

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

DENALI OIL & GAS PARTNERS II, LP

and

DENALI OIL & GAS PARTNERS III, LLC

as Sellers

and

ARGENT ENERGY (US) HOLDINGS INC.

as Purchaser

Execution Date: May 23, 2012

Effective Date: January 1, 2012

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PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this “Agreement”), executed as of May 23, 2012 (the “Execution Date”), but effective as of 7:00 a.m., Central time on January 1, 2012 (the “Effective Date”), is by and between DENALI OIL & GAS PARTNERS II, LP, a Texas limited liability company and DENALI OIL & GAS PARTNERS III, LLC, a Delaware limited liability company (referred to herein individually and collectively as “Seller”), and ARGENT ENERGY (US) HOLDINGS INC., a Delaware formed corporation (“Purchaser”).

RECITALS:

Seller desires to sell certain oil and gas properties to Purchaser and Purchaser desires to purchase the Property (as hereinafter defined) from Seller on the terms and conditions set forth herein.

Contemporaneously with the Closing (as hereinafter defined), it is contemplated that Purchaser will be provided funds to pay a portion of the Purchase Price (as hereinafter defined) for the Property from proceeds of an initial public offering in Canada (the “Offering”) by Argent Energy Trust (the “Trust”) of units in the Trust (“Trust Units”), which Offering will be made through a syndicate of Canadian underwriters (collectively, the “Underwriters”).

Therefore, for and in consideration of the mutual premises contained herein, the benefits to be derived by each party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree to the terms and conditions set forth in this Agreement.

ARTICLE 1 PROPERTY DESCRIPTION

1.1 **The Property.** Subject to the terms of this Agreement, at Closing (but effective as of the Effective Date), Seller shall sell, convey and assign to Purchaser and Purchaser shall purchase, pay for, and accept an undivided 100% of all of Seller’s right and title to, and interest in, and all privileges and, subject to terms and provisions of Articles 8 and 9 and except as otherwise expressly provided herein, obligations appurtenant to, the following described property, rights, interests, privileges and obligations (such undivided percentage interest in and to such property, rights, interests, privileges and obligations, SAVE and EXCEPT the Excluded Assets are hereafter referred to collectively as the “Property”):

1.1.1 The oil, gas and/or mineral leases, subleases, fee interests, fee mineral interests, mineral servitudes, royalties, overriding royalties, production payments, net profits interests, carried interests, reversionary interests and all other interests of any kind or character in oil, gas and/or other minerals in place described in Exhibit A, Schedule 1 – Leases Part 1-Leases Excluding Deep Rights (the “Leases”);

1.1.2 All leasehold interests and other rights, titles and interests in any unit or pooled or communitized area in which the Leases are included, to the extent that these rights, titles and interests arise from and are associated with the Leases or Wells, including all rights,

titles and interests derived from any unitization, pooling, operating, communitization or other agreement or from any declaration or order of any governmental authority (the “Units”);

1.1.3 All oil, gas and condensate wells (whether producing, not producing or temporarily abandoned), water source, water injection and other injection or disposal wells and systems located on or within the geographic boundaries of the Leases or the Units, including those wells described in Exhibit A, Schedule 1A (the “Wells”);

1.1.4 The “Deep Rights” as defined in the form of Assignment and Reservation of Rights attached hereto as Exhibit C- Part 2 (the “Deep Rights”);

1.1.5 (i) All flow lines, pipelines, gathering systems and related equipment located on the Leases, the Units, or the Permits, Easements and Surface Rights (as hereinafter defined) that are upstream of the applicable custody transfer points of Hydrocarbons produced from the Leases, Units and Wells to third party gas processing, and (ii) all facilities, equipment, owned compressors, well pads, tank batteries, water handling and injection systems and related equipment, improvements, fixtures, inventory, spare parts, tools and other personal property located on the Leases, Units, or Permits, Easements and Surface Rights (as hereinafter defined) used or held for use in the ownership or operation of the Leases, Units and Wells (items (i) and (ii) are referred to collectively as the “Equipment”); provided, however, Equipment shall not include rental equipment, it being agreed and understood by Seller and Purchaser that all of Seller’s equipment rental agreements relating to the Property shall be terminated or assigned to Purchaser on or before Closing.

1.1.6 All easements, rights-of-way, licenses, permits, servitudes, surface leases, surface use agreements, surface fee tracts, and similar rights, obligations and interests to the extent applicable to or used in operating the Leases, Units, Wells, or Equipment, including those described in Exhibit A, Schedule 2 (the “Permits, Easements and Surface Rights”); and

1.1.7 To the extent arising from and after the Effective Date, all rights, titles and interest in, and obligations under, all agreements and contracts to which Seller or any of its Affiliates is a party (or in which any of them otherwise hold an interest) and (a) by which the rights, titles, interests, properties and assets described in Sections 1.1.1 through 1.1.5 are bound or (b) that are applicable to the rights, titles, interests, properties and assets described in Sections 1.1.1 through 1.1.5, including unit agreements, pooling declarations or agreements, farmout agreements, farmin agreements, operating agreements, and Hydrocarbon purchase and sale, production, marketing, storage, handling, gathering, compression, transportation, treating, exchange, processing and fractionating agreements, water use and water disposal agreements, including but not limited to, those contracts and agreements described in Exhibit A, Schedule 3 (collectively, the “Related Contracts”).

1.2 Exclusions from the Property. The Property to be conveyed and assigned under this Agreement does not include the following, which are reserved by Seller (and its Affiliates, as applicable) (the “Excluded Assets”):

1.2.1 (a) Seller’s corporate records, financial and tax records unrelated to the Property;

(b) reserve estimates and reports, economic analyses, computer programs and applications, pricing forecasts, whether or not related to the Property;

(c) legal files, legal opinions, documents protected by a legal privilege, and attorney work product (except abstracts of title, title opinions, certificates of title, and title curative documents related to the Property), and

(d) any other records or information that would otherwise be included in the Property Records but which Seller cannot legally provide to Purchaser because of confidentiality or assignment restrictions in favor of third parties (*provided* that, at the request of Purchaser, Seller shall use reasonable commercial efforts to have such restrictions waived);

1.2.2 All of Seller's intellectual property rights, patents, copyrights, names, marks, logos, proprietary software and derivatives therefrom;

1.2.3 All trade credits and rebates from contractors, vendors and co-owners (including unpaid joint interest billings) and adjustments or refunds attributable to the Property, including transportation Tax credits and refunds, tariff refunds, take-or-pay claims, insurance premium adjustments, and audit adjustments under the Related Contracts, in each case, to the extent related to any period prior to the Effective Date;

1.2.4 Tax records regarding, and claims of Seller for refund of or loss carry forwards with respect to (a) production, windfall profit, severance, ad valorem or any other Taxes attributable to the ownership of the Property for any complete period ending on or prior to the Effective Date, (b) income or franchise Taxes and (c) any Taxes attributable to the excluded items described in this Section 1.2;

1.2.5 All deposits, cash, checks in process of collection, cash equivalents, accounts and notes receivable and other funds attributable to any periods before the Effective Date, and security or other deposits made with third parties prior to the Effective Date;

1.2.6 All proceeds, benefits, income or revenues with respect to the Property attributable to periods prior to the Effective Date;

1.2.7 All Claims arising from acts, omissions or events, or damage to or destruction of the Property before the Effective Date, and all related rights, titles, claims and interests of Seller, including , but not limited to, any and all contract rights, claims, penalties, receivables, revenues, recoupment rights, recovery rights, accounting adjustments, mispayments, erroneous payments, personal and corporate injury, property damages, royalty and other rights and claims of any nature in favor of Seller

1.2.8 All Claims arising from acts, omissions or events, or damage to or destruction of the Property before the Effective Date, and all related rights, titles, claims and interests of Seller as enumerated in Section 1.2.7 above (a) under any policy or agreement of insurance or indemnity, (b) under any bond or letter of credit or (c) to any insurance or condemnation proceeds or awards;

1.2.9 All monies, proceeds, benefits, receipts, credits, income or revenues (and any security or other deposits made) attributable to the Property or the ownership or operation thereof prior to the Effective Date, including, without limitation, amounts recoverable from audits under agreements and any overpayments of royalties to the extent attributable to the period prior to the Effective Date;

1.2.10 All rights, obligations, benefits, awards, judgments, settlements, if any, applicable to litigation in which Seller is now or shall become a named claimant or plaintiff or holds beneficial rights or interests, to the extent related to periods prior to the Effective Date;

1.2.11 All telecommunications and communications equipment and services, WARS control stations and computers, but excluding SCADA hardware and software;

1.2.12 All swap, collar, floor, cap, option, futures, or derivative contracts backed by or related to, and all other contracts and agreements (including sales contracts with fixed prices) that are intended to reduce or eliminate the risk of fluctuations in the price of Hydrocarbons (each, a "Hedge Agreement");

1.2.13 (a) All third party equipment and property located on or used in connection with the Property, including contractor equipment; and

1.2.14 All rights of seller in the production payment described in Exhibit A, Schedule 4.

1.3 **Ownership of Production from the Property.**

1.3.1 **Production Before the Effective Date.**

(a) Seller will own all merchantable oil, gas, casinghead gas, condensate, distillate, natural gas liquids and other liquid and gaseous hydrocarbons of every kind or description ("Hydrocarbons") produced from or attributable to the Property before the Effective Date.

(b) If on the Effective Date, Hydrocarbons produced from or attributable to the Property before the Effective Date are stored in the Lease or unit stock tanks (the "Stock Tank Oil") or Hydrocarbons are in gathering lines or production facilities upstream of the sale or custody transfer meters (or other applicable point at which the transfer of title actually occurs) of the purchaser or processor of Hydrocarbon production from or attributable to the Property (the "Pipeline Inventory"), Purchaser shall purchase from Seller the merchantable Stock Tank Oil in the stock tanks and the Pipeline Inventory at the actual weighted average price received for Hydrocarbons sold from such stock tanks and pipeline sales points during the full calendar month preceding the Effective Date. If no Hydrocarbons were sold in the preceding month, the actual weighted average price received in the most recent preceding month in which sales occurred shall be used. Stock Tank Oil and Pipeline Inventory will be gauged and measured as of 7:00 a.m. local time where the Property is located on the Effective Date. Seller and Purchaser will accept the Lease or unit operator's tank gauge readings, meter tickets or other inventory records of the Stock Tank Oil and Pipeline Inventory.

1.3.2 **Production after the Effective Date.** From and after the Closing, Purchaser will own all Hydrocarbons produced from or attributable to the Property from and after the Effective Date. Seller will sell on Purchaser's behalf, on the same terms pursuant to which Seller's Hydrocarbon production is sold, all Hydrocarbons produced from or attributable to the Property between the Effective Date and the Closing Date, and Seller will credit Purchaser for the proceeds of these sales as an adjustment to the Purchase Price, as provided in Sections 2.2 and 2.3.

1.4 **Over-allotment Reserved Interests.** In the event (i) the Underwriters exercise all or a portion of their over-allotment option within 30 days of Closing to acquire additional Trust Units of up to 15% of the number of Trust Units initially sold in the Offering (the "Over-allotment Option"), and (ii) at least C\$ [REDACTED] in aggregate gross proceeds are received by the Trust in one or more closings of the Over-allotment Option, then Purchaser shall purchase (100%) of Seller's right, title to and interest set forth in Exhibit A, Schedule 7 (the "Reserved Interests") on the terms described in this Section 1.4. For avoidance of doubt, Purchaser shall have no obligation to purchase all or any portion of the Reserved Interests unless the Trust receives at least C\$ [REDACTED] in aggregate gross proceeds from the closings of the Over-allotment Option.

1.4.1 The purchase price (the "Additional Purchase Price") to be paid for the Reserved Interest shall be U.S.\$ [REDACTED]

1.4.2 The effective date of the purchase of the Reserved Interests shall be the Effective Date. The Additional Purchase Price shall be adjusted at and after the Option Closing in accordance with Sections 3.2 to 3.5 inclusive, as if Sections 3.2 to 3.5 inclusive, with the necessary changes, applied thereto.

1.4.3 The purchase of the Reserved Interests (the "Option Closing") shall occur on the 14th day, or the first business day after the 14th day, if the 14th day is not a business day (the "Option Closing Date") following receipt by Seller of notice of the Over-allotment Option has closed in an aggregate amount sufficient to obligate Purchaser to purchase the Reserved Interests pursuant to Section 1.4, and Sections 7.1 to 7.3 inclusive except Section 7.3(f), 7.4.2 and 7.4.3 shall apply thereto, with the necessary changes, in respect of the Option Closing, the Option Closing Date and the Reserved Interests; and

(a) For purposes of the acquisition of the Reserved Interests by Purchaser, Sections 1.4 to 1.4.2, Articles 4 to 6 inclusive and Articles 8 to 12 inclusive shall thereafter be read as if:

(i) "Closing" includes both the original Closing as originally defined (in respect of the Property as originally defined) and the Option Closing (in respect of the Reserved Interests),

(ii) "Closing Date" includes both the original Closing Date as originally defined (in respect of the Property as originally defined) and the Option Closing Date (in respect of the Reserved Interests),

(iii) “Property” includes both the Property as originally defined and the Reserved Interests,

(iv) “Purchase Price” includes the aggregate of the Purchase Price as originally defined plus the Additional Purchase Price.

ARTICLE 2 DEEP RIGHTS

2.1 Assignment of Deep Rights. Subject to the terms of this Agreement, at Closing (but effective as of the Effective Date), Seller shall sell, convey and assign to Purchaser and Purchaser shall purchase, pay for, and accept an undivided 100% of all of Seller’s right and title to, and interest in, and all privileges and, subject to terms and provisions of Articles 8 and 9 and except as otherwise expressly provided herein, obligations appurtenant to, it being understood that Purchaser shall have no obligation to drill or develop any portion of the Deep Rights.

2.2 Installment Payments for Deep Rights. Purchaser in consideration for such assignment of the Deep Rights by Seller to Purchaser, shall pay Seller for the Deep Rights separate and apart from other purchase consideration for the other Property. Subject to Section 2.3, the purchase consideration for the Deep Rights shall be made by Purchaser to Seller in three cash payments. The first payment is due and payable on January 1, 2013 in the amount of U.S.\$ [REDACTED]. The second payment is due and payable on January 1, 2014 in the amount of U.S.\$ [REDACTED]. The third and final payment is due and payable on January 1, 2015 in the amount of U.S.\$ [REDACTED] (the sum of all three payments referred to herein as “Deep Rights Payment Obligation”).

2.3 Acceleration of Deep Rights Payment Obligation. In the event the Over-allotment Option is exercised in full and closed for an aggregate amount of 15% of the number of Trust Units initially sold in the Offering (and not less than this the full amount), then in lieu of the payments specified in Section 2.3, Purchaser will pay to Seller, within 5 business days of the last closing date of the Over-allotment Option, a single cash payment equal to the discounted value of the aggregate Deep Rights Obligation (discounting each of the original three payment amounts from its original due date to the date of payment to Seller using a per annum rate of 10% and a monthly 30/360 day discounting convention) (the “Upfront Payment”). The Upfront Payment will satisfy in full Purchaser’s payment obligations with respect to the Deep Rights and the Deep Rights Obligation will be extinguished, it being understood that Purchaser’s accelerated obligations under this Section 2.3 are expressly conditioned upon a full exercise and closing of 15% of the number of Trust Units initially sold in the Offering.

2.4 Seller “Back In Rights” Upon Payout. The conveyance of the Deep Rights by Seller to Purchaser is subject to the reservation and retention of certain right, title and interest of Seller in and to any well drilled within the Deep Rights that is brought to production, which reserved right, title and interest are described in the form of Assignment and Reservation of Rights attached hereto as Exhibit B- Part 2 (such rights held by Seller for each well drilled, or pooled drilling unit, within the Deep Rights referred to herein as, “Back In Rights”). For as long as Seller may exercise the Put Option (as defined below), Seller cannot assign, sell or otherwise transfer any portion of its Back In Rights without the Prior written consent of Purchaser. In the

event, that Seller obtains a working interest in a well pursuant to its Back In Rights, Seller and Purchaser agree to negotiate in good faith to enter into a mutually agreeable joint operating agreement where Purchaser or its designee is the operator.

2.5 Put Option.

2.5.1 Seller is hereby granted an option (the “Put Option”) to cause Purchaser to buy all, but not less than all, of the Back In Rights and the Initial ORRI (as defined in the Assignment with Reservation of Rights in the form attached as Exhibit B-Part 2, which assigns the Deep Rights) to which Seller retained with respect to the Deep Rights for U.S.\$ [REDACTED] beginning on the first anniversary date of the initial Closing Date, upon the occurrence of any of the following events:

(a) The daily Trust Market Capitalization (as hereinafter defined) exceeds one hundred thirty percent (130%) of the Trust IPO Market Capitalization (as hereinafter defined) for each of ten (10) consecutive trading days;

(b) The Trust’s ratio of consolidated indebtedness as of the end of the most recently reported quarterly reporting period to annualized consolidated net income before interest expense, income tax expense, depreciation and amortization for such quarterly period (annualized by multiplying such amount by four), as determined under generally accepted accounting principles applicable to financial statements of the Trust, falls below 0.4;

(c) The Trust completes cumulative acquisitions of oil and gas properties and interests after the Offering aggregating more than U.S.\$ [REDACTED]; or

(d) The Trust completes cumulative offerings of Trust Units after the Offering (excluding issuances pursuant to the exercise of the Over-allotment Option and any issuances under any executive, director or employee equity plan) resulting in gross proceeds of at least C\$ [REDACTED] (the occurrence of each of the forgoing four events after the first anniversary date of the initial Closing Date of the Offering being referred to herein as a “Put Event”).

2.5.2 Purchaser shall notify Seller of the occurrence of any Put Event within five business days of the occurrence of such event, whereupon Seller will have five business days’ following receipt of such notice from Purchaser to notify Purchaser of its exercise of the Put Option. Once a Put Event occurs and notice of such event is given by Purchaser to Seller and the five business day exercise period lapses unexercised, then a Put Event must occur again before the Put Option can become exercisable.

2.5.3 If Seller has not been notified of the occurrence of any Put Events on or prior to the third anniversary date from the initial Closing Date of the Offering, Seller may exercise the Put Option by delivering written notice of exercise to Purchaser on, or before five business days after such third anniversary date.

2.5.4 After this third anniversary date election period, the Put Option will terminate if not exercised in accordance with this Section 2.5. A closing of an exercised Put Option shall occur five business days from receipt by Purchaser of notice of exercise, whereupon Seller shall deliver appropriate duly executed assignments in form reasonably acceptable to Purchaser and legally sufficient to terminate, or convey to Purchaser, all Back In Rights, and Purchaser shall deliver the Put Option payment to Seller.

2.5.5 Purchaser shall have sixty (60) days from receipt of Seller's written notice notifying Purchaser of Seller's exercise of the Put Option in accordance with this Section 2.5 to pay Purchaser the U.S. \$ [REDACTED] amount for the Put Option and make final settlement of the Put Option.

2.5.6 For purposes of this Section 2.5,

(a) "Trust IPO Market Capitalization" equals the offering price to public per Trust Unit reflected on the cover of the final prospectus of the Trust filed for the Offering multiplied by the aggregate number of Trust Units issued in the Offering (including any additional Trust Units issued upon exercise of the Over-allotment Option),

(b) "Daily Trust Market Capitalization" equals the "Daily Trust Market Price" multiplied by the aggregate number of issued and outstanding Trust Units at the close of such trading day, and

(c) "Daily Trust Market Price" means the volume weighted average trading price of a Trust Units for such trading day on the principal exchange or principal market on which Trust Units are listed or quoted for trading on which the greatest volume of Trust Units were traded during the relevant ten trading day period referred to in Section 2.5.5 (a) above or, if such is not determinable, the exchange or market designated by the Purchaser in its discretion, provided that if the applicable exchange or market does not provide information necessary to compute a daily volume weighted average trading price, the closing price of a Trust Unit shall be used for such trading day, provided that if the applicable exchange or market does not provide a closing price for such trading day, but only provides the highest and lowest prices of the Trust Units traded on such trading day, the average of the highest and lowest prices shall be used for such trading day.

2.6 **Purchaser Call Option.** Purchaser is hereby granted an option to purchase all, and not less than all, of the Back In Rights and the Initial ORRI from Seller for U.S.\$ [REDACTED] on any day on or after the Closing Date by notifying Seller of the exercise of such option (the "Call Option"). A closing of an exercised Call Option shall occur five business days from receipt by Seller of notice of intent to exercise, whereupon Seller shall deliver appropriate duly executed assignments in form reasonably acceptable to Purchaser and legally sufficient to terminate or convey to Purchaser all Back In Rights, and Purchaser shall deliver the Call Option payment.

ARTICLE 3 CONSIDERATION

3.1 **Purchase Price and Other Consideration.** At Closing, Purchaser will pay Seller U.S. \$ [REDACTED] for the Property (the “Purchase Price”), such amount to be adjusted as specified in Sections 3.2 and 3.3, and, without limiting Purchaser’s rights under Articles 8 and 9 and except as otherwise expressly provided herein, from and after Closing, Purchaser will assume the Assumed Obligations and provide the indemnity and other agreements and covenants provided herein as the total consideration for the Property. At Closing, Seller will deposit [REDACTED] of the Purchase Price into the Escrow Account (as hereinafter defined) in accordance with Section 7.4.4 hereof. For purposes of this Agreement, the Seller and Purchaser agree that the Purchase Price will be allocated among the various portions of the Property, and among two Sellers, and among depreciable assets and nondepreciable assets in accordance with the Allocated Value set forth for such assets in Exhibit A, Schedule 5.

3.2 **Adjustments at Closing.**

3.2.1 **Preliminary Settlement Statement.** At Closing, the Purchase Price will be adjusted as set forth in Sections 3.2.2 and 3.2.3. No later than three (3) business days prior to the Closing Date, Seller will provide Purchaser a preliminary settlement statement prepared by Seller in good faith (and based on the best information then available to it) that identifies all adjustments to the Purchase Price that can be determined as of the Closing (the “Preliminary Settlement Statement”). At Closing the Purchase Price shall be paid by Purchaser to Seller by wire transfer, in immediately available funds, to the account or accounts as directed by Seller in writing.

3.2.2 **Upward Adjustments.** The Purchase Price will be increased by the following expenses and revenues, in each case, without duplication (“Upward Adjustments”):

(a) All Property Costs with respect to the Property that are attributable to any period from and after the Effective Date and that are paid by Seller;

(b) All proceeds from the sale of Hydrocarbons produced from or attributable to the Property and other income from the Property received by Purchaser, to the extent they are attributable to the ownership or operation of the Property before the Effective Date;

(c) Taxes allocable to Purchaser pursuant to Article 10 and paid by Seller on or before Closing;

(d) The cumulative value of Stock Tank Oil and Pipeline Inventory that Purchaser is obligated to purchase from Seller pursuant to Section 1.3.1(b); and

(e) Any other increases in the Purchase Price otherwise agreed in writing between Seller and Purchaser.

3.2.3 **Downward Adjustments.** The Purchase Price will be decreased by the following expenses and revenues (“Downward Adjustments”):

(a) All Property Costs with respect to the Property that are attributable to any period prior to the Effective Date and that are paid by Purchaser;

(b) Any proceeds from the sale of Hydrocarbons produced from or attributable to the Property and other income attributable to the Property and received by Seller, to the extent they are attributable to the ownership or operation of the Property from and after the Effective Date;

(c) Taxes allocable to Seller pursuant to Article 10 and paid by Purchaser on or before Closing;

(d) Any amounts pursuant to Section 11.2(b); and

(e) Any other decreases in the Purchase Price otherwise agreed in writing between Seller and Purchaser.

3.2.4 **Definition of Property Costs.** As used herein, “Property Costs” means all operating costs and expenses, including overhead charges and capital expenditures, paid or incurred in connection with the ownership or operation of the Property that properly would have been chargeable to Purchaser as the owner and operator of the Property if Purchaser had been the owner and operator of the Property as of the Effective Date; *provided, however*, that Property Costs shall not include any costs or expenses resulting from the payment of fines or penalties, or the conduct of environmental remediation activities or supplemental environmental projects, arising out or resulting from the notices and proceedings disclosed in Schedule 3.3.4, all of which shall be retained and paid by Seller.

3.3 **Adjustments after Closing.**

3.3.1 **Final Settlement Statement.** On a date that is not less than 90 days and not more than 100 days after Closing (the “Final Settlement Date”), Seller will furnish to Purchaser a final settlement statement for the Property containing a final reconciliation of the adjustments to the Purchase Price specified in Section 3.2 that were not included in the Preliminary Settlement Statement (the “Final Settlement Statement”). Purchaser will have 30 days after receiving the Final Settlement Statement to provide Seller with written exceptions to any items in the Final Settlement Statement that Purchaser believes in good faith to be questionable. All items in the Final Settlement Statement to which Purchaser does not take written exception within such 30-day review period will be deemed to be accepted by Purchaser.

3.3.2 **Payment of Post-Closing Adjustments.** Any adjustments to the Purchase Price will be offset against each other so that only one payment is required. The party owing payment will pay the other party the net post-Closing adjustment to the Purchase Price within 10 days after the expiration of Purchaser’s 30-day review period for the Final Settlement Statement. Notwithstanding the foregoing, the payment of any disputed items will be subject to the further rights of the parties under Section 3.3.3.

3.3.3 Resolution of Disputed Items. After the completion and delivery of the Final Settlement Statement, the parties shall negotiate in good faith to attempt to reach agreement on the amount due with respect to any disputed items in the Final Settlement Statement. If the parties agree on the amount due with respect to any disputed items, and a payment adjustment is required, the party owing payment will pay the other party within 10 days after the parties reach agreement. If the parties are unable to agree on the amount due with respect to any disputed items within 60 days after Seller receives Purchaser's written exceptions to the Final Settlement Statement, then the parties will attempt to resolve their disagreement with respect to the disputed items pursuant to the dispute resolution procedure set forth in Section 12.1.

3.3.4 Further Revenues and Expenses. After the completion of the post-Closing adjustments under this Section 3.3, (a) if either party receives revenues that belong to the other party under this Agreement, the party receiving the revenues agrees to promptly remit those revenues to the other party and (b) if either party pays expenses that are the responsibility of the other party under this Agreement, the party on whose behalf the expenses were paid agrees to promptly reimburse the other party for the expenses paid on its behalf upon receiving satisfactory evidence of such payment.

3.4 Payment Method. Unless the parties otherwise agree in writing or unless otherwise provided herein, all payments under this Agreement will be by wire transfer in immediately available United States funds to an account designated by the party to receive the payment.

3.5 Principles of Accounting. The Preliminary Settlement Statement and Final Settlement Statement will be prepared in accordance with this Agreement, generally accepted accounting principles (applicable in the United States as customarily applied) in the petroleum industry, and applicable laws, rules and regulations, and will include the calculation of each adjustment therein and a copy of all documentation reasonably necessary to support each such adjustment.

3.6 Reporting Value of the Property. Seller and Purchaser agree and stipulate that the Purchase Price is allocated based upon the value assigned to each portion of the Property in Exhibit A, Schedule 5 (the "Allocated Value") of such portion of the Property.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Reciprocal Representations and Warranties. Seller and Purchaser each represent and warrant to the other that the following statements are true and accurate as to itself:

4.1.1 Legal Entity Authority. It (a) is a limited liability company or limited partnership or corporation, as applicable, duly organized, validly existing and in good standing under the laws of its state of formation, (b) is duly qualified to carry on its business (and is in good standing) in the State of Texas and (c) has all the requisite power and authority to enter into and perform this Agreement.

4.1.2 **Requisite Approvals.** The execution and delivery of this Agreement and any transaction documents related to this Agreement, and the performance of the transactions contemplated by this Agreement and any other transaction documents relating to this Agreement, have been duly and validly authorized pursuant to its governing documents.

4.1.3 **Validity of Obligation.** This Agreement and all other transaction documents it is to execute and deliver on or before the Closing Date (a) have been (or will be at the time executed and delivered by it) duly executed by its authorized representatives, (b) constitute (or will constitute at the time executed and delivered by it) its valid and legally binding obligations and (c) are enforceable (or will be enforceable at the time executed and delivered by it) against it in accordance with their respective terms, subject, with respect to clauses (b) and (c), to all applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability and to general equitable principles.

4.1.4 **No Violation of Contractual Restrictions.** Its execution, delivery and performance of this Agreement do not conflict with or violate any agreement or instrument to which it is a party or by which it is (or its assets (including, in the case of Seller, the Property) are) bound, except, any third party approvals or consents necessary with respect to the transaction contemplated herein.

4.1.5 **No Violation of Other Legal Restrictions.** Its execution, delivery and performance of this Agreement do not violate any law, rule, regulation, ordinance, judgment, decree or order to which it is (or its assets (including, in the case of Seller, the Property) are) bound.

4.1.6 **Bankruptcy.** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by, or, to its knowledge, threatened against it and it is not insolvent or generally not paying its debts as they become due.

4.1.7 **Brokers Fees.** It has not incurred any obligation for brokers, finders or similar fees for which the other party would be liable.

4.1.8 **No Restraining Litigation.** To its knowledge, there is no action, suit, proceeding, claim or investigation by any person, administrative agency or governmental body, pending or threatened, against it before any court or governmental agency that seeks substantial damages in connection with, or seeks to restrain, enjoin, impair or prohibit the consummation of, all or any portion of the transactions contemplated by this Agreement.

4.2 **Purchaser's Representations and Warranties.** Purchaser represents and warrants to Seller that the following statements are true and accurate:

4.2.1 **Independent Evaluation.** Purchaser is an experienced and knowledgeable investor in the oil and gas business. Except to the extent of Seller's express representations and warranties in Sections 4.1 and 4.3 and the Special Warranty, in making the decision to enter into this Agreement, Purchaser has been advised by and has relied solely on its own expertise and legal, Tax, reservoir engineering and other professional counsel concerning this transaction, the Property and the value thereof.

4.2.2 Securities Laws and Purchaser's Other Dealings. Purchaser has complied with all federal and state securities laws applicable to Purchaser in regard to the purchase and sale of the Property and will comply with such laws if it subsequently disposes of all or any part of the Property. Purchaser is acquiring the Property for its own account and not with a view to, or for offer of resale in connection with, a distribution thereof, within the meaning of the Securities Act of 1933, 15 U.S.C. § 77a et seq., and any other rules, regulations, and laws pertaining to the distribution of securities.

4.2.3 Qualification. As of the Closing, Purchaser shall arrange to have an entity qualified with all applicable governmental authorities to operate the Wells, Leases and Units and Purchaser will ensure that all applicable bonding requirements are satisfied.

4.3 Seller's Representations and Warranties. Seller represents and warrants to Purchaser that the following statements are true and accurate:

4.3.1 Certain Title Matters; Royalty Payments.

(a) (i) To Seller's Knowledge, each Lease is a valid, binding and enforceable obligation of the parties thereto, is in full force and effect according to its terms and during Seller's period of ownership has not been released, cancelled or terminated, (ii) To Seller's Knowledge, Seller is in compliance in all material respects with respect to the Leases, (iii) the Leases, Wells and Units are free and clear of all mortgages, deeds of trust, security interests, pledges, liens and other similar encumbrances resulting from financing with third parties (collectively, "Encumbrances"), other than (A) those that will be released prior to Closing, and (B) any materialman's, mechanics', repairman's, employees', contractors', operators', or other similar liens, security interests or charges for liquidated amounts arising in the ordinary course of business incidental to construction, maintenance, development, production or operation of the Property, or the production or processing of Hydrocarbons therefrom, that are not delinquent or, if delinquent, are being contested in good faith by appropriate proceedings (the "Permitted Encumbrances").

(b) Except for such items that are being held in suspense as permitted pursuant to the terms of any Lease or applicable law, to Seller's knowledge, Seller has paid, and is paying timely and before the same become delinquent, all royalties, overriding royalties and other burdens on production due by Seller pursuant to the terms of any Lease.

4.3.2 Lawsuits and Claims. Except as set forth on Schedule 4.3.2, no written demand or lawsuit, compliance order, notice of probable violation, investigation or similar governmental action, has been commenced or, to Seller's knowledge, threatened before any court or governmental agency that (a) would result in a material impairment or loss of title to any part of the Property, (b) seeks the imposition of material damages with respect to the Property, or (c) would materially hinder or impede the ownership or operation of the Property.

4.3.3 Tax Partnerships. Except as set forth on Schedule 4.3.3, none of the Property is held by or is subject to any contractual arrangement between Seller, on the one hand, and any other person, on the other hand, whether owning undivided interests therein or otherwise, that is classified as a partnership for U.S. federal tax purposes and no transfer of any

part of the Property pursuant to this Agreement will be treated as a transfer of an interest or interests in any partnership for U.S. federal tax purposes.

4.3.4 Environmental Matters. Except as set forth on Schedule 4.3.4, Seller has not received written notice from any governmental authority alleging that in connection with the Property, Seller or the Property, or any portion thereof, is in violation or non-compliance with Environmental Laws that are material in nature.

(a) As used herein, the term:

(i) “Environmental Laws” shall mean all applicable federal, state and local laws in effect on the Execution Date, including common law, relating to pollution or the environment, protection of human health from exposure to Hazardous Substances released into the environment, or conservation or protection of natural resources, including those laws relating to the Release or threatened Release of, or exposure to, Hazardous Substances, and those relating to the generation, manufacture, distribution, use, processing, treatment, storage, transportation, disposal, arrangement for transport or disposal, or other management of Hazardous Substances. The term “Environmental Laws” does not include good or desirable operating practices or standards that may be employed or adopted by other oil and gas well operators or recommended by a governmental authority that are not enforceable under Environmental Law.

(ii) “Environmental Permit” shall mean any permit, water right (including water withdrawal, storage, discharge, treatment, injection and disposal rights), license, registration, consent, order, approval, variance, exemption, waiver, franchise, right or other authorization obtained from any governmental authority and required to be held by Seller pursuant to Environmental Law.

(iii) “Hazardous Substances” shall mean any: (A) chemical, product, material, substance or waste defined as or included in the definition of “hazardous substance,” “hazardous material,” “hazardous waste,” “restricted hazardous waste,” “extremely hazardous waste,” “oil and gas waste,” “hazardous oil and gas waste,” “solid waste,” “toxic waste,” “extremely hazardous substance,” “toxic substance,” “toxic pollutant,” “contaminant,” “pollutant,” or words of similar meaning or import found in any Environmental Law, (B) petroleum hydrocarbons, petroleum products, petroleum substances, natural gas, crude oil, or any components, fractions, or derivatives thereof Released into the environment or (C) asbestos containing materials, polychlorinated biphenyls, mercury, radioactive materials, urea formaldehyde foam insulation, naturally occurring radioactive material (“NORM”) or radon gas.

(iv) “Release” shall mean any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping or disposing into the environment.

4.3.5 Related Contracts. Part 1 of Exhibit A, Schedule 3, sets forth a list of all contracts and agreements material to the ownership and operation of the Property (other than the Leases and agreements creating surface interests). For purposes of the preceding clause, contracts and agreements material to the ownership and operation of the Property shall include

but not be limited to all unit agreements, pooling declarations or agreements, farmout agreements, farmin agreements, operating agreements, and Hydrocarbon purchase and sale, production, marketing, storage, handling, gathering, compression, transportation, treating, exchange, processing and fractionating agreements, water use and water disposal agreements. Each Related Contract listed on Part 1 of Exhibit A, Schedule 3 is in full force and effect as to Seller and, to Seller's knowledge, each counterparty thereto. Except as set forth in Part 2 of Exhibit A, Schedule 3, there exist no material defaults under any Related Contract listed on Exhibit A, Schedule 3 by Seller.

4.3.6 Preferential Rights and Consents. Except as set forth on Schedule 4.3.6, there are no (a) preferential purchase rights, rights of first refusal, or similar rights to which the Property is subject (collectively, "Preferential Rights") or (b) third-party consents or other approvals required to assign the Property to Purchaser (the "Applicable Consents"), other than consents from federal and state governments and similar authorities that are customarily obtained after the closing of transactions substantially similar to the transactions contemplated by this Agreement (the "Governmental Consents") in each case, that are applicable in connection with the transactions contemplated hereby.

4.3.7 Foreign Person. Seller is properly classified as an entity disregarded as separate from Denali Oil & Gas Partners II, LP within the meaning of Section 301.7701-3(a) of the U.S. Treasury Regulations. Denali Oil & Gas Partners III, LLC is a Delaware limited liability company and is not a "foreign person" within the meaning of Section 1445 of the Code.

4.3.8 Calls on Production. Except as set forth on Schedule 4.3.8, no person has any call upon, right to purchase, option to purchase or similar rights with respect to Hydrocarbons produced from or attributable to the Property from and after Closing that is not terminable on 30 days' or less notice.

4.3.9 Equipment. Seller has good and valid title to the Equipment. Other than Permitted Encumbrances, the Equipment is free and clear of all Encumbrances, other than those that will be released prior to Closing with respect to the undivided percentage interest to be included in the Property conveyed to Purchaser at Closing. Except as set forth in Exhibit A, Schedule 6, none of the rental equipment is material to the ownership and operation of the Property.

4.3.10 Plugging and Abandonment. Except as set forth on Schedule 4.3.10, there are not any unplugged Wells in respect of which Seller (or any of its Affiliates) has received an order of a governmental authority requiring them to be plugged and abandoned.

4.3.11 Taxes.

(a) Seller has timely paid in full all material Taxes due from it with respect to the Property;

(b) Seller has timely filed all material Tax Returns required to be filed by it with respect to the Property, and all such Tax Returns are true, correct and complete in all material respects;

(c) there are no Encumbrances for Taxes on the Property, other than statutory liens for current Taxes not yet due;

(d) Seller has not received written notice of any pending claim against it (which remains outstanding) from any applicable governmental authority for assessment of additional Taxes with respect to the Property and, to Seller's knowledge, no such claim has been threatened; and

(e) Seller is not presently under audit or subject to any administrative, judicial or other proceeding with respect to Taxes due from it with respect to the Property and, to Seller's knowledge, no such audit or proceeding has been threatened.

4.3.12 **Imbalances.** There are no oil or gas production or marketing imbalances affecting the Property and no imbalances attributable to Related Contracts (collectively, "Imbalances") for which Purchaser shall be responsible after Closing.

4.3.13 **Seller Information in Argent Prospectuses.** The representations contained in this Section 4.3.13 are being made solely for purposes of assisting Purchaser in preparation of (i) the preliminary prospectus of the Trust dated May 10, 2012 (the "Preliminary Prospectus"), (ii) any amendment(s) to the Preliminary Prospectus (the "Amended Preliminary Prospectus"), and (iii) the final prospectus of the Trust (the "Final Prospectus") and not for any other purpose under this Agreement. Seller has reviewed the information identified on Schedule 4.3.13 regarding Seller and the Property (the "Denali Disclosures") contained in the Preliminary Prospectus. On the date of this Agreement and the filing of the Preliminary Prospectus, the historical information and statements relating to Seller and the Property contained in the Denali Disclosures, including the descriptions of operations, facilities, leaseholds and other interests, were true in all material respects. On the date of the filing of the Amended Preliminary Prospectus, if any, and Final Prospectus, the historical information and statements relating to Seller and the Property contained in the Denali Disclosures (as such disclosures are amended in the Amended Preliminary Prospectus and Final Prospectus, with the consent of Purchaser, which consent shall not be unreasonably withheld), including the descriptions of operations, facilities, leaseholds and other interests, were true in all material respects.

4.4 **Limitation as to Environmental Matters.** Except for the representations and warranties set forth in Section 4.3.4, (a) the representations and warranties of Seller in this Article 3 do not extend to environmental matters, Environmental Permits, compliance with Environmental Laws, and environmental Claims pertaining to the ownership or operation of the Property and (b) all liabilities and obligations of Seller and Purchaser with respect to environmental matters, Environmental Permits, compliance with Environmental Laws, and environmental Claims pertaining to the ownership or operation of the Property will be governed solely and exclusively by the provisions of Articles 8 and 9, regardless of any representations or warranties in this Article 4 other than those set forth in Section 4.3.4. Notwithstanding the foregoing, this Section 4.4 shall not modify or amend the terms of Article 8 as it relates thereto.

4.5 **Notice of Changes.** Prior to Closing, Seller and Purchaser will each give the other prompt written notice of any matter to which they have knowledge that materially affects

any of their representations or warranties under this Article 4 or renders any such representation or warranty untrue or inaccurate.

4.6 **Representations and Warranties Exclusive.** Except for the Special Warranty, all representations and warranties contained in this Agreement (including those in this Article 3) are exclusive, and are given in lieu of all other representations and warranties, express or implied.

4.7 **Knowledge.** As used in this Article 4, any reference to the “knowledge” of Seller or Purchaser shall mean to the actual knowledge (after reasonable inquiry of such person’s direct reports) of any person within Seller’s or Purchaser’s organization, as applicable, with one or more of the following titles: (a) President, (b) Chief Executive Officer, (c) Chief Financial Officer and (d) Senior Vice President or Vice President.

ARTICLE 5 DISCLAIMER OF WARRANTIES

5.1 **Title; Encumbrances.** WITHOUT LIMITING THE TERMS AND CONDITIONS OF ARTICLE 8 OR PURCHASER’S REMEDIES UNDER ARTICLE 9, SELLER WILL CONVEY THE PROPERTY TO PURCHASER SUBJECT TO ALL ROYALTIES, OVERRIDING ROYALTIES, BURDENS, LIENS, ENCUMBRANCES, AND SURFACE RIGHTS AND WITHOUT WARRANTY OF TITLE, EXPRESS, STATUTORY OR IMPLIED, EXCEPT FOR THE SPECIAL WARRANTY OF TITLE SET FORTH IN THE ASSIGNMENTS (THE “SPECIAL WARRANTY”). IT IS UNDERSTOOD AND AGREED THAT, WITHOUT LIMITING THE TERMS AND CONDITIONS OF ARTICLE 8 OR PURCHASER’S REMEDIES UNDER ARTICLE 9, ANY STATEMENT OF INTERESTS IN EXHIBIT A OF THIS AGREEMENT OR IN THE ASSIGNMENTS TO BE EXECUTED AT CLOSING IS NOT A WARRANTY OR REPRESENTATION BY SELLER REGARDING SELLER’S OWNERSHIP INTEREST IN THE PROPERTY, EXCEPT FOR THE SPECIAL WARRANTY. NOTWITHSTANDING THE FOREGOING, THIS SECTION 5.1 SHALL NOT MODIFY OR AMEND THE TERMS OF SECTION 4.3.13 OR ARTICLE 9 AS IT RELATES THERETO.

5.2 **Condition and Fitness of the Property.** EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND FOR THE SPECIAL WARRANTY, SELLER WILL CONVEY THE PROPERTY TO PURCHASER WITHOUT ANY EXPRESS, STATUTORY OR IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND, INCLUDING WARRANTIES RELATING TO (a) THE CONDITION OR MERCHANTABILITY OF THE PROPERTY, (b) THE FITNESS OF THE PROPERTY FOR A PARTICULAR PURPOSE OR (c) FREEDOM FROM OTHER DEFECTS. PRIOR TO THE EXECUTION DATE, PURCHASER HAS BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, AND, UPON CLOSING, WILL ACCEPT THE PROPERTY “AS IS,” “WHERE IS,” AND “WITH ALL FAULTS” AND IN ITS PRESENT CONDITION AND STATE OF REPAIR, SUBJECT ONLY TO THE SPECIAL WARRANTY, THE TERMS AND CONDITIONS OF ARTICLE 7 AND PURCHASER’S REMEDIES UNDER ARTICLE 8. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATION OR WARRANTY AS TO

(i) THE VALUE, QUALITY, QUANTITY, VOLUME OR DELIVERABILITY OF ANY OIL, GAS OR OTHER MINERALS OR RESERVES (IF ANY) IN, UNDER OR ATTRIBUTABLE TO THE PROPERTY (INCLUDING PRODUCTION RATES, DECLINE RATES AND RECOMPLETION OR DRILLING OPPORTUNITIES), (ii) GAS BALANCING OR PAYOUT ACCOUNT INFORMATION, ALLOWABLES, OR OTHER REGULATORY MATTERS, (iii) THE PHYSICAL, OPERATING, REGULATORY COMPLIANCE, SAFETY OR THE ENVIRONMENTAL CONDITION OF THE PROPERTY, (iv) PROJECTIONS AS TO EVENTS THAT COULD OR COULD NOT OCCUR OR (v) THE GEOLOGICAL OR ENGINEERING CONDITION OF THE PROPERTY OR ANY VALUE THEREOF.

5.3 Information about the Property. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE ASSIGNMENTS, THE PARTIES EACH DISCLAIM ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENTS OR COMMUNICATIONS (ORALLY OR IN WRITING) TO THE OTHER PARTY (INCLUDING ANY INFORMATION CONTAINED IN ANY RESERVOIR STUDY, FIELD STUDY, OPINION, INFORMATION, OR ADVICE THAT MAY HAVE BEEN PROVIDED TO ANY SUCH PARTY BY ANY EMPLOYEE, OFFICER, DIRECTOR, AGENT, CONSULTANT, ENGINEER OR ENGINEERING FIRM, TRUSTEE, REPRESENTATIVE, PARTNER, MEMBER, BENEFICIARY, STOCKHOLDER OR CONTRACTOR OF SUCH DISCLAIMING PARTY OR ITS AFFILIATES) WHENEVER, WHEREVER AND HOWEVER MADE. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS, OR MATERIALITY OF ANY DATA, INFORMATION OR RECORDS FURNISHED TO PURCHASER IN CONNECTION WITH THE PROPERTY. ANY DATA, INFORMATION OR OTHER RECORDS FURNISHED BY SELLER ARE PROVIDED TO PURCHASER AS A CONVENIENCE AND EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND IN THE ASSIGNMENTS, PURCHASER'S RELIANCE ON OR USE OF THE SAME IS AT PURCHASER'S SOLE RISK.

5.4 Subrogation of Warranties. To the extent transferable, Seller will give and grant to Purchaser, its successors and assigns, full power and right of substitution and subrogation in and to all covenants and warranties (including warranties of title) given or made with respect to the Property or any part thereof by preceding owners, vendors, or others, excluding, however, Seller or any Affiliate of Seller.

ARTICLE 6 DUE DILIGENCE REVIEW OF THE PROPERTY

6.1 Due Diligence Review. Purchaser acknowledges that it has completed its due diligence review of the Property and the Property Records prior to its execution of this Agreement.

6.2 Casualty Losses and Government Takings.

6.2.1 Notice of Casualty Losses and Government Takings. If, prior to the Closing Date, all or part of the Property is damaged or destroyed by fire, flood, storm, or other

accident (“Casualty Loss”), or is taken in condemnation or under the right of eminent domain, or if proceedings for such purposes shall be pending or threatened (“Government Taking”), Seller shall promptly notify Purchaser in writing of the nature and extent of the Casualty Loss or Government Taking and Seller’s estimate of the cost required to repair or replace that portion of the Property affected by the Casualty Loss or the Allocated Value of the Property taken by the Government Taking. Notwithstanding the foregoing, no individual matter described above shall be deemed to be or constitute a Casualty Loss or a Government Taking unless the estimate of the cost required to repair or replace that portion of the Property affected by the Casualty Loss or the Allocated Value of the Property taken by the Government Taking exceeds \$ [REDACTED]

6.2.2 Remedies for Casualty Losses and Government Takings. If the agreed cost to repair or replace the portion of the Property affected by the Casualty Loss or the Allocated Value of the portion of the Property taken in any Government Taking is less than five percent (5%) of the Purchase Price, then the Purchase Price will be adjusted by the agreed cost of the Casualty Loss or the Allocated Value of the Property taken by the Government Taking, and the parties will proceed with Closing. If the agreed cost to repair or replace the portion of the Property affected by the Casualty Loss or the Allocated Value of the portion of the Property taken in any Governmental Taking is equal to or greater than five percent (5%) of the Purchase Price, then either Purchaser or Seller may terminate this Agreement pursuant to Section 7.5.1(b).

6.2.3 Insurance Proceeds and Settlement Payments. Seller will be entitled to (a) all insurance proceeds with respect to any Casualty Loss, (b) all sums paid to Seller by third parties by reason of any such Casualty Loss and (c) all compensation paid to Seller or Purchaser with respect to any such Government Taking.

ARTICLE 7 CLOSING AND POST-CLOSING OBLIGATIONS

7.1 Closing Date. The actions and events described in Section 7.3 are the “Closing” of this transaction, which shall be held beginning at 7:00 a.m. local time at the offices of Vinson & Elkins LLP, located at 1001 Fannin Street, in Houston, Texas 77002, on June 25, 2012, or such earlier or later date or at such other place as the parties agree in writing (“Closing Date”). Time is of the essence in the performance of this Agreement. All events of Closing shall each be deemed to have occurred simultaneously with the other, regardless of when actually occurring, and each shall be a condition precedent to the other. If the Closing occurs, all conditions of Closing shall be deemed to have been satisfied or waived.

7.2 Conditions to Closing. Seller and Purchaser, as applicable, will not be obligated to close the transaction described in this Agreement unless each of the conditions to its performance set forth in this Section 7.2 is satisfied as of the Closing Date, or it waives in whole or part any such condition to its performance that is unsatisfied as of the Closing Date.

7.2.1 Representations and Warranties.

(a) Seller will not be obligated to close if as of the Closing Date (or, with respect to any representations and warranties that refer to a specified date, as of such

specified date), any matter represented or warranted in this Agreement by Purchaser is untrue, inaccurate or is misleading in any material respect.

(b) Purchaser will not be obligated to close if, as of the Closing Date (or, with respect to any representations and warranties that refer to a specified date, as of such specified date), any matter represented or warranted in this Agreement by Seller is untrue, inaccurate or is misleading in any material respect (other than any representations and warranties that are qualified by materiality, which, to the extent so qualified, shall be true, accurate and not misleading in all respects).

7.2.2 Performance of Obligations.

(a) Seller will not be obligated to close if, as of the Closing Date, Purchaser has not performed or complied with, in all material respects, the agreements and covenants that Purchaser is required by this Agreement to perform or comply with on or before Closing.

(b) Purchaser will not be obligated to close if, as of the Closing Date, Seller has not performed or complied with, in all material respects, the agreements and covenants that Seller is required by this Agreement to perform or comply with on or before Closing.

7.2.3 Trust IPO. Purchaser will not be obligated to close if, as of the Closing Date, the Trust has not closed its Offering of Trust Units resulting in gross proceeds to the Trust of at least \$C [REDACTED]

7.2.4 Credit Facility. Purchaser will not be obligated to close if, as of the Closing Date, Argent Energy Trust, has not closed a credit facility with one or more Canadian chartered banks providing for immediately available borrowings in an amount exceeding \$C [REDACTED]

7.2.5 Contract Operator Agreement. Neither party will be obligated to close if, as of the Closing Date, Purchaser has not executed a contract services agreement with a counterparty that is qualified to operate the Property.

7.2.6 Closing Deliverables. Purchaser shall not be obligated to close unless Seller shall have delivered to it all of the documents and instruments required to be delivered by Seller pursuant to Section 7.3 and Seller shall not be obligated to close unless Purchaser shall have delivered to it all of the documents and instruments required to be delivered by Purchaser pursuant to Section 7.3.

7.2.7 Legal Proceedings. Neither party will be obligated to close if, as of the Closing Date, any material suit or other proceeding is pending or threatened before, or any order, award or judgment has been issued by, any court or governmental agency seeking to restrain, prohibit, or declare illegal (or restraining, prohibiting or declaring illegal), or seeking (or awarding) substantial damages in connection with the transaction that is the subject of this Agreement.

7.2.8 [Intentionally Redacted]

7.2.9 **Bonds.** Seller will not be obligated to close if, as of the Closing Date, Purchaser has not delivered to Seller either: (A) copies of any bonds covering the Assets required under any laws, rules or regulations of any federal, state or local Governmental Authority having jurisdiction over the Assets, to replace Seller's existing bonds covering the Assets shown on Schedule 7.2.9; or (B) a commitment by a surety company, satisfactory to Seller, to issue such replacement bonds for Purchaser upon Closing.

7.3 **Closing.** At Closing, the following events shall occur and Seller and Purchaser shall execute, acknowledge (if necessary), and deliver to the other, as applicable, the following items:

(a) Purchaser shall deliver to Seller the Purchase Price by wire transfer in immediately available funds to the account of Seller designated in writing by Seller prior to Closing;

(b) The parties shall execute, Seller shall deliver and Purchaser shall accept (i) an Assignment, Bill of Sale and Conveyance (in sufficient counterparts for recording) substantially in the form set forth in Exhibit B – Part 1 and (ii) the Assignment and Reservation of Rights (in sufficient counterparts for recording) substantially in the form set forth in Exhibit B- Part 2 (collectively, the "Assignments");

(c) Seller shall deliver to Purchaser an executed affidavit of non-foreign person status in the form in Exhibit C;

(d) The parties shall execute and deliver any other appropriate assignments, bills of sale, deeds or instruments necessary to transfer the Property to Purchaser or to effect and support the transactions contemplated in this Agreement, including any conveyances on official forms and related documentation necessary to transfer the Property to Purchaser in accordance with requirements of governmental regulations;

(e) Seller shall deliver to Purchaser copies of executed written releases (in recordable form) of all deeds of trusts and other security interests arising under Seller's (and Seller's Affiliates) credit facilities to the extent the same burden the Property; in each case, in form reasonably acceptable to Purchaser; and

(f) Seller, Purchaser and Wells Fargo Bank National Association, as escrow agent (or such other escrow agent as Seller and Purchaser shall mutually agree) shall execute and deliver an escrow agreement in a mutually agreed upon form including the terms set forth in Exhibit D attached hereto (the "Escrow Agreement"), and the amount of the total payments agreed to be paid by Seller pursuant to Section 7.4.5 (the "Escrow Amount") shall be delivered by Seller by wire transfer in immediately available funds to the escrow agent for deposit into an interest bearing account (the "Escrow Account") to be governed the Escrow Agreement.

7.4 **Post-Closing Obligations.** Seller and Purchaser have the following post-Closing obligations:

7.4.1 Property Records. Within sixty (60) days after Closing, Seller shall provide Purchaser with digital or hard copies (and, notwithstanding anything to the contrary set forth herein, the parties agree that Purchaser shall have the right to use such digital or hard copies) of the Property Records; *provided, however* that, until such time as such copies of the Property Records are so made available, Purchaser shall have access at Seller's offices to the Property Records during normal business hours. Any transportation, postage or delivery costs associated with the delivery of such copies from Seller's offices to Purchaser's office shall be at Purchaser's sole cost, risk and expense. As used herein, the term "Property Records" shall mean all files, records, maps, information and data of Seller or any of its Affiliates, whether written or electronically stored, pertaining to (a) land and title records (including division order files, abstracts of title and title curative documents), (b) contract files, (c) correspondence (other than emails), (d) operations, environmental, production and accounting and Property Tax records and records relating to reservoir and field studies and (e) production, facility and well records and data (including logs and cores), in each case, to the extent (and only to the extent) related to all or any portion of the Property; provided, however, that the term "Property Records" shall not include (x) documents and information protected by a legal privilege or which Seller cannot legally provide to Purchaser because of confidentiality or similar restrictions in favor of third parties (provided that, at the request of Purchaser, Seller shall use reasonable commercial efforts to have such restrictions waived) or (y) Excluded Assets.

7.4.2 Financial Information and Cooperation.

(a) Prior to and following Closing, Seller shall (and shall use its reasonable best efforts to cause its accountants, counsel, agents and other third parties to) cooperate with Purchaser and its representatives in connection with the preparation by Purchaser of financial statements and other financial data relating to the Assets (collectively, the "Financial Statements") that are required to be included in any filing by Purchaser or its affiliates with the Securities and Exchange Commission or other Governmental Authority.

(b) Prior to and following Closing, Seller shall give Purchaser and its representatives reasonable access during normal business hours to the Assets, Financial Records, and other financial data necessary for the preparation of the Financial Statements. If requested, Seller shall execute and deliver to the external audit firm that audits the Financial Statements (the "Audit Firm") such representation letters, in form and substance customary for representation letters provided to external audit firms by management of the company whose financial statements are the subject of an audit or are the subject of a review pursuant to Statement of Accounting Standards 100 (Interim Financial Information), as may be reasonably requested by the Audit Firm, with respect to the Financial Statements, including, as requested, representations regarding internal accounting controls and disclosure controls. As used in this Section 9.4, the term "Financial Records" means all ledgers, books, records, data, files, and accounting and financial records (regardless of physical or electronic form), in each case to the extent related primarily to the Assets, or used or held for use primarily in connection with the maintenance or operation thereof. Purchaser will not destroy or otherwise dispose of Property Records or Financial Records for a period of six (6) years after Closing unless Purchaser first gives Seller reasonable notice and an opportunity to retain or copy such records to be destroyed.

7.4.3 **Recording and Filing.** Purchaser, within five (5) days after Closing, shall record the Assignments and all other instruments that must be recorded to effectuate the transfer of the Property to Purchaser. Purchaser shall provide Seller a recorded copy of each Assignment and other recorded instruments as soon as they are available.

7.4.4 **Post-Closing Capital Expenditures.** If Closing occurs, Seller shall be obligated to fund capital expenditures in connection with the Property made in the sole discretion of Purchaser in an amount equal to [REDACTED] prior to December 31, 2013. In addition to the foregoing, on behalf of Purchaser Seller shall be obligated to fund [REDACTED] incurred in the sole discretion of Purchaser in the first year following Closing in respect of general and administrative expenses relating to the Property. This [REDACTED] amount shall be deposited by Seller in the Escrow Account at Closing according the terms of this Agreement and the Escrow Agreement. Funds shall be disbursed to Purchaser from the Escrow Account from time to time as provided in the Escrow Agreement, it being understood that funds shall be distributed from the Escrow Account to Purchaser at Purchaser's sole discretion and direction. Any balance that remains in the Escrow Account after December 31, 2013 shall be promptly paid to Buyer in accordance with the Escrow Agreement.

7.4.5 **Further Assurances.** Purchaser and Seller agree to execute and deliver from time to time such further instruments and do such other acts as may be reasonably requested and necessary to effectuate the purposes of this Agreement.

7.4.6 **Subsequently Asserted Tax Liability.** If at any time a taxing authority should assess or assert a claim with respect to any Tax liability affecting the Property and relating to the ownership or operation of the Property prior to the Effective Date, Seller agrees to pay any such liability in full, including penalties and interest, if any.

7.5 **Termination.**

7.5.1 This Agreement (and the transactions contemplated hereby) may be terminated at any time prior to Closing: (a) by the mutual written consent of Seller and Purchaser or (b) by either Party, pursuant to Section 6.2.2 or (c) by either Seller or Purchaser, if Closing has not occurred on or before July 16, 2012, *provided, however*, that no party shall be entitled to terminate this Agreement under this Section 7.5.1(c), if the Closing has failed to occur because such party has breached (in any material respect) any of its obligations under this Agreement and such breach has been the cause of, or resulted in, the failure of the satisfaction of a condition to the Closing to occur on or before such date.

7.5.2 If this Agreement is terminated pursuant to Section 7.5.1, this Agreement shall become void and of no further force or effect (except for the provisions of this Section 7.5.2 and Article 12 (except Section 12.1), which shall continue in full force and effect) and the parties shall have no liability or obligation hereunder except and to the extent such termination results from the breach by a party of any of its obligations hereunder prior to such termination, in which case the other party shall be entitled to all remedies available to it at law or in equity and shall be

entitled to recover court costs and attorneys' fees in addition to any other relief to which it may be entitled.

7.5.3 Without prejudice to the other rights and remedies that may be available to the non-breaching party, the parties agree that, in the event the Closing does not occur by July 16, 2012 as a result of the breach by a party of any of its obligations hereunder in any material respect, the other party shall be entitled, at its option, in lieu of terminating this Agreement, to enforce specific performance and other equitable remedies available to it by way of injunction. Each party agrees to waive any requirement for the posting of bond in connection with any such equitable relief in favor of the other party.

ARTICLE 8 ASSUMED AND RETAINED RIGHTS AND OBLIGATIONS

8.1 **Purchaser's Rights after Closing.** From and after Closing, Purchaser will receive and assume all of Seller's right, title and interest in the Property, with effect as of the Effective Date.

8.2 Purchaser's Obligations after Closing.

8.2.1 **Description of Assumed and Retained Obligations.** Without limiting Purchaser's rights under Article 9 and the Special Warranty, from and after Closing, Purchaser will assume and hereby agrees to pay and perform (or cause to be paid and performed) all obligations and liabilities with respect to the Property, whether arising before, on or after the Effective Date, including (a) the Plugging and Abandonment Obligations, (b) any Property Costs arising on and after the Effective Date, (c) the Environmental Obligations, and (d) responsibility for Taxes and expenses as provided in Article 10 (collectively, the "Assumed Obligations"); *provided, however*, if the Closing occurs, (A) Seller shall retain all obligations, liabilities as set forth below (collectively, the "Retained Obligations"):

(a) For a period of eighteen (18) months (i) Seller's failure to properly or timely pay any royalties with respect to the production, prior to the Effective Date, of Hydrocarbons from the Property, (ii) any Property Costs arising before the Effective Date, (iii) any Claims under the Related Contracts that arose or were incurred prior to the Effective Date, (iv) all liability of Seller to third parties for personal injury or death as a result of ownership or operation of the Property prior to the Effective Date, (v) any lease renewal costs incurred prior to the Effective Date, (vi) ad valorem, property, severance and similar taxes attributable to Seller's ownership of the Property prior to the Effective Date. Unless a claim is made within eighteen (18) months of Closing with respect to Retained Obligation described in Section 8.2.1(a), such Retained Obligations shall become Assumed Obligations after such eighteen (18) month period.

(b) For an indefinite period, (i) all obligations and liabilities relating to the Excluded Assets (ii) any obligations represented by any indenture, mortgage, loan, credit agreement, sale leaseback arrangement, guaranty of any obligation, bond, letter of credit or similar financial contract, agreement or arrangement of Seller (or any of its Affiliates), (iii) all drilling, plugging and abandonment and surface reclamation costs and obligations for wells

drilled on the Edwards Prospect as set forth in Schedule 8.2.1 (b), (iv) any Claims of Seller (or any of its Affiliates or any other Person) attributable to the Property to the extent arising from, based upon, related to or associated with the following (without duplication): (a) the liabilities, actions, suits or proceedings, if any, set forth on Schedule 4.3.2 and Schedule 4.3.4 Part 2, (b) the disposal or transportation, or arrangement for disposal or transportation, prior to the Effective Date, of any Hazardous Substances at or to any location not on the Property, or lands pooled or unitized therewith, (c) any Hedge Agreement to which Seller (or any of its Affiliates) is a party, or (d) any ERISA Liability or Seller Tax Liability. As used herein, the following definitions shall apply:

(i) “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

(ii) “ERISA Liability” shall mean any Claims attributable to or arising out of (a) Seller’s or any of its Affiliates’ employment relationship with the Employees prior to the Effective Date, (b) Seller’s or any of its Affiliates’ Employee Benefit Plans applicable to the Employees or (c) Seller’s or any of its Affiliates’ responsibilities under ERISA respecting Employee Benefit Plans applicable to the Employees.

(iii) “Employees” shall mean all employees of Seller or any of its Affiliates employed (now or in the past), with respect to their period of employment (or their hiring or termination of employment) by Seller or any of its Affiliates.

(iv) “Employee Benefit Plans” shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA, any employee welfare benefit plan as defined in Section 3(1) of ERISA, any plans that would be employee pension benefit plans or employee welfare benefit plans if they were subject to ERISA, such as any stock bonus, stock option, stock purchase, stock appreciation rights, phantom stock or other stock plan, deferred compensation plan and any bonus or incentive compensation plan.

(v) “Seller Tax Liability” shall mean any Tax imposed on or with respect to Seller or any of its Affiliates; *provided, however*, that such term shall not include any Tax addressed in Sections 10.2, 10.3 or 10.5 of this Agreement.

8.3 Purchaser’s Plugging and Abandonment Obligations. From and after Closing, subject to Purchaser’s rights under Section 8.2.1, Section 9.4(a) and Section 9.4(c), Purchaser assumes full responsibility and liability for plugging and abandonment obligations related to the Property (the “Plugging and Abandonment Obligations”), regardless of whether they are attributable to the ownership or operation of the Property before, on or after the Effective Date or the condition of the Property when acquired and **EVEN IF SUCH CLAIMS ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY SELLER, EXCEPTING ONLY CLAIMS ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SELLER.**

8.4 **Environmental Obligations.** Subject to Section 9.4, from and after the Closing, Purchaser assumes full responsibility and liability for all obligations relating to the environmental condition of the Property, including, without limitation, the following occurrences, events, conditions and activities on or related to the Property (the “Environmental Obligations”), regardless of whether they are attributable to the ownership or operation of the Property before, on or after the Effective Date and regardless of whether resulting from any acts or omissions of Seller, **EVEN IF SUCH CLAIMS ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY SELLER:** (a) environmental pollution or contamination, including pollution or contamination of the soil, groundwater, surface water or air by Hydrocarbons, greenhouse gases, drilling fluid or other chemicals, brine, produced water, NORM, or any other substance, including Hazardous Substances as defined by Section 4.3.4(h)(iv); (b) underground injection activities; (c) clean-up responses and the cost of remediation, control, assessment or compliance with respect to surface and subsurface pollution caused by releases, spills, pits, ponds or lagoons; and (d) disposal or presence on the Property of Hazardous Substances as defined by Section 4.3.4(h)(iv) wastes, materials and products generated by or used in connection with the ownership or operation of the Property; *provided, however,* that Environmental Obligations shall not include any costs or expenses resulting from the payment of fines or penalties, or the conduct of remediation activities or supplemental environmental projects, arising out or resulting from the notices and proceedings disclosed in Schedule 4.3.4, all of which shall be retained and paid by Seller.

ARTICLE 9 INDEMNITIES

9.1 **Definition of Claims.** As used in this Agreement, the term “Claims” means any and all demands, losses, liabilities, damages, payments, obligations, expenses, fines, penalties, costs, expenses, charges, assessments, supplemental environmental projects, claims, causes of action and judgments for: (a) breaches of contract and other contract claims, (b) loss or damage to property, injury to or death of persons (including illness and disease), and other tortious injury and (c) violations of applicable laws, rules, regulations, orders or any other legal right or duty actionable at law or equity. The term “Claims” also includes reasonable attorneys’, experts’, consultants’, accountants’ and other professionals’ and experts’ fees, court costs, and other reasonable costs incurred in connection with the investigation or defense of any Claim.

9.2 **Application of Indemnities.**

9.2.1 **Covered Claims and Parties.** All indemnities set forth in this Agreement extend to the officers, directors, employees, partners, and parent, subsidiaries and affiliated entities of any tier, of the party entitled thereto. The indemnities set forth in this Agreement do not extend to (a) any part of an indemnified Claim that is the result of the gross negligence or willful misconduct of the indemnified party, (b) punitive, special and exemplary damages assessed against the indemnified party arising from the acts or omissions of the indemnified party or (c) civil or criminal fines or penalties by any court or regulatory authority assessed against the indemnified party due the indemnified party’s failure to comply with applicable laws, regulations or orders.

9.2.2 Express Negligence Disclosure. UNLESS THIS AGREEMENT EXPRESSLY PROVIDES TO THE CONTRARY, THE INDEMNITY, RELEASE, WAIVER AND ASSUMPTION PROVISIONS SET FORTH IN THIS AGREEMENT APPLY EVEN IF THE CLAIMS SUBJECT TO THE INDEMNITY SET FORTH HEREIN ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER RESULT OR VIOLATION OF LAW OF OR BY THE INDEMNIFIED PERSON, EXCEPTING ONLY CLAIMS ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY SUCH PERSON. PURCHASER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.

9.2.3 Other Limitations. The indemnities of the indemnifying party in this Agreement do not cover or include any amounts that the indemnified party may legally recoup from other third party owners under applicable joint operating agreements or other agreements, or for which the indemnified party is reimbursed by any third party. The indemnifying party will pay all costs incurred by the indemnified party in obtaining any such reimbursement from any such third parties. There will be no upward or downward adjustment in the Purchase Price as a result of any matter for which Purchaser or Seller is indemnified under this Agreement.

9.3 Purchaser's Indemnity. Subject to Section 9.5, from and after Closing, Purchaser SHALL RELEASE, INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS from and against any and all Claims caused by, resulting from or incidental to: (a) any breach by Purchaser of any representation or warranty of Purchaser set forth in this Agreement, (b) any breach or default in the performance of Purchaser of any covenant or obligation of Purchaser set forth in this Agreement and (c) the Assumed Obligations.

9.4 Seller's Indemnity. Subject to Section 9.5, from and after Closing, Seller SHALL RELEASE, INDEMNIFY, DEFEND AND HOLD PURCHASER HARMLESS from and against any and all Claims caused by, resulting from or incidental to: (a) any breach by Seller of any representation or warranty of Seller set forth in this Agreement, (b) any breach or default in the performance of Seller of any covenant or obligation of Seller set forth in this Agreement and (c) the Retained Obligations and any obligations or liabilities of, or act or omission by, Seller (or any of its Affiliates) involving or relating to the ownership, use or operation of the Excluded Assets or any other assets excluded from the Property pursuant to the terms hereof, including with respect to the transport or disposal (or the arrangement for transport or disposal) of any Hazardous Substances from the Excluded Assets to any location not on the Property or the exposure of any person or property to Hazardous Substances generated at or arising out of the operations of the Excluded Assets.

9.5 Notices and Defense of Indemnified Claims. Each party shall immediately notify the other party of any Claim of which it becomes aware and for which it is entitled to indemnification from the other party under this Agreement; provided that no failure to so notify shall release the indemnifying party from liability except to the extent the indemnifying party is prejudiced thereby. The indemnifying party shall be obligated to defend at the indemnifying party's sole expense any litigation or other administrative or adversarial proceeding against the indemnified party relating to any Claim for which the indemnifying party has agreed to

indemnify and hold the indemnified party harmless under this Agreement. However, the indemnified party shall have the right to participate with the indemnifying party in the defense of any such Claim at its own expense.

9.6 Seller's Indemnity Limit. Notwithstanding anything herein to the contrary:

9.6.1 Subject to the immediately succeeding proviso, Seller shall not be required to indemnify Purchaser with respect to any Claim under Section 9.4(a) and Purchaser shall not be required to indemnify Seller with respect to any Claim under Section 9.3(a) unless Purchaser or Seller, as applicable, has provided the other party with a Claim notice for such Claim pursuant to Section 9.5 within twelve (12) months after the Closing Date (such twelve (12) month period, the "Claim Period"); *provided, however* that, notwithstanding the foregoing, the Claim Period applicable to any Claim under Sections 9.3(a) and 9.4(a) with respect to any breach of (i) any of the representations and warranties set forth in Sections 4.1.1 and 4.1.2, shall be indefinite, (ii) the representations and warranties set forth in Sections 4.1.7, 4.3.3, 4.3.7, and 4.3.11, shall be for the applicable statute of limitations, (iii) the representations and warranties set forth in Section 4.3.13 shall be three (3) years from and after Closing, (iv) the Claim Period applicable to any Claim under Section 9.3(c) shall be indefinite, and (v) the Claim Period applicable to a claim relating to a Retained Obligation shall terminate contemporaneously with the termination of the survival period of such Retained Obligation as set forth in Section 8.2.1.

9.6.2 Seller shall not be required to indemnify Purchaser for any individual Claim under Section 9.4(a) of less than [REDACTED]; *provided, however* that the foregoing limitation shall not apply to any individual Claim under Section 9.4(a) with respect to any breach of any of the representations and warranties set forth in Sections 4.1.1, 4.1.2, 4.1.7, 4.3.6, 4.3.11, and 4.3.13.

9.6.3 Seller shall not be required to indemnify Purchaser for any Claim under Section 9.4(a) unless, and then only to the extent that, the aggregate amount of all Claims pursuant to Section 9.4(a) exceeds [REDACTED]; *provided, however* that the foregoing limitation shall not apply to any Claims under Section 9.4(a) with respect to any breach of any of the representations and warranties set forth in Sections 4.1.1, 4.1.2, 4.1.7, 4.3.6, and 4.3.11, and 4.3.13.

9.6.4 Notwithstanding anything to the contrary contained herein, Seller's maximum cumulative obligation for the indemnification of Purchaser with respect to any Claims under Section 9.4(a) shall not exceed one hundred percent (100%) of the Purchase Price.

9.6.5 For the purposes of determining the amount of damages for which a party has an obligation of indemnity hereunder, the words "material," "materially" and words of similar import in the applicable representations and warranties shall be disregarded.

9.6.6 Seller shall not be required to indemnify Purchaser for any Claim under Section 8.4(b) with respect to a Tax liability described in Section 7.4.5, 10.2, 10.3, 10.4 or 10.6 unless Purchaser has provided Seller with a Claim notice for such Claim pursuant to Section 8.5 within two (2) years from and after Closing.

9.7 **NORM.** PURCHASER ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT OIL AND GAS PRODUCING FORMATIONS CAN CONTAIN NORM. SCALE FORMATION OR SLUDGE DEPOSITS CAN CONCENTRATE LOW LEVELS OF NORM ON EQUIPMENT, MATERIALS AND OTHER PROPERTY. SOME OR ALL OF THE EQUIPMENT, MATERIALS AND OTHER PROPERTY SUBJECT TO THIS AGREEMENT MAY HAVE LEVELS OF NORM ABOVE BACKGROUND LEVELS. A HEALTH HAZARD MAY EXIST IN CONNECTION WITH THIS EQUIPMENT, MATERIALS AND OTHER PROPERTY BY REASON THEREOF. THEREFORE, PURCHASER MAY NEED TO FOLLOW SAFETY PROCEDURES WHEN HANDLING THIS EQUIPMENT, MATERIALS AND OTHER PROPERTY.

9.8 **Waiver of Consequential and Punitive Damages.** NEITHER PURCHASER NOR SELLER SHALL BE ENTITLED TO RECOVER FROM THE OTHER, RESPECTIVELY, AND EACH PARTY RELEASES THE OTHER PARTY FROM, ANY LOSSES, COSTS, EXPENSES, OR DAMAGES ARISING UNDER THIS AGREEMENT OR IN CONNECTION WITH OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT IN EXCESS OF THE ACTUAL COMPENSATORY DAMAGES, COURT COSTS AND REASONABLE ATTORNEYS' FEES, SUFFERED BY SUCH PARTY. PURCHASER AND SELLER BOTH WAIVE, AND RELEASE THE OTHER FROM, ANY RIGHT TO RECOVER INDIRECT, PUNITIVE, SPECIAL, EXEMPLARY, INCIDENTAL AND CONSEQUENTIAL DAMAGES ARISING OUT OF, RESULTING FROM OR IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT; *PROVIDED, HOWEVER,* THAT ANY SUCH DAMAGES RECOVERED BY A THIRD PARTY (OTHER THAN SUBSIDIARIES, AFFILIATES OR PARENTS OF A PARTY) FOR WHICH A PARTY OWES THE OTHER PARTY AN INDEMNITY UNDER THIS ARTICLE 9 SHALL NOT BE WAIVED. THIS SECTION 9.8 SHALL NOT RESTRICT EITHER PARTY'S RIGHT TO OBTAIN SPECIFIC PERFORMANCE OR OTHER EQUITABLE REMEDIES.

9.9 **Exclusive Remedy.** Notwithstanding anything to the contrary contained in this Agreement, Sections 9.3 and 9.4 contain the parties' exclusive remedies against each other with respect to breaches of the representations and warranties contained in Article 4; *provided, however,* that nothing herein shall limit in any way either party's remedies in respect of actual fraud or willful misconduct by the other party in connection with the transactions contemplated hereby.

ARTICLE 10 TAXES AND EXPENSES

10.1 **Recording Expenses.** Purchaser shall pay all costs of recording and filing the Assignment(s), all other state and federal transfer documents, and all other instruments that must be filed to effectuate the transfer of the Property.

10.2 **Property and Excise Taxes.** All ad valorem, real property, personal property, and similar Taxes assessed on the Property ("Property Taxes") and excise Taxes associated with any of the Property ("Excise Taxes") are Seller's obligation for periods before the Effective Date and Purchaser's obligation for periods from and after the Effective Date; *provided* that, if the

taxable period with respect to such a Tax begins on or before and ends after the Effective Date, then such Tax shall be attributable to the portions of such taxable period before and after the Effective Date based on the relative number days in each portion of such taxable period. If either party pays Property Taxes or Excise Taxes for which the other party is responsible, and the amount of such payment is not taken into account as an adjustment to the Purchase Price under Section 3.2 or 3.3, then upon receipt of evidence of payment the nonpaying party will reimburse the paying party promptly for the nonpaying party's share of such Taxes.

10.3 Severance Taxes. Seller shall bear and pay all severance or other Taxes measured by Hydrocarbon production from the Property, or the receipt of proceeds therefrom, to the extent attributable to production from the Property before the Effective Date. Purchaser shall bear and pay all such Taxes on production from the Property from and after the Effective Date. Seller shall withhold and pay on behalf of Purchaser all such Taxes on production from the Property between the Effective Date and the Closing Date, and the amount of any such payment shall be reimbursed to Seller as a Closing adjustment to the Purchase Price pursuant to Section 3.2 or 3.3. If either party pays any such Taxes owed by the other, and the amount of such payment is not taken into account as an adjustment to the Purchase Price under Section 3.2, then upon receipt of evidence of payment the nonpaying party will reimburse the paying party promptly for the nonpaying party's share of such Taxes.

10.4 Tax and Financial Reporting and Cooperation.

10.4.1 Tax Reporting. Except with respect to an income or franchise Tax Return, Seller shall prepare or cause to be prepared and timely filed all Tax Returns with respect to the Property required to be filed on or before the Closing Date consistently with past practice except as otherwise required by applicable law. Following the Closing and except with respect to an income or franchise Tax Return, Purchaser shall prepare or cause to be prepared and timely filed all Tax Returns with respect to the Property required to be filed after the Closing Date for all periods beginning prior to the Effective Time consistently with past practice except as otherwise required by applicable law, and Purchaser shall deliver a copy of any such Tax Return to Seller within sixty (60) days prior to filing for Seller's consent and approval, not to be unreasonably withheld. In the event of a dispute with respect to any such Tax Return, the parties shall submit any disputed items for resolution to a nationally recognized independent public accounting firm as is mutually agreed within thirty (30) days of the due date for filing such Tax Return, and such accounting firm's decision shall be binding. Any costs associated with the accounting firm shall be borne equally by the parties. All Tax Returns shall use a value of the Property consistent with the Allocated Values agreed upon in Section 3.6.

10.4.2 IRS Form 8594. The parties shall agree upon an allocation of the Purchase Price among the Property within a reasonable time after the Final Settlement Date but in no event later than one hundred eighty (180) days of the Closing Date in accordance with Section 1060 of the Code and the Treasury regulations promulgated thereunder. The parties agree to file Internal Revenue Service Form 8594, and all federal, state, local and foreign Tax Returns, in a manner consistent with any such agreed upon allocation, except as may be required after a final determination resulting from an audit or similar proceeding or as otherwise agreed by the parties. The parties agree to provide each other promptly with any information required to complete Form 8594.

10.4.3 Financial Reporting. Seller and Purchaser agree to furnish to each other at Closing or as soon thereafter as practicable any and all information and documents reasonably required to comply with financial reporting requirements or audits.

10.4.4 Tax Audits; Cooperation. Following the Closing, Seller and Purchaser agree to furnish to each other as soon as practicable any and all information and documents reasonably requested by the other to comply with Tax reporting requirements or any audit, litigation or other proceeding with respect to Taxes. Purchaser shall provide prompt notice to Seller of any audit, litigation or other proceeding with respect to Taxes for which Seller would be liable pursuant to this Agreement, and Seller shall have the option, at its sole expense, to control any audit, litigation or other proceeding with respect to Taxes for which Seller would be liable pursuant to this Agreement. Neither party shall agree to any settlement with respect to any audit, litigation or other proceeding with respect to Taxes for which the other party would be liable without such other party's consent. In the event of a dispute between the parties with respect to any audit, litigation or other proceeding described in this Section 10.4.4, a procedure similar to Section 10.4.1 shall apply to resolve the dispute.

10.5 Sales and Use Taxes. The parties expect that the transfers pursuant to this Agreement will not be subject to Texas sales and use Taxes. In the event such Taxes are determined to be due by the Texas Comptroller of Public Accounts, Purchaser shall be responsible for paying such Taxes to the Texas Comptroller of Public Accounts. The parties shall reasonably cooperate in demonstrating that the requirements for an exemption, if any, from such Taxes have been satisfied.

10.6 Other Taxes. Except as expressly provided herein, each party shall be responsible for any and all Taxes imposed on it or as may result from the transactions contemplated by this Agreement.

10.7 Incidental Expenses. Each party shall bear its own respective expenses incurred in connection with the negotiation and Closing of this transaction, including its own consultants' fees, attorneys' fees, accountants' fees, and other similar costs and expenses.

10.8 Definitions. For the purposes of this Agreement:

10.8.1 "Tax" or "Taxes" shall mean (a) any taxes, assessments, fees, unclaimed property and escheat obligations and other governmental charges imposed by any governmental authority, including income, profits, gross receipts, net proceeds, alternative or add on minimum, ad valorem, value added, turnover, sales, use, property, personal property (tangible and intangible), environmental, stamp, leasing, lease, user, excise, duty, franchise, capital stock, transfer, registration, license, withholding, social security (or similar), unemployment, disability, payroll, employment, social contributions, fuel, excess profits, occupational, premium, windfall profit, severance, estimated, or other charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, and (b) any liability for the payment of any amounts of the type described in clause (a) as a result of being a member of a consolidated or unitary group for any period, and (c) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of the operation of law or any express or implied obligation to indemnify any other Person.

10.8.2 “Tax Return” shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

ARTICLE 11 OPERATIONS PENDING CLOSING

11.1 Seller’s Covenants Pending Closing. From and after the Execution Date and until the Closing, Seller (i) shall operate, manage and administer the Property in a good and workmanlike manner, as a reasonable and prudent operator consistent with its past practices and in compliance in all material respects with all applicable law, and shall carry on its business with respect to the Property in substantially the same manner as before the Execution Date and (ii) shall not sell, dispose of, or encumber the Property with a lien or mortgage, except with respect to the sale of Hydrocarbons in the ordinary course of business. From and after the Execution Date and until the Closing, Seller shall, except for emergency action taken in the face of serious risk to life, property or the environment submit to Purchaser, for its prior written approval, (a) all requests for operating or capital expenditures and all proposed contracts and agreements relating to the Property that involve individual commitments of more than [REDACTED] that would be required to be expended after the Execution Date and (b) all material amendments to material waivers under, or any termination of, any Related Contract. On any matter requiring Purchaser’s approval under this Section 11.1, Purchaser shall respond within 72 hours from Seller’s request for approval and failure of Purchaser to respond within such time period shall release Seller from the obligation to obtain Purchaser’s approval before proceeding on such matter as Seller may elect in its sole discretion. Purchaser’s sole remedy for Seller’s breach of its obligations under this Section 11.1 shall be equal to the Purchaser’s actual damages, if any, not to exceed the Allocated Value for the portion of the Property affected by such breach.

11.2 Preferential Purchase Rights, Consents and Notices.

(a) Promptly after the date hereof (but in no case more than 5 days), Seller shall, (1) prepare and send all necessary notices to holders of preferential rights to purchase, rights of refusal or similar rights with respect to the Property arising from the consummation of this transaction, (2) prepare and send all necessary notices to those entitled to notice as a consequence of consummating this transaction and (3) use reasonable efforts to obtain all consents required as a consequence of consummating this transaction (it being understood that in no case shall Seller be obligated to pay consideration to a holder of a necessary consent in exchange for obtaining such consent).

(b) If any preferential right to purchase any portion of the Property is exercised prior to the Closing Date or if Seller is unable to obtain a necessary consent, that portion of the Property affected by such preferential purchase right or necessary consent shall be excluded from the Property and the Purchase Price shall be adjusted downward by an amount equal to the Allocated Value of such affected Property.

**ARTICLE 12
MISCELLANEOUS**

12.1 Alternative Dispute Resolution.

12.1.1 Compliance with this Section 12.1 shall constitute a condition precedent to either party seeking judicial enforcement of any provisions of this Agreement. Any claim, controversy or dispute arising out of, relating to or concerning this Agreement (other than a claim by a third party for which a party hereto is claiming indemnity) shall be resolved in accordance with the mediation and binding arbitration procedures of this Section 12.1. Upon the occurrence of any claim, controversy or dispute between Purchaser and Seller with respect to this Agreement, either party may give notice of a dispute. Upon receipt of a notice of dispute, Purchaser and Seller will first attempt in good faith to resolve such claim, controversy or dispute by negotiations between management level persons who have authority to settle the matter. If the matter is not resolved within 45 days or if, after the first meeting either party believes further negotiations are futile, such party may initiate the mediation process by so notifying the other party in writing. Both parties shall then attempt in good faith to resolve the dispute by mediation in Houston, Texas, employing management level persons with authority to settle the dispute, in accordance with the CPR International Institute for Conflict Prevention and Resolution Mediation Procedure, as such procedure may be modified by agreement of the parties. The parties shall share the cost of the mediator equally. If the dispute has not been resolved pursuant to mediation within sixty (60) days after initiating the mediation process, the dispute shall be finally resolved through binding arbitration, as follows:

12.1.2 Any claim, controversy or dispute arising out of, relating to or concerning this Agreement, including the breach, termination or validity thereof, which remains unresolved 60 days after initiation of the mediation procedure shall be finally resolved by arbitration in accordance with the International Institute for Conflict Prevention & Resolution Rules for Non-Administered Arbitration then in effect, provided, however, that if one party fails to participate in the mediation as agreed herein, the other party may commence arbitration prior to the expiration of the time periods set forth above. Arbitration may be initiated by written demand of either party.

12.1.3 The arbitration will be heard by three independent and impartial arbitrators. Within ten (10) business days from the date of a written demand initiating arbitration, each party shall name an arbitrator and these two (2) so named shall promptly thereafter choose a third, all of whom shall be knowledgeable of the oil and gas industry and, if attorneys, licensed in Texas. If either party shall fail to name an arbitrator within ten (10) business days from such demand, the other party shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) business days from their appointment to agree upon and appoint the third arbitrator, then such third arbitrator shall be appointed by the CPR International Institute for Conflict Prevention and Resolution upon written application of either party. The arbitration shall be governed by the Texas General Arbitration Act, V.T.C.A., Civil Practice and Remedies Code §171.001 et seq., and the provisions of this Section 12.1. The place of arbitration shall be Houston, Harris County, Texas. The panel of arbitrators may hold hearings in another location if the panel and the parties determine that another hearing location is more appropriate.

(a) The nature and extent of discovery to be conducted by the parties shall be determined by the arbitrators as reasonably required to properly present the matter for resolution taking into account the nature of the dispute and the time allowed for decision. The panel of arbitrators so chosen shall proceed promptly to hear and determine the matter or matters in dispute, after giving the parties due notice of hearing and a reasonable opportunity to be heard. Unless otherwise determined by the arbitrators, the hearing and presentations of the parties shall not exceed two days cumulative.

(b) The award of the panel of arbitrators or a majority thereof shall be made within sixty (60) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event of the panel or a majority thereof failing to make an award within seventy-five (75) days after the appointment of the third arbitrator, new arbitrators may at the election of either party be chosen in like manner as if none had been previously selected.

(c) The arbitrators may not award any damages not permitted to be awarded under Section 9.8. The award shall not provide or create any rights or benefits in any person or entity which is not a party to this Agreement, as this Agreement and any arbitration thereunder shall not be construed as a third party beneficiary contract. Unless otherwise determined by the arbitrators, all expenses in connection with such arbitration shall be divided equally between the parties thereto, except that the expenses of counsel, witnesses, and employees of each party shall be borne solely by the party incurring them, and the compensation of any arbitrator named by a party shall be borne solely by such party; *provided* that if court proceedings to stay litigation or compel arbitration are necessary, the party who unsuccessfully opposes such proceedings shall pay all reasonable associated costs, expenses and attorneys' fees of such court proceedings.

(d) Except (i) in connection with a suit for enforcement of the award, (ii) as required by law, court order or regulation, (iii) when reasonably necessary to explain the terms and conditions of the award to outside attorneys, auditors, and insurers or (iv) as part of good faith compliance with disclosure obligations under applicable law, the fact of the arbitration proceedings, the content of arbitration proceedings, the award, and the parties' actions in connection with the arbitration are confidential and shall not be disclosed to third parties. All offers or promises of compromise, and all conduct and statements during the course of compromise negotiations, are confidential shall be considered inadmissible under Rule 408 of the Federal Rules of Evidence and any similar state provisions, and shall be inadmissible for any purpose, including impeachment. However, evidence that is otherwise admissible shall not be rendered inadmissible as a result of its use in the compromise negotiations. The arbitrators may take into account the fairness and reasonableness of any settlement proposal of any party made before issuance of a notice of dispute.

(e) The award of the panel of arbitrators and the obligation to abide by same and perform the conditions thereof shall not be appealable and shall be enforceable in the United States District Court and the Texas state district courts sitting in Houston, Harris County, Texas, or in any federal court having jurisdiction. The prevailing party shall be entitled to recover all reasonable costs, expenses and attorneys' fees in connection with any enforcement of an arbitration award. The parties stipulate and agree to submit to the jurisdiction and venue of

the United States District Court and the Texas state district courts sitting in Houston, Harris County, Texas with respect to all disputes in any way relating to enforceability or applicability of this Section 12.1.

12.2 **Notices.** All notices under this Agreement must be in writing. Any notice under this Agreement may be given by personal delivery, facsimile transmission, U.S. mail (postage prepaid), or commercial delivery service, and will be deemed duly given when received by the party charged with such notice and addressed as follows:

If to Purchaser:

Argent Energy (US) Holdings Inc.
Suite 500, 650 N. Sam Houston Pkwy E.
Houston, TX 77060
Attn: Rick Louden
Fax No.: 281) 847-1898

with copies (which shall not constitute notice) to:

Argent Energy Inc.
Suite 500 Energy Plaza
321 –6th Avenue S.W.
Calgary, Alberta T2P3H3
Attn: Mr. Brian Prokop
Fax No.: (403) 770-4800
Telephone: (403) 770-4850

and

Vinson & Elkins, LLP
1001 Fannin Street, Suite 2500
Houston, Texas 77002
Attn: James M. Prince
Fax No.: (713) 615-5962
Telephone: (713) 758-3710

and

Bennett Jones LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, Alberta T2P4K7
Attn: David Phillips
Fax No.: (403) 265-7219
Telephone: (403) 298-4462

If to either Seller:

Denali Oil & Gas Partners II, LP
650 N Sam Houston Pkwy E, Suite 500
Houston, Texas 77060
Attn: John Elzner
Fax No.: (281) 847-1898
Telephone: (218) 847-1888 ext. 206

and

Denali Oil & Gas Partners III, LLC
650 N Sam Houston Pkwy E, Suite 500
Houston, Texas 77060
Attn: John Elzner
Fax No.: (281) 847-1898
Telephone: (218) 847-1888 ext. 206

with a copy (which shall not constitute notice) to:

Locke Lord LLP
600 Travis, Suite 2800
Houston, Texas 77024
Attn: David Patton
Fax No.: (713) 229-2539
Telephone: (713) 226-1254

Either party, by written notice to the other given in accordance with the provisions of this Section 11.3, may change the address or the individual to which or to whom notices are to be sent under this Agreement.

12.3 Assignment. Prior to the Closing Date, neither party may assign its rights or obligations under this Agreement without the prior written consent of the other, which may be withheld for any reason, including convenience.

12.4 Entire Agreement and Amendment. This Agreement constitutes the entire understanding between the parties, replacing and superseding all prior negotiations, discussions, arrangements, agreements and understandings between the parties regarding the subject transaction and subject matter hereof (whether written or oral), excepting any written agreements that may be executed by the parties concurrently or after the execution of this Agreement. No other agreement, statement, or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement shall be binding or valid. This Agreement may be amended, modified, altered, supplemented, or revoked only by written agreement signed by duly authorized representatives of the parties hereto.

12.5 Successors and Assigns. This Agreement binds and inures to the benefit of the parties hereto their respective permitted successors and assigns, and all the terms, provisions, covenants, obligations, indemnities, representations, warranties and conditions of this Agreement shall be enforceable by the parties hereto and their respective permitted successors and assigns.

12.6 **Third Party Beneficiaries.** It is understood and agreed that there shall be no third party beneficiary of this Agreement, and that the provisions hereof do not impart enforceable benefits, rights, or remedies in anyone who is not a party or a successor or assignee of a party hereto, except that the persons specified in Section 9.2.1 are intended third party beneficiaries of all indemnity provisions set forth in this Agreement.

12.7 **Severability.** If any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed modified to the extent necessary to make it valid and enforceable and if it cannot be so modified, it shall be deemed deleted and the remainder of this Agreement shall continue and remain in full force and effect.

12.8 **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which shall constitute one document.

12.9 **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS-OF-LAW RULE OR PRINCIPLE THAT MIGHT APPLY THE LAW OF ANOTHER JURISDICTION.

12.10 **Exhibits.** The Exhibits and Schedules attached to this Agreement are incorporated into and made a part of this Agreement for all purposes. In the event of a conflict or inconsistency between the provisions of the Exhibits, Schedules or the executed Assignment(s) and the provisions of this Agreement, the provisions of this Agreement shall take precedence. In the event of a conflict or inconsistency between the provisions of the pro forma Assignment and other transaction documents attached to this Agreement as Exhibits or Schedules and the Assignment and other transaction documents actually executed by the parties, the provisions of the executed Assignment and other executed transaction documents shall take precedence.

12.11 **Waiver.** Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by the party waiving compliance. Except as otherwise expressly provided in this Agreement, the failure of any party at any time or times to require performance of any provision hereof shall in no manner affect such party's right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

12.12 **Interpretation.** The parties stipulate and agree that this Agreement shall be deemed and considered for all purposes to have been jointly prepared by the parties, and shall not be construed against any one party (nor shall any inference or presumption be made) on the basis of who drafted this Agreement or any particular provision hereof, who supplied the form of Agreement, or any other event of the negotiation, drafting or execution of this Agreement. Each party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transaction that it contemplates. In construing this Agreement, the following principles will apply:

(a) The omission of certain provisions of this Agreement from the Assignment(s) does not constitute a conflict or inconsistency between this Agreement and the Assignment(s), and will not effect a merger of the omitted provisions. To the fullest extent permitted by law, all provisions of this Agreement are hereby deemed incorporated into the Assignment(s) by reference.

(b) The Article, Section, Exhibit and Schedules references in this Agreement refer to the Articles, Sections, Exhibits and Schedules of this Agreement. The headings and titles in this Agreement are for convenience only and shall have no significance in interpreting or otherwise affect the meaning of this Agreement.

(c) The term “includes” and its derivatives shall mean “includes, but is not limited to” and its corresponding derivative meanings.

(d) A “business day” is any Monday to Friday, inclusive, which is not a federal holiday in the United States or Canada.

(e) The term “Person” (whether or not capitalized) means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, enterprise, unincorporated organization, or governmental entity.

(f) The term “Affiliate” (whether or not capitalized) means, with respect to any Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the specified person. For the purpose of this definition, the term “control” means ownership of fifty percent (50%) or more of voting rights (stock or otherwise) or ownership interest or the power to direct or cause the direction of the management and policies of the person in question.

(g) Except where otherwise stated herein, references to money, “\$” or “dollars” refer to legal currency of the United States of America.

12.13 Waiver of Consumer Rights. AS PARTIAL CONSIDERATION FOR THE PARTIES ENTERING INTO THIS AGREEMENT, EACH PARTY HEREBY WAIVES THE PROVISIONS OF THE TEXAS DECEPTIVE TRADE PRACTICES CONSUMER PROTECTION ACT, ARTICLE 17.41 ET SEQ., TEXAS BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTION, AND ALL OTHER CONSUMER PROTECTION LAWS OF THE STATE OF TEXAS, OR OF ANY OTHER STATE, THAT MAY BE APPLICABLE TO THIS TRANSACTION, THAT MAY BE WAIVED BY SUCH PARTY. IT IS NOT THE INTENT OF EITHER PARTY TO WAIVE, AND NEITHER PARTY DOES HEREBY WAIVE, ANY LAW OR PROVISION THEREOF THAT IS PROHIBITED BY LAW FROM BEING WAIVED. EACH PARTY REPRESENTS THAT IT HAS HAD AN ADEQUATE OPPORTUNITY TO REVIEW THE PRECEDING WAIVER PROVISION, INCLUDING THE OPPORTUNITY TO SUBMIT THE SAME TO LEGAL COUNSEL FOR REVIEW AND ADVICE AND AFTER CONSULTATION WITH AN ATTORNEY OF ITS OWN SELECTION VOLUNTARILY CONSENTS TO THIS WAIVER, AND UNDERSTANDS THE RIGHTS BEING WAIVED HEREIN.

IN WITNESS WHEREOF, the authorized representatives of Seller and Purchaser have executed this Agreement on the Execution Date, effective as of the Effective Date.

[Remainder of this page is left blank; signatures follow.]

ARGENT ENERGY (US) HOLDINGS INC.

By: (signed) "*Brian Prokop*"

Name: Brian Prokop

Title: Chief Executive Officer

DENALI OIL & GAS PARTNERS II, LP

By: (signed) *"John T. Elzner"*

Name: John T. Elzner

Title: Senior Vice President

DENALI OIL & GAS PARTNERS III, LLC

By: (signed) *"John T. Elzner"*

Name: John T. Elzner

Title: Senior Vice President

[NTD: The Exhibits and Schedules listed below have been intentionally redacted.]

Exhibits

- Exhibit A Schedule 1 – Leases Part 1-Leases Excluding Deep Rights
 Schedule 1 – Leases Part 2-Deep Rights Leases
 Schedule 1A – Wells
 Schedule 2 – Permits and Easements
 Schedule 3 – Related Contracts
 Schedule 4 – Excluded Property
 Schedule 5 – Allocated Value
 Schedule 6-Rental Equipment
 Schedule 7-Reserved Interests
- Exhibit B Part 1 - Form of Assignment, Bill of Sale and Conveyance
 Part 2 - Form of Assignment with Reservation of Certain Rights
- Exhibit C Form of Nonforeign Affidavit
- Exhibit D Escrow Agreement Terms

Schedules

- 4.3.2 Lawsuits and Claims
4.3.3 Tax Partnerships
4.3.4 Environmental Matters
4.3.6 Preferential Rights and Consents
4.3.8 Calls on Production
4.3.10 Plugging and Abandonment
4.3.13 Seller Information in Argent Prospectus
7.2.9 Bonds
8.2.1 Edwards Prospect P&A Obligations