Internal Revenue Code. The amount of all such prorations that must be paid in order to convey the Assets to Buyer free and clear of all Liens other than Assumed Liabilities shall be calculated (or, if not subject to calculation, estimated) and either paid on the Closing Date or, if not subject to payment on such date, Buyer shall withhold from the Purchase Price Seller's portion, or estimated portion, of such amounts and shall thereafter be responsible for paying such amounts.

(b) Taxes Related to Purchase of Acquired Assets. All state, federal, and local sales, use, gross-receipts, transfer, gains, excise, value-added, or other similar Taxes in connection with the transfer of the Assets and the assumption of the Assumed Liabilities (other than any such Taxes that constitute a franchise tax or are otherwise imposed in lieu of an income tax) (collectively, "**Transaction Taxes**") shall be paid by the Buyer.

(c) Cooperation on Tax Matters. Each Party shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of any Tax Return and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon such other Party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Each Party agrees (a) to retain all books and records with respect to Tax matters pertinent to the Assets relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by any other Party, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (b) to give the other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and, if any other Party so requests, each Party shall allow the other Parties the option of taking possession of such books and records prior to their disposal. Each Party further agrees, upon request, to use its commercially reasonable efforts to obtain any certificate or other document from any Taxing Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed with respect to the transactions contemplated. Nothing herein shall require Seller to continue in existence or to continue to operate, manage or control its remaining assets and property after the Closing for any specified period of time, and failure of Seller to do so will not constitute a breach of this Agreement.

Section 7.4. AS IS, WHERE IS.

Except for the express representations and warranties of the Seller in this Agreement and the Conveyances, Buyer is purchasing the Assets on an "AS IS, WHERE IS" and "WITH ALL FAULTS" basis solely on Buyer's own investigation of the Assets and acknowledges that and its

awareness of the matters set forth in paragraph 1.1: (i) neither Seller nor anyone on Seller's behalf has made any warranties, representations or guarantees, express, implied or statutory, written or oral, respecting the Assets or any part thereof, and (ii) neither Seller nor anyone on Seller's behalf has made any warranties, representations or guarantees, express, implied or statutory, written or oral respecting the performance or physical condition of the Assets.

Section 7.5. Further Assurances.

After Closing, each Party agrees to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other Party for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement. If any Party receives monies belonging to the other Party, such amount shall immediately be paid over to the proper Party. In the event the Parties identify any executory contracts or unexpired leases (as such terms are used in section 365 of the Bankruptcy Code) related to the Assets and the Buyer notifies the Seller of its desire to assume such executory contract or unexpired lease, then the Parties will take such reasonable actions to provide for assumption and assignment of such executory contract or unexpired lease to the Buyer, provided that the Buyer shall be responsible for the Cure Amount thereunder, and the time for presentation of a motion to assume and assign executory contracts has not expired.

Section 7.6. Record Retention.

For five (5) years after the Closing Date (or such longer period as may be required by any Governmental Authority or ongoing claim), (a) Buyer shall not dispose of or destroy any of the Records received by Buyer as Assets and (b) Buyer shall allow Seller (including, for clarity, any trust or designated party established under a Chapter 11 plan of Seller or any other successors of Seller) and any of its directors, officers, employees, counsel, representatives, accountants and auditors reasonable access during normal business hours, at Seller's sole expense and upon reasonable advance notice, to any Records included in the Assets for purposes relating to the Bankruptcy Case, the wind-down of the operations of Seller or any such trusts or successors and Seller (including any such trust or successors) and such directors, officers, employees, counsel, representatives, accountants and auditors shall have the right to make copies of any such Records for such purposes. Until the closing of the Bankruptcy Case or the liquidation and winding up of Seller's estate, Seller may keep a copy of the Records and, at Buyer's sole expense, shall make all records, and Seller's personnel available to Buyer as may be reasonably required by Buyer in connection with, among other things, any insurance claims by, Proceedings or tax audits against, or governmental investigations of, Buyer or any of its Affiliates or in order to enable Buyer to comply with its obligations under this Agreement and each other Transaction Documents. In the event any Party desires to destroy any such Records prior to the time during which they must be maintained pursuant to this **Section 7.6**, such Party shall first give ninety (90) days prior written notice to the other Party and such other Party shall have the right at their option and expense, upon prior written notice given within such ninety (90) day period to the Party desiring to destroy such Records or records, to take possession of the Records within one hundred and eighty (180) days after the date of such notice, or such shorter period as the liquidation and winding up of Seller's estate shall permit.

Section 7.7. Access to Assets.

Seller shall in good faith cooperate with the Buyer in any legal action involving any party that threatens, attempts, or acts to prevent the Buyer or any designee from accessing the Assets. The Seller's obligation under this section shall survive through until the closing of the Bankruptcy Case.

**ARTICLE VIII.
CONDITIONS TO CLOSING**

Section 8.1. Conditions of Seller to Closing.

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

(a) This content of hydrocarbons in any tank battery shall be measured and gauged pursuant to **Section 3.1** to identify the hydrocarbons in such tanks which are and shall remain property of Seller and to facilitate the sale of such hydrocarbons, pursuant to Section 3.1 hereof. A written report of such gauging and measurement in form acceptable to Seller shall be provided no later than five days prior to Closing.

(b) Each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects (other than those representations and warranties of Buyer that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (other than those representations and warranties of Buyer that are qualified by materiality, which shall be true and correct in all respects) as of such specified date;

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

(d) No Proceeding by a third party (including any Governmental Body) seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body and no order, writ, injunction or decree shall have been entered and be in effect by any court or any Governmental Body of competent jurisdiction, and no statute, rule, regulation or other requirement shall have been promulgated or enacted and be in effect, that on a temporary or permanent basis restrains, enjoins or invalidates the transactions contemplated hereby;

(e) Buyer shall have delivered (or be ready, willing and able to immediately deliver) to Seller duly executed counterparts of the Conveyances and all other documents and certificates to be delivered by Buyer under this Agreement and shall have performed (or be

ready, willing and able to immediately perform) the other obligations required to be performed by it under **Section 4.3** (including, without limitation, delivery of the Base Purchase Price after giving credit for the Deposit due to Seller from Buyer); and

(f) the Bankruptcy Court shall have entered the Sale Order and the Sale Order shall be a Final Order.

Section 8.2. Conditions of Buyer to Closing.

The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject, at the option of Buyer, to the satisfaction or waiver by Buyer on or prior to Closing of each of the following conditions:

(a) Each of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects (other than those representations and warranties of Seller that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects (other than those representations and warranties of Seller that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of such specified date;

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

(c) No Proceeding by a third party (including any Governmental Body) seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body and no order, writ, injunction or decree shall have been entered and be in effect by any court or any Governmental Body of competent jurisdiction, and no statute, rule, regulation or other requirement shall have been promulgated or enacted and be in effect, that on a temporary or permanent basis restrains, enjoins or invalidates the transactions contemplated hereby;

(d) Seller shall have delivered (or be ready, willing and able to immediately deliver) to Buyers duly executed counterparts of the Conveyances, and all other documents and certificates to be delivered by Seller under **Section 8.1** and shall have performed (or be ready, willing and able to immediately perform) the other obligations required to be performed by it under **Section 8.1**;

(e) All liens, claims, or encumbrances for outstanding property, *ad valorem*, and similar taxes arising prior to calendar year 2018 shall attach to the proceeds of sale of the Assets, to the same extent, order, and priority as such liens, claims, or encumbrances had against the Assets;

(f) Buyer has not received any information that reasonably suggests that any of the Closing documents that require the approval of a Governmental Body may not be readily approved due to reasons beyond the control of Buyer;

(g) Buyer, with Seller's cooperation, shall have obtained, or caused to be obtained, in the name of Buyer, all bonds, permits and approvals required by a Governmental Body for the Closing,

(h) Prior to Closing, Buyer, with Seller's cooperation, shall have reached an arrangement with the TRRC regarding a time schedule to avoid the plugging of the Wells and avoid any associated fines or penalties related thereto after Closing, such arrangement to the satisfaction of Buyer in its sole discretion;

(i) The TRRC shall have made a determination that the Debtor has a "good faith claim" to title to the Leases as such term is used in Title 16 of the Texas Administrative Code;

(j) From the Signing Date through Closing, no party, including any surface owner related to the Leases, shall threaten, attempt or act to prevent the Buyer or any of its agents from accessing the Leases, or if such threat, attempt or act has occurred, Seller shall have successfully sought relief from the Bankruptcy Court to require any party interfering with Buyer or its agents to immediately cease doing so, and order the Buyer to have access to the Leases; and

(k) The Bankruptcy Court shall have entered the Sale Order and the Sale Order shall be a Final Order.

**ARTICLE IX.
POST-CLOSING OBLIGATIONS; INDEMNIFICATION;
LIMITATIONS; DISCLAIMERS AND WAIVERS**

Section 9.1. Survival.

All representations and warranties of Seller and Buyer contained herein shall expire one year from the Closing Date. The covenants and other agreements of Seller and Buyer set forth in this Agreement shall survive the Closing Date until fully performed.

Section 9.2. Non-Compensatory Damages.

Buyer and Seller waive any right to recover punitive, special, exemplary and consequential damages, including damages for lost profits, arising in connection with or with respect to this Agreement or the transactions contemplated hereby.

Section 9.3. Specific Performance.

With respect to the Parties' respective covenants under this Agreement that survive the Closing, if any, and solely to the extent to be performed after the Closing, each Party recognizes that if the other Party breaches or refuses to perform any such covenant, monetary damages alone

would not be adequate to compensate the non-breaching Party for its injuries, and the non-breaching Party shall therefore be entitled, as its sole and exclusive remedy, to seek specific performance of the terms of such covenants, and such non-breaching Party shall not have any further cause of action for damages or other legal relief against the breaching Party with respect thereto. Nothing herein shall require Seller to continue in existence or to continue to operate, manage or control its remaining assets and property after the Closing for any specified period of time, and failure of Seller to do so will not constitute a breach of this Agreement.

ARTICLE X. BANKRUPTCY COURT MATTERS

Section 10.1. Sale Order.

Seller shall use its best efforts to cause the Bankruptcy Court to enter a Sale Order that contains the following provisions (it being understood that certain of such provisions may be contained in either the findings of fact or conclusions of law to be made by the Bankruptcy Court as part of the Sale Order):

(a) the sale of the Assets by Seller to Buyer (A) are or will be legal, valid and effective transfers of the Assets; (B) vest or will vest Buyer with all right, title and interest of such Seller to the Assets free and clear of all Liens and Claims pursuant to Section 363(f) of the Bankruptcy Code (other than Liens created by Buyer and Assumed Liabilities); and (C) constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of the state in which Seller is incorporated and any other applicable non-bankruptcy Laws;

(b) all Persons are enjoined from taking any actions against Buyer or any Affiliates of Buyer (as they existed immediately prior to the Closing) to recover any claim that such Person has solely against Seller, except with respect to Assumed Liabilities;

(c) the provisions of the Sale Order are non-severable and mutually dependent;

(d) provide that Buyer will not have any successor or transferee liability for pre-Effective Time liabilities of Seller (whether under federal or state Law or otherwise) as a result of the sale of the Assets;

(e) Buyer has acted in good faith within the meaning of Section 363(m) of the Bankruptcy Code, the transactions contemplated by this Agreement are undertaken by Buyer and Seller at arm's length, without collusion and in good faith within the meaning of Section 363(m) of the Bankruptcy Code, and such Parties are entitled to the protections of Section 363(m) of the Bankruptcy Code;

(f) the Bankruptcy Court retains exclusive jurisdiction to interpret and enforce the provisions of this Agreement and the Sale Order in all respects; provided, however, that in the event the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction with respect to any matter provided for in this clause or is without jurisdiction, such abstention, refusal or lack of jurisdiction shall have no effect upon and shall not control, prohibit

or limit the exercise of jurisdiction of any other court having competent jurisdiction with respect to any such matter;

(g) the Bankruptcy Court retains jurisdiction to resolve any dispute between the Mr. Arrington and the Buyers related to the Assets;

(h) waive the stay of the Sale Order under Bankruptcy Rule 6004(h); and

(i) Such other terms as the Buyer may reasonably request.

Section 10.2. Bankruptcy Court Approval.

Seller shall cooperate with Buyer and its representatives in connection with the Sale Order and the bankruptcy proceedings in connection therewith. Such cooperation shall include, but not be limited to, consulting with Buyer at Buyer's reasonable request concerning the status of such proceedings and providing Buyer with copies of requested pleadings, notices, proposed orders and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court. Seller further covenants and agrees that the terms of any plan it submits to the Bankruptcy Court for confirmation shall not conflict with, supersede, abrogate, nullify or restrict the terms of this Agreement, or in any way prevent or interfere with the consummation or performance of the transactions contemplated by this Agreement, including, without limitation, any transaction contemplated by or approved pursuant to the Sale Order.

ARTICLE XI. TERMINATION AND EFFECT OF TERMINATION

Section 11.1. Right of Termination.

Notwithstanding anything to the contrary contained herein, this Agreement may be terminated only as provided in this **Article 11**. In the case of any such termination that is not automatic pursuant to **Section 11.2** below, the terminating Party shall give proper written notice to the other Party specifying the provision pursuant to which the Agreement is being terminated.

Section 11.2. Termination Rights.

This Agreement may be terminated at any time before Closing:

(a) by mutual written consent of Seller and Buyer;

(b) automatically and without any action or notice by Seller to Buyer, or Buyer to Seller:

(i) upon the issuance of an enforceable final and non-appealable Order by a Governmental Authority with authority to issue such order to restrain, enjoin, or otherwise prohibit the transfer of the Assets contemplated hereby;

(ii) upon entry of a final and non-appealable Order converting Seller's Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code or dismissing Seller's Bankruptcy Case; or

(c) by the Buyer:

(i) if the Buyer is not in material breach of this Agreement and there has been a material breach by Seller of any representation, warranty, or covenant contained in this Agreement as a result of which the condition referred to in **Section 8.2(a)** or **Section 8.2(b)** would not be satisfied, and (A) that breach has not been waived by the Buyer, and (B) Seller has failed to cure that breach within ten (10) calendar days following receipt of notification thereof by the Buyer; or

(ii) if the Sale Order with respect to the transactions contemplated in this Agreement has not been entered and become a Final Order on or before December 15, 2018;

(d) by the Seller:

(i) if Seller is not in material breach of this Agreement and there has been a material breach by Buyer of any representation, warranty, or covenant contained in this Agreement as a result of which the condition referred to in **Section 8.1(a)** or **Section 8.1(c)** would not be satisfied, and (A) that breach has not been waived by Seller, and (B) Buyer has failed to cure that breach within ten (10) calendar days following receipt of notification thereof by Seller; or

(ii) notwithstanding the Debtor's good faith efforts to obtain entry of the Sale Order, if the Sale Order with respect to the transactions contemplated in this Agreement has not been entered and become a Final Order on or before January 31, 2019.

Section 11.3. Effect of Termination.

(a) In the event this Agreement is terminated pursuant to **(a)**, **(b)**, **(c)** or **(d)(ii)** above, the Deposit shall be returned to the Buyer. This shall be the Buyer's sole and exclusive remedy for such termination. Thereafter, both Parties shall be relieved of and released from any further liability hereunder, and they will not have any liability or obligations arising under or in connection with this Agreement, and neither Party shall be entitled to specific performance or any other remedy.

(b) In the event the Seller terminates this Agreement pursuant to **(d)(i)** above, the Deposit shall be delivered to the Seller, and the Seller shall retain the Deposit. Thereafter, both Parties shall be relieved of and released from any further liability hereunder, and they will not have any liability or obligations arising under or in connection with this Agreement, and neither Party shall be entitled to specific performance.

**ARTICLE XII.
MISCELLANEOUS**

Section 12.1. Counterparts.

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

Section 12.2. Notices.

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

If to Buyer: SB Energy I, LLC
745 Fifth Avenue
New York, New York 10150
Attn: Richard Sands, Manager
Via E-Mail: rsands@casimircapital.com

With a copy to:

Diamond McCarthy LLP
Attn: Charles Rubio
909 Fannin Street, Suite 3700
Houston, TX 77010
Email: crubio@diamondmccarthy.com

If to Seller: W.O. Operating Company, Ltd.
Attn: J. Bill Koehler
823 S. Detroit Ave, Ste 300
Tulsa, OK 74120
Email: bill.koehler@nbiservices.com

With a copy to:

McDonald & Metcalf, LLP
Attn: Gary M. McDonald, Chad J. Kutmas
15 East 5th Street, Suite 1400
Tulsa, OK 74103
Email: gmcdonald@mmmsk.com, ckutmas@mmmsk.com

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

Section 12.3. Sales or Use Tax Recording Fees and Similar Taxes and Fees.

Buyer shall bear any sales, use, excise, real property transfer, gross receipts, goods and services, registration, capital, documentary, stamp or transfer taxes, recording fees and similar taxes and fees other than such fees and taxes in connection with any title curative materials delivered by Seller (collectively “**Transfer Taxes**”) incurred and imposed upon, or with respect to, the transactions contemplated by this Agreement. Seller will determine, and Buyer will cooperate with Seller in determining the amount of any Transfer Taxes, if any, that are due in connection with the transactions contemplated by this Agreement and Buyer agrees to pay any such Transfer Tax to Seller or to the appropriate Governmental Body. If any of the transactions contemplated by this Agreement are exempt from any such Transfer Taxes upon the filing of an appropriate certificate or other evidence of exemption, Buyer will timely furnish to Seller such certificate or evidence.

Section 12.4. Expenses.

Except as otherwise expressly provided elsewhere in this Agreement, (a) all expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, the Conveyance delivered hereunder and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including without limitation, all fees and expenses of counsel, accountants and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and (b) all such expenses incurred by Buyer shall be borne solely and entirely by Buyer.

Section 12.5. Governing Law and Venue.

This Agreement shall be construed, performed and enforced in accordance with, and governed by, the Laws of the State of Texas in accordance with the laws applicable to contracts executed in such state (without giving effect to the principles of conflicts of Laws thereof), provided that the validity and enforceability of all conveyance documents or instruments executed and delivered pursuant to this Agreement insofar as they affect title to real property shall be governed by and construed in accordance with the Laws of the jurisdiction in which such property is located. Without limiting any Party’s right to appeal any Order of the Bankruptcy Court, the Parties agree that the Bankruptcy Court shall retain sole jurisdiction over any legal action or proceeding with respect to this Agreement and Seller. Each of the Parties irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, that it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of this Agreement or the transactions contemplated hereby; provided, however, that if the Bankruptcy Case has been fully and finally dismissed and/or the Bankruptcy Court declines jurisdiction, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court sitting in Tulsa County, Oklahoma. If that court declines jurisdiction, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive jurisdiction of the Texas courts located in Harris County, Texas. In addition, the Parties irrevocably consent to service of process by delivering a copy of the process to such Person to the address provided pursuant to Section 12.10 of this Agreement by federal express or other overnight courier for overnight delivery or by certified mail, postage prepaid.

Section 12.6. Captions.

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

Section 12.7. Waivers.

Any failure by any Party or Parties to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the Party or Parties to whom such compliance is owed. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. The rights of Seller and Buyer under this Agreement shall be cumulative and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

Section 12.8. Assignment.

Prior to Closing, no Party shall assign all or any part of this Agreement, nor shall any Party assign or delegate any of its rights or duties hereunder, without the prior written consent of the other Parties. Subsequent to the Closing, any transfer of the Assets by a Buyer, in whole or in part, may be made subject to this Agreement without Seller's consent, but such transfer shall not relieve such Buyer of any liabilities or obligations set forth herein. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 12.9. Entire Agreement.

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

Section 12.10. Amendment.

(a) This Agreement may be amended or modified only by an agreement in writing executed by the Parties hereto.

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

Section 12.11. No Third-Party Beneficiaries.

Nothing in this Agreement shall entitle any Person other than any of the Parties to any claims, remedy or right of any kind, except as to those rights expressly provided to the Seller Indemnified Persons and Buyer Indemnified Persons.

Section 12.12. References.

In this Agreement:

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

Section 12.13. Construction.

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

Section 12.14. Conspicuousness.

The Parties agree that provisions in this Agreement in “bold” type or all capital letters satisfy any requirements of the “express negligence rule” and any other requirements at law or in equity that provisions be conspicuously marked or highlighted.

Section 12.15. Severability.

If any term or provision of this Agreement is held invalid, illegal or incapable of being enforced under applicable Laws, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to

either Party; provided, however, that if any such term or provision may be made enforceable by limitation thereof, then such term or provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by applicable Laws.

Section 12.16. Time of Essence.

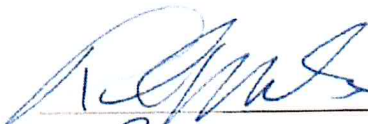
Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving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

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

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

SELLERS:

W.O. OPERATING COMPANY, LTD.

By: 
Name: Richard J. Nichols
Title: President

BUYER:

SB ENERGY 1, LLC

By: 
Name: Richard Sands
Title: Authorized Representative

DEFINITIONS

“**Actual Knowledge**” has the meaning set forth in **Section 5.1(a)**.

“**Affiliates**” with respect to any Person, means any Person that directly or indirectly controls, is controlled by or is under common control with such Person. The concept of control, controlling or controlled as used in the aforesaid context means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through the ownership of voting securities, by contract or otherwise. No Person shall be deemed an Affiliate of any Person by reason of the exercise or existence of rights, interests or remedies under this Agreement.

“**Agreement**” has the meaning set forth in the preamble hereto.

“**Allocated Value**” has the meaning set forth in **Section 2.2**.

“**Assets**” has the meaning set forth in **Section 1.4** less and except the Excluded Assets.

“**Assumed Liabilities**” has the meaning set forth in **Section 1.6**.

“**Base Amount**” has the meaning set forth in **Section 1.5(a)**.

“**Bankruptcy Case**” has the meaning set forth in the preamble hereto.

“**Bankruptcy Code**” has the meaning set forth in the preamble hereto.

“**Bankruptcy Court**” has the meaning set forth in the preamble hereto.

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

“**Buyer**” has the meaning set forth in the preamble hereto.

“**Claim**” has the meaning set forth in section 101(5) of the Bankruptcy Code.

“**Closing**” means the date and time at which the conditions in Sections 4.2 and 4.3 are satisfied and delivered.

“**Closing Date**” has the meaning set forth in **Section 4.1**.

“**Contracts**” has the meaning set forth in **Section 1.4(d)**.

“**Conveyance**” has the meaning set for in **Section 4.2**.

“**CrossFirst**” has the meaning set forth in **Section 1.2**

“**Customary Post-Closing Consents**” means the consents and approvals for the assignment of the Assets to Buyer that are customarily obtained after the assignment of properties similar to the Assets.

“**Cure Amounts**” means those amounts that must be paid and obligations that otherwise must be satisfied pursuant to section 365(b) of the Bankruptcy Code as a condition of the assumption and/or assignment of an executory contract or unexpired lease.

“**Deposit**” has the meaning set forth in **Section 2.4**.

“**Earn Out**” has the meaning set forth in **Section 2.3**.

“**Earn Out Leases**” has the meaning set forth in **Section 1.4**.

“**Earn Out Payment**” has the meaning set forth in **Section 2.3(b)**.

“**Easements**” has the meaning set forth in **Section 1.4(e)**.

“**Effective Leases**” has the meaning set forth in **Section 1.4**.

“**Environmental Laws**” means, as the same may have been amended, superseded or replaced, any federal, state or local statute, law, regulation, ordinance, rule, order or decree including any rule of common law, relating to (i) the control of any potential pollutant or protection of the environment, including air, water or land, (ii) the generation, handling, treatment, storage, disposal or transportation of waste materials, or (iii) the regulation of or exposure to Hazardous Materials alleged to be harmful. The term “**Environmental Laws**” includes all judicial and administrative decisions, orders, directives, and decrees issued by a Governmental Body pursuant to the foregoing.

“**Environmental Liabilities**” means any and all environmental response costs (including costs of remediation), damages, natural resource damages, settlements, consulting fees, expenses, penalties, fines, orphan share, prejudgment and post-judgment interest, court costs, attorneys’ fees, and other liabilities incurred or imposed (i) pursuant to any order, notice of responsibility, directive (including requirements embodied in Environmental Laws), injunction, judgment or similar act (including settlements) by any Governmental Body to the extent arising out of any violation of, or remedial obligation under, any Environmental Laws which are attributable to the ownership or operation of the Assets prior to, on or after the Closing Date or (ii) pursuant to any claim or cause of action by a Governmental Body or other Person for personal injury, property damage, damage to natural resources, remediation or response costs to the extent arising out of any exposure to Hazardous Materials, any violation of, or any remediation or obligation under, any Environmental Laws which is attributable to the ownership or operation of the Assets prior to, on or after the Closing Date.

“**Excluded Assets**” has the meaning set forth in **Section 1.5**.

“**Governmental Authorizations**” has the meaning set forth in **Section 5.13**.

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

“**Hazardous Materials**” or “**Hazardous Substances**” means any hazardous substance, hazardous waste, solid waste or any dangerous or toxic chemical, material, waste or substance, within the meaning of and regulated by any applicable Environmental Laws.

“**Hydrocarbons**” means oil, gas, casinghead gas, condensate and other gaseous and liquid hydrocarbons or any combination thereof and sulphur and other minerals extracted from or produced with the foregoing.

“**Internal Revenue Code**” means the Internal Revenue Code of 1986, as amended.

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

“**Law**” means all statutes, laws, rules, regulations, ordinances, orders, court decisions, and codes of Governmental Bodies.

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

“**Lien**” means any liabilities, obligations, claims, charges, easements, encumbrances, leases, mortgages, covenants, security interests, liens, options, pledges, rights of others, or restrictions (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, Law, equity or otherwise.

“**Material Adverse Effect**” means any effect that is material and adverse to the ownership, operation or value of the Assets, taken as a whole, and as currently operated; provided, however, that “**Material Adverse Effect**” shall not include (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement; (ii) any effect resulting from changes in general market, economic, financial or political conditions or any outbreak of hostilities or war, (iii) any effect that affects the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally (including changes in commodity prices or general market prices in the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally), and (iv) any effect resulting from a change in Laws or regulatory policies. The Parties hereby agree that any effect which adversely impacts the ownership, operation or value of the Assets in an amount equal to or greater than \$50,000.00 shall constitute a Material Adverse Effect for purposes of this definition (unless otherwise specifically excluded in subclauses (i) through (iv) above), and any effect less than \$50,000.00 (as determined above) shall not constitute a Material Adverse Effect for purposes of this definition.

“**Party**” and “**Parties**” have the meanings set forth in the preamble hereto.

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

“**Proceeding**” has the meaning set forth in **Section 5.7**.

“**Producing Earn Out Lease**” has the meaning set forth in **Section 2.3(a)**.

“**Property Costs**” means all third-party costs attributable to the ownership and operation of the Assets (including without limitation costs of insurance relating specifically to the Assets, royalties and overriding royalties payable on account of production from the Assets, and ad valorem, property, severance, Hydrocarbon production and similar taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom, but excluding taxes imposed on or measured by income and any other taxes) and capital expenditures incurred in the ownership and operation of the Assets in the ordinary course of business and, where applicable, in accordance with the relevant operating or unit agreement, if any, and overhead costs charged to the Assets under the relevant operating agreement or unit agreement, if any, by unaffiliated third parties, and, but excluding without limitation liabilities, losses, costs, and expenses attributable to (i) claims for personal injury or death, property damage or violation of any Law, (ii) obligations to plug wells, (iii) obligations to dismantle facilities and other equipment and (iv) obligations to remediate under applicable Environmental Laws.

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

“**Records**” has the meaning set forth in **Section 1.4(h)**.

“**Royalty Check**” has the meaning set forth in **Section 2.3(a)**.

“**Sale Order**” means an order entered by the Bankruptcy Court approving the consummation of the transactions contemplated in the Agreement.

“**Seller**” has the meaning set forth in the preamble hereto.

“**Seller Operated Assets**” shall mean Assets operated by Seller.

“**Signing Date**” has the meaning set forth in the preamble hereto.

“**Straddle Period**” has the meaning set for in **Section 7.3(a)**.

“**Tax Returns**” means any report, return, information statement, payee statement or other information, or any amendment thereof, required to be provided to any Governmental Body with respect to Taxes.

“**Taxes**” means all state and local sales, use, ad valorem, property, severance, production, excise, stamp, documentary, real property transfer or gain, gross receipts, goods and services, registration, capital or transfer taxes or other governmental fees or charges imposed by any Taxing Authority on the Oil and Gas Interests, the transfer of the Oil and Gas Interests, or the production of Hydrocarbons from the Oil and Gas Interests, including any interest, penalties or additional amounts which may be imposed with respect thereto. “**Taxes**” does not include any tax imposed on or measured by income.

“**Taxing Authority**” means, with respect to any Tax, the Governmental Body that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such Governmental Body, including any governmental or quasi-governmental entity or agency that imposes, or is charged with collecting, social security or similar Taxes or premiums.

“**Transaction Documents**” means this Agreement and any other agreements, instruments or documents entered into pursuant to this Agreement.

“**Transaction Taxes**” has the meaning set forth in **Section 7.3(a)**.

“**Transfer Requirement**” means any consent, approval, authorization or permit of, or filing with or notification to, any Person which is required to be obtained, made or complied with for or in connection with any sale, assignment or transfer of any Asset or any interest therein; provided, however, that “**Transfer Requirement**” shall not include any consent of, notice to, filing with, or other action by any Governmental Body in connection with the sale or conveyance of oil and/or gas leases or interests therein or Easements or interests therein, if they are not required prior to the assignment of such oil and/or gas leases, Easements or interests or they are customarily obtained subsequent to the sale or conveyance (including consents from state agencies).

“**Transfer Taxes**” has the meaning set forth in **Section 12.3**.

“**TRRC**” has the meaning set forth in **Section 1.1**.

“**Units**” has the meaning set forth in **Section 1.4(c)**.

“**Wells**” has the meaning set forth in **Section 1.4(b)**.

Exhibit A

Leases

| Lease Name | NBI Lease # | TRRC Lease # | T r a c t | Field | County | Survey | Block | Sec | Gro ss Acres | WI | Oil NRI | Gas NRI |
|---------------------|-------------|--------------|-----------|-------------------------------|--------|-------------|-------|----------|--------------|--------|---------|---------|
| BLOCK | 799371 | 00042 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 112 | 10 | 1.0000 | 0.7500 | 0.7500 |
| BLOCK A | 799261 | 00065 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 111 | 80 | 1.0000 | 0.7500 | 0.7500 |
| BLOCK B | 799262 | 00065 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 111 | 80 | 1.0000 | 0.6563 | 0.6563 |
| BLOCK BF | 799328 | 00082 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 111 | 160 | 1.0000 | 0.7507 | 0.7507 |
| BLOCK C | 799263 | 00065 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 111 | 160 | 1.0000 | 0.7500 | 0.7500 |
| BONEY T J NCT-1 | 799318 | 01799 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 91 & 108 | 320 | 1.0000 | 0.7475 | 0.7475 |
| BONEY T.J. NCT-4 | 799372 | 01802 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 89 | 160 | 1.0000 | 0.8125 | 0.8125 |
| BONEY T.J.NCT-2 | 799326 | 01800 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 90 | 160 | 1.0000 | 0.8125 | 0.8125 |
| BURNETT M.C. NCT-5 | 799373 | 02236 | 5 | PANHANDLE CARSON COUNTY FIELD | Carson | H&GN | 5 | 85 | 160 | 1.0000 | 0.7500 | 0.7500 |
| BURNETT S.B. NCT-1 | 799329 | 01529 | 1 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 5 | 114 | 160 | 1.0000 | 0.7500 | 0.7500 |
| BURNETT S.B.NCT-12 | 799374 | 03877 | 1 2 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 5 | 86 | 240 | 1.0000 | 0.7500 | 0.7500 |
| BURNETT S.B.NCT-2 | 799375 | 01530 | 2 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 5 | 92 | 320 | 1.0000 | 0.7500 | 0.7500 |
| CITIES SERVICE -C- | 799376 | 00174 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN | 4 | 108 | 160 | 1.0000 | 0.8750 | 0.8750 |
| COOPER -B- Phillips | 799331 | 00116 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 5 | 80 | 1.0000 | 0.7323 | 0.7323 |
| COOPER -C- Phillips | 799377 | 00117 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 5 | 240 | 1.0000 | 0.8307 | 0.8307 |
| COOPER A & G | 799290 | 00087 | | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 4 | 160 | 1.0000 | 0.7500 | 0.7500 |

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|--------------------------------|--------|--------|-------------------------------|--------|-------------|---|---------------------------|------|--------|--------|--------|
| COOPER B & E | 799850 | 00138 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 4 | 160 | 1.0000 | 0.7500 | 0.7500 |
| COOPER E | 799851 | 00138 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 4 | 80 | 1.0000 | 0.7500 | 0.7500 |
| COOPER G | 799291 | 0087 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 4 | 40 | 1.0000 | 0.6953 | 0.6953 |
| COOPER OLIVE | 799316 | 00118 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 4 | 80 | 1.0000 | 0.8750 | 0.8750 |
| E COOPER NCT B | 799321 | 03185 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 1, 4, 5 | 160 | 1.0000 | 0.7500 | 0.7500 |
| E COOPER NCT C | 799322 | 03186 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 1, 4, 5 | 640 | 1.0000 | 0.7500 | 0.7500 |
| E COOPER NCT-A | 799860 | 03184 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 5 | 160 | 1.0000 | 0.7500 | 0.7500 |
| E COOPER NCT-A/COOPER H | 799861 | 03184 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 9 | 5 | 80 | 1.0000 | 0.6987 | 0.6987 |
| EF BRYAN | 799270 | 00155 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 107 | 255 | 1.0000 | 0.7500 | 0.7500 |
| EF BRYAN "B" (HUBER GAS well) | 799271 | 023840 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 92 | 160 | 1.0000 | 0.7500 | 0.7500 |
| FEE -244- | 799308 | 00106 | PANHANDLE WEST | Carson | I&GN RR Co. | 4 | 89, 90, 91, 108, 109, 110 | 2080 | 1.0000 | 0.8125 | 0.8125 |
| FEE -244- #8 | 799388 | 153728 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 91 | 640 | 1.0000 | 0.8750 | 0.8125 |
| FIRST STATE BANK OF WHITE DEER | 799170 | 02614 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 51, 52, 59, 60 | 2080 | 1.0000 | 0.8750 | 0.8750 |
| GARNER C.R. -B- NCT-2 | 799307 | 02905 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 95 | 640 | 1.0000 | 0.7500 | 0.7500 |
| MCCONNELL J.C. -A- | 799317 | 03457 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 66 | 320 | 1.0000 | 0.7500 | 0.7500 |
| O'NEAL | 799171 | 02614 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 59 | 160 | 1.0000 | 0.8750 | 0.8750 |
| O'NEAL A | 799390 | 02614 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 59 | 0 | 1.0000 | 0.8750 | 0.8750 |
| SCHAFFER | 799386 | 00064 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 3 | 195 | 160 | 1.0000 | 0.6875 | 0.8750 |

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|--------------------------------|--------|-------|---------------------------------|------------|---------------|---------|------------------------|------|--------|--------|--------|
| SCHAFFER RANCH | 799302 | 00142 | PANHANDLE CARSON COUNTY FIELD | Carson | I&GN RR Co. | 4 | 68, 69, 85, 86, 87, 88 | 3360 | 1.0000 | 0.8750 | 0.8750 |
| ANDERSON CLARENCE 'B' | 799309 | 06499 | PANHANDLE GRAY COUNTY FIELD | Gray | H&GN | B-2 | 203 | 360 | 1.0000 | 0.7800 | 0.7800 |
| ARNOLD RALPH | 799370 | 00562 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 149 | 40 | 1.0000 | 0.8750 | 0.8750 |
| CASTLEBERRY -B- | 799303 | 00458 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN | 3 | 151 | 80 | 1.0000 | 0.8750 | 0.8750 |
| EAKIN | 799379 | 06661 | PANHANDLE GRAY COUNTY FIELD | Gray | H&GN RR Co. | B-2 | 204 | 200 | 1.0000 | 0.7800 | 0.7800 |
| HARRAH W.W. | 799381 | 00564 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 150 | 120 | 1.0000 | 0.8750 | 0.8750 |
| HARRAH W.W. (T) | 799382 | 00641 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 150 | 160 | 1.0000 | 0.8750 | 0.8750 |
| POPE DAVE | 799319 | 00565 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 173 | 320 | 1.0000 | 0.8750 | 0.8750 |
| SACKETT RUBY | 799306 | 00566 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 148 | 320 | 1.0000 | 0.8750 | 0.8750 |
| SIN-HARRAH | 799387 | 00533 | PANHANDLE GRAY COUNTY FIELD | Gray | I&GN RR Co. | 3 | 163 | 80 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL B - #6 Adobe walls | 799346 | 03661 | ADOBE WALLS | Hutchinson | D&SE RR | B-3 | 2 | 50 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL B - #5 | 799343 | 01794 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR | B-3 | 2 | 50 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL E | 799361 | 01317 | ADOBE WALLS | Hutchinson | M&C | Y | 3 | 40 | 1.0000 | 0.6953 | 0.6953 |
| COCKRELL F | 799341 | 01307 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR | B-3 | 1 | 160 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL F "Adobe Walls" | 799344 | 03640 | ADOBE WALLS | Hutchinson | D&SE RR | B-3 | 2 | 160 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL KLAUS A | 799281 | 00752 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | Y | 3 | 80 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL KLAUS B | 799362 | 00753 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | Y | 3 | 183 | 1.0000 | 0.8203 | 0.8203 |
| COCKRELL RANCH WATERFLOOD UNIT | | 01024 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR, TCRR | 3, M-21 | 2, 3, 6, 11 | 1536 | 1.0000 | | |

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|---|--------|-------|---|------------------------------------|------------|--------------|-------------|----------------|----------|--------|--------|--------|
| COCKRELL RANCH WATERFLOOD UNIT- Tr. 1 (TURNER KENT "B" LEASE) | 799283 | 01024 | 1 , 2 , 3 , 4 , 5 , 6 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR,TCRR | 3, M- 21 | 2, 3, 6, 11 | 286 | 1.0000 | 0.6953 | 0.6953 |
| COCKRELL RANCH WATERFLOOD UNIT- Tr. 2 (COCKRELL RANCH LEASE) | 799280 | 01024 | 1 , 2 , 3 , 4 , 5 , 6 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR,TCRR | 3, M- 21 | 2, 3, 6, 11 | 111 0 | 1.0000 | 0.7500 | 0.7500 |
| COCKRELL RANCH WATERFLOOD UNIT- Tr. 3 (E. COCKRELL RANCH LEASE) | 799281 | 01024 | 1 , 2 , 3 , 4 , 5 , 6 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR,TCRR | 3, M- 21 | 2, 3, 6, 11 | 40 | 1.0000 | 0.8750 | 0.8750 |
| COCKRELL RANCH WATERFLOOD UNIT- Tr. 4 (TURNER KENT "A" LEASE) | 799282 | 01024 | 1 , 2 , 3 , 4 , 5 , 6 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR,TCRR | 3, M- 21 | 2, 3, 6, 11 | 100 | 1.0000 | 0.6953 | 0.8203 |
| COCKRELL RANCH WATERFLOOD UNIT- Tr. 4 (TURNER KENT "A" LEASE) | 799364 | 03699 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | B-3 | 3 | 160 | 1.0000 | 0.8203 | 0.8203 |

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|----------------------------|--------|--------|---|---------------------------------|---------------------|--------------|---------|-------|----------|--------|--------|--------|
| COCKRELL-NAVAJO | 799365 | 03695 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | B-3 | 2 | 10 | 1.0000 | 0.8203 | 0.8203 |
| COCKRELL-NAVAJO | 799363 | 03698 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | B-3 | 3 | 80 | 1.0000 | 0.8203 | 0.8203 |
| KINGSLAND | 799313 | 01317 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | Y | 4 | 400 | 1.0000 | 0.8750 | 0.8750 |
| KINGSLAND CANADIAN / MAGIC | 799310 | 01317 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | Y | 4 | 66 | 1.0000 | 0.8641 | 0.8641 |
| LANGDON | 799872 | 00842 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | T.C. Ry. Co. | M-21 | 21 | 80 | 1.0000 | 0.7500 | 0.7500 |
| MOORE J.W. | 799384 | 03606 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | T.C. Ry. Co. | M-21 | 21 | 80 | 1.0000 | 0.8750 | 0.8750 |
| N KINGSLAND A, B | 799325 | 01295 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | M&C | Y | 4 | 200 | 1.0000 | 0.8750 | 0.8750 |
| NEWBLOCK | 799871 | 00842 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | T.C. Ry. Co. | M-21 | 21 | 80 | 1.0000 | 0.7500 | 0.7500 |
| PITCHER H.C. ETAL | 799385 | 00797 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | TCRR | M-21 | 19 | 160 | 1.0000 | 0.7500 | 0.7500 |
| POND R.L. | 799324 | 01277 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | TCRR | M-21 | 1 | 616 | 1.0000 | 0.8000 | 0.8000 |
| QUINN, JK | 799881 | 00094 | | PANHANDLE CARSON COUNTY FIELD | Hutchinson | I&GN RR Co. | 9 | 7 | 160 | 1.0000 | 0.7500 | 0.7500 |
| W.B. HAILE | 799380 | 01036 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | TCRR | M-21 | 4 | 164 | 1.0000 | 0.7500 | 0.7500 |
| BAILEY-RICHARDSON | 799366 | 03705 | | ADOBE WALLS | Hutchinson | D&SE RR | 3 | 2 | 10 | 1.0000 | 0.7500 | 0.7500 |
| DRILLEX | 799378 | 01784 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | TC | M-21 | 3 | 140 | 1.0000 | 0.7757 | 0.7757 |
| HARVEY UNIT | 799350 | 02778 | U | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 124 8 | 1.0000 | 0.6741 | 0.6741 |
| SOUTHLAND B | 799342 | 01643 | | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | D&SE RR | B-3 | 2 | 130 | 1.0000 | 0.7500 | 0.7500 |
| SOUTHLAND B | 799345 | 3652 | | ADOBE WALLS | Hutchinson | D&SE RR | B-3 | 2 | 130 | 1.0000 | 0.7500 | 0.7500 |
| QUINN | 799880 | 00094 | | PANHANDLE CARSON COUNTY FIELD | Hutchinson & Carson | I&GN RR Co. | 9 | 7 | 480 | 1.0000 | 0.7500 | 0.7500 |
| SEIBOLD | 799301 | 00095 | | PANHANDLE CARSON COUNTY FIELD | Hutchinson & Carson | I&GN RR Co. | 4 | 125 | 80 | 1.0000 | 0.7500 | 0.7500 |
| COWAN A TR 5 | 799890 | 052170 | | QUINDUNO | Roberts | BS&F | M-2 | 194 | 192 0 | 1.0000 | 0.7500 | 0.7500 |

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|-------------------|--------|--------|----|---------------------------------|------------|-------------|---------|-------|-----|--------|--------|--------|
| HATCHER | 413400 | 023056 | | PANHANDLE WEST | Gray | I&GN RR Co. | 3 | 85 | 320 | 1.0000 | 0.8000 | 0.8000 |
| HARVEY UNIT-Tr. 2 | 799353 | 02778 | 2 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 36 | 1.0000 | 0.7500 | 0.7500 |
| HARVEY UNIT-Tr. 3 | 799354 | 02778 | 3 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 78 | 1.0000 | 0.6406 | 0.6406 |
| HARVEY UNIT-Tr. 5 | 799355 | 02778 | 5 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 17 | 1.0000 | 0.6406 | 0.6406 |
| HARVEY UNIT-Tr. 6 | 799356 | 02778 | 6 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 252 | 1.0000 | 0.7500 | 0.7500 |
| HARVEY UNIT-Tr. 7 | 799357 | 02778 | 7 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 137 | 1.0000 | 0.6953 | 0.6953 |
| HARVEY UNIT-Tr. 8 | 799358 | 02778 | 8 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 681 | 1.0000 | 0.6406 | 0.6406 |
| HARVEY UNIT-Tr. 9 | 799352 | 02778 | 9 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 33 | 1.0000 | 0.6771 | 0.6771 |
| HARVEY UNIT-Tr.10 | 799351 | 02778 | 10 | PANHANDLE HUTCHINSON COUNTY FLD | Hutchinson | HE&WT RR | Z, M-21 | 7, 14 | 14 | 1.0000 | 0.7500 | 0.7500 |
| COCKRELL, E. | | 01289 | | | | | | | | | | |
| COCKRELL-NAVAJO | | 01290 | | | | | | | | | | |
| HARRAH, W.W. | | 142757 | | | | | | | | | | |
| HARRAH, W.W. -T- | | 142762 | | | | | | | | | | |
| HARVEY UNIT | | 07997 | | | | | | | | | | |
| MAGIC | | 01320 | | | | | | | | | | |
| POND, R.L. | | 280731 | | | | | | | | | | |
| POND, R.L. | | 280889 | | | | | | | | | | |
| POND, R.L. | | 281102 | | | | | | | | | | |
| POPE, DAVE | | 142760 | | | | | | | | | | |
| SACKETT, RUBY | | 142759 | | | | | | | | | | |
| SOUTHLAND -B- | | 03652 | | | | | | | | | | |

Schedule 2.2

Effective Leases

| Lease Name | NBI Lease # | TRRC Lease # |
|--------------------------------|--------------------|---------------------|
| SCHAFFER RANCH | 799302 | 00142 |
| FEE -244- | 799308 | 00106 |
| GARNER C.R. -B- NCT-2 | 799307 | 02905 |
| BURNETT M.C. NCT-5 | 799373 | 02236 |
| MCCONNELL J.C. -A- | 799317 | 03457 |
| EF BRYAN | 799270 | 00155 |
| FIRST STATE BANK OF WHITE DEER | 799170 | 02614 |
| BURNETT S.B.NCT-12 | 799374 | 03877 |
| SEIBOLD | 799301 | 00095 |
| HARRAH W.W. | 799381 | 00564 |
| COOPER OLIVE | 799316 | 00118 |
| BURNETT S.B. NCT-1 | 799329 | 01529 |
| DRILLEX | 799378 | 01784 |
| BURNETT S.B.NCT-2 | 799375 | 01530 |
| W.B. HAILE | 799380 | 01036 |
| E COOPER NCT B | 799321 | 03185 |
| MAGIC | | 01320 |
| TOTAL | | |

Schedule 5.7

Litigation

Following are the matters of enforcement and Litigation pending against Seller:

| | Case Title/Case No. | Nature of Case | Court or Agency's Name and Address |
|----|--|---|--|
| 1. | Texas Railroad Commission RRC Docket #10-0297804 | Enforcement | RRC Admin Court |
| 2. | US Specialty Insurance Company vs. Cano Petroleum, et al. 2017-65145/Court 127 | Bond Assurance Filed: 10/2/2017 | Harris County, TX District Court |
| 3. | CrossFirst Bank vs. NBI Properties, et al. 18-CV-147-TCK-JFJ | Loan and Mortgage Foreclosure Filed: 03/16/2018 | U.S.D.C., Northern District of Oklahoma |
| 4. | William Arrington v. WO Operating 11993 | Trespass Filed: 10/06/2017 | Carson County, Texas District Court |

Schedule 5.14

Violation of Laws

None.

Schedule 5.15

Environmental

Seller has been informed that Lake Arrington, a land owner, has obtained a third-party environmental report, which Arrington believes may establish a basis for a claim based upon contamination, and that Mr. Arrington intends to file a complaint, based upon that report, with the Texas Railroad Commission.

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This First Amendment ("*Amendment*"), dated October 18, 2018, to Asset Purchase Agreement, dated as of October 18, 2018 (the "*Agreement*"), is executed by and between W.O. Operating Company, Ltd., a limited partnership organized under the laws of the State of Texas, and a Debtor-in-Possession pursuant to Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Oklahoma, Case No. 18-11123 ("*Seller*"), and SB Energy 1, LLC ("*Buyer*"). Seller and Buyer are each referred to herein as a "*Party*" and collectively as the "*Parties*." Capitalized terms used in this Amendment and not defined herein have the meanings assigned to such terms in the Agreement.

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, amend the Agreement as follows:

1. Section 2.4 is hereby amended to provide that the Buyer shall transfer the Deposit to the Seller within three Business Days after the Buyer and Seller meet with the TRRC on October 19, 2018 (the "*TRCC Meeting*").

2. Section 11.2 is hereby amended by adding subsection (e) as follows:

(e) by the Seller with two Business Days following the TRCC Meeting if following the TRCC Meeting the Seller determines in its reasonable business judgment that (i) any of the conditions set forth in Sections 8.2(b), (g), (h) or (i) cannot be satisfied at Closing, or (ii) the Seller is in breach of any of its representations set forth in Article V of the Agreement, including the representations contained in Section 5.15 of the Agreement.

3. Section 11.3 is hereby amended by adding subsection (c) as follows:

(c) In the event that Buyer terminates the Agreement pursuant to section 11.2(e), the Buyer shall not have to deliver the Deposit to the Buyer and both Parties shall be relieved of and released from any further liability hereunder, and they will not have any liability or obligations arising under or in connection with this Agreement, and neither Party shall be entitled to specific performance.

4. Section 12 is amended by adding the following:

In connection with Closing and the transfer of the Assets, Buyer may assign this Agreement and Buyer's rights under it to an entity in which Buyer, or its affiliates, members or members principals, possess, directly or indirectly, the power to direct or cause the direction of its management and policies, whether through the ownership of voting securities or otherwise.


5. This Amendment may be executed and delivered in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

6. Except to the extent the terms of the Agreement are expressly modified in this Amendment, all terms, provisions and agreements set forth in the Agreement are hereby incorporated herein by reference with the same force and effect as though fully set forth herein .

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

SELLERS:

W.O. OPERATING COMPANY, LTD.

By: 
Name: Richard J. Nichols
Title: President

BUYER:

SB ENERGY 1, LLC

By: 
Name: Richard Sands
Title: Authorized Representative

EXHIBIT “B”

— *Matter of Nichols Brothers, Inc, et al.* —
SETTLEMENT AGREEMENT TERM SHEET

This Term Sheet is being entered into between W.O. Operating Company, Ltd. (“W.O. Operating”), SB Energy 1, LLC, or its assignee (“Buyer”), and the Railroad Commission of Texas (“Commission” and collectively with W.O. Operating and the Buyer, the “Parties”).

This Term Sheet summarizes the principal terms and material conditions of a proposed settlement of the claims and disputes currently pending between W.O. Operating and the Commission in connection with W.O. Operating’s Chapter 11 bankruptcy case, which is being jointly administered in the United States Bankruptcy Court for the Northern District of Oklahoma (the “Court”) under the caption of In re Nichols Brothers, Inc., et al., No. 18-11123-M (“Chapter 11 Case”). In connection with the Chapter 11 Case, W.O. Operating is seeking to sell substantially all of its assets to Buyer. This Term Sheet also summarizes the principal terms and conditions required of Buyer to operate those assets. Buyer will establish a new Commission-approved operator, Large Operating, LLC, (the “Operator”) in connection with its agreements with the Commission.

This Term Sheet is provided to memorialize the settlements and/or agreements reached between the Parties on October 19, 2018, with subsequent negotiations. Execution of this Term Sheet shall be binding on the Parties subject to approval 1) by the Court pursuant to Federal Rule of Bankruptcy Procedure 9019 (“Rule 9019”) and 2) by the Commissioners of the Commission, as more fully discussed below.

I. Agreements Between W.O. Operating and Buyer

1.1 W.O. Operating will file a motion seeking to sell substantially all its assets under the terms of the Asset Purchase Agreement dated October 19, 2018, as amended (hereinafter, “APA”) pursuant to § 363 of the Bankruptcy Code (hereinafter, the “§ 363 Motion”).

II. Agreements Between Buyer and the Commission

2.1 As part of the purchase, and as a condition of the Commission’s approval of the same, Buyer and Commission will take the following action prior to the closing of the sale under the APA:

- a. Operator will obtain financial assurance to secure a Form P-5 Organization Report (“Form P-5”) in the amount of \$250,000 pursuant to 16 Texas Administrative Code § 3.78.
- b. Richard Sands will be listed as an officer or director on the Operator’s Form P-5 on file with the Commission, unless and until the Commission consents in writing to any changes to the Form P-5.
- c. Buyer or Operator shall submit a dual-signature form P-4 Producer’s Transportation Authority and Certificate of Compliance (“Form P-4”).

transfer of operator form for each of the 73 leases (the "Leases") being sold by W.O. Operating to Buyer under the APA in the name of the Operator. Buyer or Operator shall submit the P-4 Transfer packets at least five days before the closing of the sale under the APA.

- d. Given the unique facts and circumstances in this case, as part of the dual signature P-4 transfer packets, the Commission shall accept the Operator's affidavit as evidence of a "good-faith claim" to title, a copy of the proposed affidavit language is attached as Exhibit A. The Commission is not challenging the validity of the Leases. In the event that some third-party with standing desires to contest the "good-faith claim" to title, the Commission shall open a docket to be presided over by an Administrative Law Judge with the Commission's Hearings Division and the Operator will be required to supplement the evidence beyond the above-referenced affidavit to prove a good-faith claim to operate the Leases.
- e. Buyer/Operator agrees that it shall not submit a Form P-4 to change the operator for any of the Leases for a period of 18 months after the closing date of the APA ("Closing").
- f. Buyer and/or Operator must comply with all rules and regulations of the Commission. Buyer and/or Operator will remedy any existing severance issues within all applicable time periods as may be extended in writing by the Commission. The Commission will provide extensions with respect to any H-15 severance issues upon the approval of a reasonable submitted plan which identifies the course of action the Operator will take to bring the wells into compliance regarding any H-15 severance issues (the "Work Plan"). The Operator may seek subsequent extensions of the compliance deadlines upon a showing of the progress made under the previously approved Work Plan, such extensions not to be unreasonably withheld. A failure to timely request the extension, via email or in writing, shall result in severance fees for all outstanding wells not in compliance. Buyer and/or Operator will have six months following Closing to comply with W3-C surface requirements. As a material condition to this paragraph, the boiler-plate language attached in Exhibit B shall be included in any sale order.
- g. The Commission will not assert the penalties addressed in Section III, 3.1(a)-(b) ("Pre-Closing Claims") against Operator. Those penalties represent the outstanding balance of the penalties assessed against W.O. Operating for false-filing violations and estimated penalties under 16 Texas Administrative Code sec. 3.14(b)(2) for failure to plug inactive wells. The Buyer/Operator acknowledges that, notwithstanding this provision, it must comply with all applicable rules, regulations, and statutes after Closing, including, but not limited to, fines or penalties assessed after Closing.

- h. As a condition to Closing, Buyer/Operator will obtain a Commission-approved bond or letter of credit (the “Additional Financial Assurance”), in the amount of \$2,000,000 consistent with Rule 3.15(f)(2)(B)(iii); however, this Additional Financial Assurance cannot be a cash deposit. Absent written consent of the Commission, the Operator shall maintain the Additional Financial Assurance in place for two years following the Closing. After the two-year period, Buyer/Operator shall be able to remove the Additional Financial Assurance absent Commission consent so long as Buyer/Operator satisfies the applicable rules and regulations that do not require the Additional Financial Assurance. The Operator may continue the plugging extension for all inactive wells so long as the Additional Financial Assurance remains in force and effect and the Operator remains in compliance with applicable laws and regulations; the Parties acknowledge that the effectiveness of this Term Sheet is conditioned upon Buyer/Operator obtaining a Form P-5, obtaining \$250,000 in financial assurance, transferring the 73 dual signature Form P-4 transfers, and maintaining the Additional Financial Assurance as set forth herein.

2.2 This agreement will be incorporated into a separate Agreed Order among Buyer, the Operator, and the Commission to be submitted for Commissioner approval at a regularly scheduled Open Meeting.

III. Agreements Between W.O. Operating and the Commission

3.1 In the event that W.O. Operating files the § 363 Motion and Buyer meets each of the obligations required by the Commission under this Term Sheet, W.O. Operating and the Commission will settle and resolve all disputes between them as follows:

- a. The Commission will have an allowed general unsecured claim in the amount of \$10,208.35 for all pre-petition obligations owed to the Commission that are not in the nature of fines and penalties;
- b. The Commission will have an allowed unsecured claim in the amount of \$4,130,392 for all pre-petition fines and penalties owed to the Commission, which the Commission will agree to subordinate pursuant to the policy rationale of § 726(a)(4) of the Bankruptcy Code;
- c. Within five days of the closing of the APA, the Commission will dismiss the following with prejudice with each party to bear their own costs and expenses, including attorneys’ fees:
 - (i). Motion to convert W.O. Operating’s individual Chapter 11 case to one under Chapter 7 [Docket No. 124];
 - (ii). Motion to transfer W.O. Operating’s individual case to the Northern District of Texas [Docket No. 137]; and

- (iii). Adversary Proceeding No. 18-1041-M filed against W.O. Operating by the Commission.

3.2 This agreement between W.O. Operating and the Commission will be incorporated into a Rule 9019 Motion to settle and compromise and will be subject to approval by the Court in the Chapter 11 Case. The Rule 9019 Motion would be heard on the same day as the § 363 Motion.

Closing

The Parties shall coordinate the Closing of the APA Sale to occur at the same time as the approval of the transfer of the 73 dual-signature Form P-4s by the Commission. If Buyer/Operator does not complete any of the above-mentioned provisions, specifically: 1) obtaining a valid Form P-5 application, 2) obtaining the \$250,000 Operator's Bond, 3) obtaining the \$2,000,000 Additional Financial Assurance, and 4) submitting the 73 Form P-4 packets to the Commission at least five days in advance of the Closing, the Commission will notify the Parties of any deficiencies no less than 48 hours in advance of the scheduled Closing.

Miscellaneous

Notwithstanding any other provision of this agreement, the settlement terms set forth herein shall be incorporated into a Settlement Agreement, and same will be reflected in an Agreed Order in form and substance suitable for presentation to the Commissioners of the Railroad Commission of Texas for approval. Nothing herein, or in any of the further agreements contemplated herein, shall be binding upon the Railroad Commission of Texas until the Agreed Order has been duly presented to and approved by the Commissioners.

Nothing in this agreement affects the Debtors' liabilities, if any, to the Commission with respect to the related bankruptcy cases of NBI Services, Inc. (18-11125) or Red Water Resources, Inc. (18-11127).

Execution Version

IN WITNESS WHEREOF, the Parties hereto have executed this Term Sheet as of the date set forth below.

W.O. OPERATING COMPAMY, LTD.

By: [Signature]
Name: *Richard J. Nichols*
Title: *President*
Date: *11/5/18*

SB ENERGY I, LLC

By: [Signature]
Name: Richard Sands
Title: Authorized Representative
Date: 11/5/2018 11:14:09 AM PST

LARGE OPERATING, LLC

By: [Signature]
Name: Richard Sands
Title: Authorized Representative
Date: 11/5/2018 11:14:09 AM PST

THE RAILROAD COMMISSION OF TEXAS

By: [Signature]
Name: *Todd Hendden, Assistant Attorney General*
Title: *Attorney for The Railroad Commission*
11/5/18

Exhibit A to Settlement Term Sheet
Matter of Nichols Brothers, Inc., et al.

Draft Affidavit to be submitted along with Railroad Commission of Texas
Form P-4 Certificate of Compliance and Transportation Authority

I, [Name], work with [Operator Name] in the capacity of [title] and am familiar with the [lease name] lease underlying this form submitted to the Railroad Commission to notify the commission of a change of operator. I certify to the Railroad Commission that as the intended operator for the above-mentioned lease, that the leaseholder, [Buyer], has a factually supported claim based upon a recognized legal theory to a continuing possessory right in a mineral estate, [including but not limited to] evidence of a currently valid oil and gas lease or a recorded deed conveying a fee interest in the mineral estate.

[Signature Block]

Exhibit B to Settlement Term Sheet
Matter of Nichols Brothers, Inc., et al.

Language to be included in any Sale order respecting
the leases to be sold by W.O. Operating Company.

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