

April 7, 2017

Petro Operating Company LLC  
Attn: Roger Parker  
9033 E. Easter Pl., Suite 112  
Centennial, CO 80112

Re: Offer to Purchase and Joint Development Agreement  
Township 1 North, Range 66 West, 6<sup>th</sup> P.M., Section 34, S2  
Township 1 South, Range 66 West, 6<sup>th</sup> P.M., Section 3, All

Mr. Parker:

As discussed, Verdad Resources LLC ("*VR*"), agrees to purchase oil and gas leasehold in the captioned lands in exchange for \$4,000,000.00 (subject to adjustment as further described herein) (the "*Purchase Price*"), effective April 1, 2017 (the "*Effective Time*"), for the Properties (as defined below) of Petro Operating Company LLC, a Colorado limited liability company ("*POC*").

This offer to purchase (this "*Agreement*") is subject to the following terms and conditions:

1. **Definition of Properties.** "*Properties*" shall mean right, title, and interest in and to certain oil and gas assets and/or leasehold interests now owned by POC in the lands described on Exhibit "A", such leases to collectively include not less than 440 net acres ("*Minimum Net Mineral Acres*"); and (a) copies of all lease files, records and data (including electronic data) relating to the Real Property Interests. "*Excluded Items*" shall mean: (i) partnership, financial, tax, and legal (other than title) records of POC; and (ii) all documents, instruments and data of POC relating to the Properties that cannot be disclosed to VR as a result of confidentiality arrangements under agreements with third parties (provided that POC shall use commercially reasonable efforts to obtain written consent of disclosure of any such document, instrument or data from any such third party).

2. **Title Standards and Due Diligence.** Title and due diligence shall be conducted in accordance with the provisions to follow:

(a) **Definitions.**

(i) "*Allocated Value*" means, with respect to the Properties, each net mineral acres with an associate net revenue interest of not less than 80% equal to the Purchase Price divided by the Minimum Net Mineral Acres.

(ii) "**Marketable Title**" means title evidenced by recorded instruments in the Clerk and Recorder records of Adams & Weld Counties, Colorado that evidence merchantable or marketable title, that a reasonable and prudent operator would accept and that:

(A) with respect to each Property, entitles POC to receive throughout the life the Properties not less than the net acres now covered by the leases and a net revenue interest not less than eighty percent (80.00%).

(B) with respect to each of the Properties, is free and clear from liens and encumbrances (other than liens for taxes not yet due or mechanics' or materialman's liens related to expenses not yet delinquent ("**Permitted Encumbrances**").

(C) with respect to each of the Properties, is not subject to any Required Consent (as defined below) from a third party that is necessary prior to or after the conveyance of the Properties contemplated herein (other than any such Required Consent that has been obtained with respect to the Transaction prior to the date hereof);

(D) with respect to each of the Properties, is free from any preferential right to purchase (or similar right), wherein the holder has not made an election and the response time has not elapsed, the holder has not been notified of the Transaction in accordance with such right, or the holder has declined to exercise such right.

(iii) "**Required Consent**" means a consent by a third party the failure of which to obtain would (A) cause the assignment with respect to a Property to be void or (B) give such third party the right to terminate the interest in the Property affected thereby.

(iv) "**Title Defect**" means any matter that: (A) would cause the title to any of the Properties to fail to qualify as Marketable Title; (B) reduces the aggregate number of net acres; (C) reduces the net revenue interest to be conveyed to VR to less than eighty percent (80.00%).

(b) **Examination of Files and Records.** Upon reasonable advance request from VR, POC shall make available to VR at POC's offices, during normal business hours, all existing lease files, title opinions, title reports, abstracts, and other documentation relating to the Real Property Interests other than Excluded Items (collectively, the "**Data**"). POC shall allow VR the opportunity to copy such Data at VR's expense. If Closing does not occur, VR shall promptly return (or, at VR's election, destroy) all such Data, copies of Data, and other materials provided by POC hereunder.

(c) **Notice of Title Defect.** VR will review title to the Properties prior to Closing and notify POC in writing of any Title Defects it discovers as soon as reasonably practicable after discovery ("**Defect Notice**"). Any notice provided hereunder shall include a description of each Title Defect, the basis for such Title Defect, the portion of the Real Property Interests affected by such Title Defect and the amount by which VR believes the Purchase Price should be reduced as a result of such Title Defect. VR will be deemed to have conclusively waived any Title Defect of which it fails to notify POC in writing within the applicable time specified in this Section 2(c).

(d) **Procedure.** If the existence of a Title Defect is discovered, POC shall have the option, but not the obligation, to cure the Title Defect. If POC elects not to cure a Title Defect, unless such Title Defect is waived by VR, the Purchase Price will be reduced in accordance with this agreement, and the affected portion of the Properties will be conveyed to VR at Closing. If POC elects to attempt to cure a Title Defect, POC shall use commercially reasonable efforts to attempt to cure the Title Defect at or prior to the Closing. If POC cures same to the reasonable satisfaction of VR prior to the Closing, the Purchase Price will not be reduced at Closing as to the Property affected by such cured Title Defect, and such affected Property will be conveyed to VR at Closing. If POC does not cure the Title Defect prior to Closing, POC agrees to satisfy the Minimum Net Mineral Acre commitment by replacing the defected Property by conveying one or more of the Excluded Leases so that the Minimum Net Mineral Acre threshold is met.

3. **Representations and Warranties.** Each party ("**Representing Party**") represents and warrants to the other that (a) Representing Party is duly qualified and has full right and authority to own and to convey or receive the Properties as provided herein, (b) this Offer and the Assignment constitute the legal, valid and binding obligations of Representing Party, enforceable in accordance with their terms, and (c) there is no suit, action, claim, investigation or inquiry by any person or entity or by any governmental authority, and no legal, administrative or arbitration proceeding pending or, to Representing Party's knowledge, threatened against Representing Party or any of its affiliates that has, or will, affect the Properties or Representing Party's ability to consummate the transactions contemplated herein. POC further represents and warrants that it is duly qualified and has full right and authority to execute, acknowledge and deliver an assignment of the Properties substantially in the form attached hereto as Exhibit "B" (the "**Assignment**").

5. **Initial Closing.** Initial Closing of the Transaction (the "**Initial Closing**") shall occur at a mutually agreeable location, on April 12, 2017, or such other date as VR and POC may otherwise agree (the "**Closing Date**"). At the Initial Closing, VR will pay POC the Purchase Price and POC will execute the Assignment conveying to VR oil and gas leases covering not less than 400 net mineral acres. VR shall tender payment of the Purchase Price (as adjusted according to the terms herein) by wire transfer of immediately available funds to an account designated by POC.

4. **Form of Assignment.** At the Initial Closing and Secondary Closing (each may otherwise agree (the "**Closing Date**"). At the Initial Closing, VR will pay POC the Purchase Price and POC will execute the Assignment conveying to VR oil and gas leases covering not less than 400 net mineral acres. VR shall tender payment of the Purchase Price (as adjusted according to the terms herein) by wire transfer of immediately available funds to an account designated by POC.

6. **Secondary Closing.** Not less than 30 days after the Initial Closing, POC shall execute and deliver to VR an additional Assignment conveying leases that cover the difference in the Minimum Net Mineral Acres and the number of net mineral acres conveyed at the Initial Closing or a certain number net mineral acres that would increase VR's net mineral acres ownership in the Homestead to extent that VR has the same number of net mineral acres as POC, whichever is greater. The intent of this Secondary Closing is to adjust for the situation wherein certain leases may increase in size should it be definitively determination that mineral interest under streets and roads be subject to the oil and gas leases included in the initial Assignment.

7. **Development of the Properties.** VR and POC agree that the parties plan to work together to develop the Properties as part of the Drilling and Spacing Unit consisting of All of Section 3, Township 1 South, Range 66 West and S2 of Section 34, Township 1 North, Range 66 West (the "***Homestead Unit***"), in a manner as follows:

(a) VR and POC agree to use reasonable efforts to drill and complete eight initial horizontal Codell and/or Niobrara wells in the Homestead Unit (the "***Initial Wells***"). Applications to Drill and Form 2A for the Initial Wells are currently pending approval of the Colorado Oil & Gas Conservation Commission.

(b) Through POC's retained ownership of Excluded Leases, POC shall have a substantial working interest and revenue interest in the Initial Wells of the Homestead Unit and agrees to participate and pay its proportionate share of the Initial Wells.

(c) Should there be non-consenting interest one or more of the Initial Wells then each party may elect to participate for their respective proportionate share for such non-consenting share as covered by a AAPL 1989 Joint Operating Agreement form.

(d) VR shall be operator of the Initial Wells (either party may propose, drill, and operate future wells in the Homestead Unit). POC agrees to execute additional documentation that may be needed to change operator of the existing permits of the Existing Wells.

(e) VR is in the process of securing a drilling rig for an anticipated commencement of Operations of June 1, 2017 and shall use commercial efforts to commence by this date. VR intends to commence completion operations on the Initial Wells in a reasonable amount of time after drilling of all this complete. This timing of drilling and completion activities is subject to, but not limited to the following: availability of drilling rig and ancillary services, approval of the pending permit applications and Form 2A, availability hydraulic fracturing services and sufficient supply of fresh water within a reasonable amount of time, commodity price level, availability of gas infrastructure, and other regulatory and environmental approvals, that a prudent operator would require.

(f) At Closing, VR and POC shall execute a mutually agreeable Joint Operating Agreement JOA limited to wellbores of the Initial Wells that is customary in the DJ Basin.

(g) VR and POC agree to commit oil production from the Homestead unit to Tallgrass Energy as purchaser and/or transporter for a term of not less than five years if Tallgrass Energy provides services at competitive and mutually acceptable rates.

8. **Offset Leasehold.** POC owns leases in government sections offsetting the Properties. Should POC desire to sell all or any part of a lease in an offsetting governmental section to the Properties during the sixth month term period after the Effective Date, VR will have the preferential right but not obligation to purchase leases for \$10,200.00 per net acre of leasehold.

9. **Water.** VR agrees to purchase all water for completion in the Homestead Unit from Colorado Water Pipelines/Tallgrass Energy's Newco at competitive rates for the industry in the immediate area. In the event Colorado Water Pipelines/Tallgrass Energy are unable to provide water on a timely basis or at competitive rates, VR shall use reasonable efforts as a prudent operator to secure water from another source.

10. **Conditions to Closing.** VR's obligation to consummate the Transaction is subject to each of the following conditions being met:

(a) Each and every representation and warranty of POC under this Offer is made and shall be true and correct in all material respects (other than those representations and warranties of POC that are qualified by materiality, which shall be true and correct in all respects) as of the date hereof and as of the time of Closing;

(b) POC shall have performed and complied with all its covenants, agreements and obligations hereunder in all material respects;

(c) No suit, action or other proceeding shall be pending or threatened that seeks to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Offer; and

(d) The POC is able to convey the Minimum Net Mineral Acres.

If (x) there is a breach of any representation or warranty or covenant, agreement or obligation of POC hereunder such that any of such conditions can no longer be met on the Closing Date or (y) VR has asserted Title Defects with aggregate Defect Amounts greater than the Title Threshold, VR may terminate this Offer by delivery of written notice to POC so long as it is not in material breach of this Offer.

11. **Choice of Law.** This Offer shall be governed by and construed in accordance with the law of the State of Colorado.

12. **Further Assurances.** For no additional consideration, POC and VR agree to execute any documents reasonably requested by the other parties, whether before or after the Closing, to aid the other parties in fulfilling the purposes of this Offer.

13. **No Third Party Beneficiary.** Nothing in this Offer, express or implied, is intended to confer upon any person, other than the parties hereto and their respective heirs, successors and assigns, any rights or remedies under or by reason of this Offer or to constitute such person a third party beneficiary of this Offer.

14. **Successors and Assigns.** Upon the acceptance of this Offer by the POC, the provisions of this Offer shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. **Titles for Convenience Only.** The titles and headings used in this Offer are inserted for convenience only and shall be disregarded in construing this Offer.

16. **Entire Agreement.** This Offer and its attachments (including the Exhibits hereto) constitute the entire understanding among the Parties with respect to the subject matter hereof, superseding all related negotiations, prior discussions and prior agreement and understandings. No amendment hereto shall be binding unless mutually agreed by the VR and the POC to in a written instrument specifically referring to this Offer.

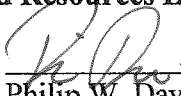
17. **Expiration.** This Offer shall expire and no longer be of any force or effect if not accepted by the POC on or prior to April 9, 2017.

*Remainder of page intentionally blank*

VR appreciates the opportunity to submit this Offer. If acceptable, please so indicate by signing the appropriate space below and returning one (1) original to the attention of the undersigned.


Very truly yours,

**Verdad Resources LLC**

By:   
Name: Philip W. Davis  
Title: Vice President - Land

**AGREED TO AND ACCEPTED** this 7<sup>th</sup> day of April, 2017.

**Petro Operating Company LLC**

By:   
Name: Erin B. Parker  
Title: Manager

**Exhibit A**

**Properties**

Exhibit A attached at the end of this document



**Exhibit "B"**

Attached to and made a part of that certain Offer to Purchase dated April 2017, 2017 by and between Petro Operating Company LLC and Verdad Resources LLC.

**ASSIGNMENT OF OIL AND GAS LEASES**

STATE OF COLORADO     )  
  ) §  
COUNTY OF [WELD]     )

This Assignment of Oil and Gas Leases (this "*Assignment*"), dated effective as of April 1, 2017, at 7:00 a.m. Mountain Time (the "*Effective Time*"), is made by **Petro Operating Company**, a [redacted] limited liability company, with a notice address of [redacted] ("*Assignor*") to **Verdad Resources LLC**, a Delaware limited liability company with a notice of address of 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235-6805 ("*Assignee*").

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby **GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER** unto Assignee, subject to the terms and reservations herein, all of Assignor's right, title and interest in and to all of the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof and the lands covered thereby, together with all rights incident thereto and appurtenances thereon (the "*Leases*");

TO HAVE AND TO HOLD the Leases, together with all rights, titles, interests, estates, remedies, powers and privileges thereunto or otherwise belonging to Assignee and Assignee's successors and assigns forever, subject to the following matters:

- (1) All Lessors' royalties, overriding royalties and other burdens, reversionary interests and similar burdens of record;
- (2) All easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations;
- (3) The terms and conditions of the Leases;
- (4) All rights reserved to or vested in any municipality or governmental, tribal, statutory or public authority to control or regulate any of the Leases in any manner, and all applicable laws, rules and orders of governmental and tribal authority.

**EXCEPTING AND RESERVING TO ASSIGNOR** an overriding royalty interest equal to the difference between twenty percent (20%) and Grantor's burdens filed of record as the Effective Date, of which, this Assignment of Oil and Gas Lease is subject to. It is the intention of Grantor to deliver an eighty percent (80%) net revenue interest on the Assigned Lands and under no circumstance shall Assignee receive less than an eighty (80%) net revenue interest on the Assigned Lands.



**Exhibit "A"**

ATTACHED TO AND MADE A PART OF THAT CERTAIN ASSIGNMENT OF OIL, GAS,  
AND LEASES EFFECTIVE AS OF APRIL 1, 2017, BY AND BETWEEN PETRO  
OPERATING COMPANY LLC, AS ASSIGNOR, AND VERDAD RESOURCES LLC, AS  
ASSIGNEE.

**Exhibit "C"**

[Wellbore JOA form to be attached]