

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**PetroShare Corp.**

**Form: 10-K**

**Date Filed: 2019-04-04**

Corporate Issuer CIK: 1568079

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: December 31, 2018  
Or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-37943



PETROSHARE CORP.

(Exact name of registrant as specified in its charter)

Colorado  
(State or other jurisdiction of incorporation or organization)

46-1454523  
(I.R.S. Employer Identification No.)

9635 Maroon Circle, Suite 400  
Englewood, Colorado 80112  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code: (303) 500-1160

Securities registered pursuant to Section 12(b) of the Act: **None**  
Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, there were 18,103,011 shares outstanding and held by non-affiliates of the registrant. The aggregate market value of those shares, based on the closing price of the Company's common stock on the OTCQB on June 29, 2018, was \$26,430,396.

On April 2, 2019, there were 28,077,337 shares of the Company's common stock outstanding.

Documents incorporated by reference: None

PETROSHARE CORP.  
ANNUAL REPORT ON FORM 10-K  
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#### ADDITIONAL INFORMATION

Descriptions of agreements or other documents in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see Item 15. Exhibits and Financial Statement Schedules at the end of this report for a complete list of those exhibits.

#### Cautionary Language Regarding Forward-Looking Statements

Please see Cautionary Language Regarding Forward-Looking Statements on page 21 of this report for important information contained herein.

#### Glossary

Please see page 30 for a glossary of certain terms used in this report.

## ITEMS 1. AND 2. BUSINESS AND PROPERTIES

**Our History and Organization**

PetroShare Corp. (“we,” “our,” “us” or the “Company”) is an independent oil and gas company incorporated under the laws of the State of Colorado on September 4, 2012 to investigate, acquire and develop crude oil and natural gas properties in the Rocky Mountain or mid-continent portion of the United States. Since 2016, our operational focus has been in the Wattenberg Field in the Denver-Julesburg Basin, or DJ Basin, in northeast Colorado. We believe the Wattenberg Field is one of the premier, liquids-rich oil and natural gas resource plays in the United States. It contains hydrocarbon-bearing deposits in several formations, including the Niobrara and Codell. The area has produced oil and natural gas since the 1970s and benefits from an established infrastructure and seasoned service providers.

All of our properties are located in Colorado. As of April 3, 2019, we had an interest in 58 gross (24.4 net) productive wells and 31,656 gross (9,687 net) acres of oil and gas properties. As of December 31, 2018, we were producing hydrocarbons at the rate of approximately 2,232 BOE/D. At December 31, 2018, we had an estimated 2,910.7 MBOE of proved developed reserves and 4,414.1 MBOE of proved undeveloped reserves, including reserves associated with properties that we sold in February, 2019. Our net proved reserves at December 31, 2018 were comprised of approximately 60% oil and NGLs (collectively, liquids).

Our strategy to date has been to focus on acquiring and developing crude oil and natural gas properties in those areas we consider as geo-mechanical sweet spots, including the southern-Wattenberg area of the DJ Basin, which we refer to as the Southern Core area. We elected to concentrate on the Southern Core due to the high quality of hydrocarbon-bearing rock and the production from other, nearby wells. The Southern Core area contains the Niobrara and Codell geologic formations, which tend to yield oil-weighted production that remains economic in lower commodity price environments.

During 2018, we completed and brought into production our first operated horizontal wells, located on our Shook Pad in northwest Adams County. See “Recent Developments-Shook Pad,” below. In any drilling, we expect that our retained working interest will be determined based upon factors such as level of interest ownership, well costs and geologic and engineering risk. See Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS for more information.

In May 2015, in connection with a credit agreement, we entered into a participation agreement with Providence Energy Operators, LLC (“PEO”). PEO is an affiliate of Providence Energy Corp., a privately-held multi-million-dollar acquirer of oil and gas properties throughout the United States. As discussed elsewhere in this report, an affiliate of PEO is a major participant in our principal lender group through which we currently maintain a \$25.0 million Secured Credit Facility. PEO is also the beneficial owner of 11.6% of our outstanding common stock. The participation agreement grants PEO the option to acquire up to a 50% interest and participate in any oil and gas development on acreage we obtain within an area of mutual interest (AMI) near our Southern Core area. To date, PEO has exercised its option under the participation agreement or otherwise participated or agreed to participate in all of our acreage acquisitions and drilling operations.

Our executive and administrative offices are currently located at 9635 Maroon Circle, Suite 400, Englewood, Colorado 80112 and we maintain a website at [www.petrosharecorp.com](http://www.petrosharecorp.com). We commenced filing reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, in February 2015, when we completed our initial public offering. You may access and read our public filings through the U.S. Securities and Exchange Commission’s, or the SEC’s, website at [www.sec.gov](http://www.sec.gov) and on our website at [www.petrosharecorp.com](http://www.petrosharecorp.com).

**Recent Developments**

Following is a summary of certain significant events to which we have been party since the beginning of 2018:

*Shook Pad*

During 2018, we completed and placed into production our 14-well Shook pad in Northwest Adams County. The pad, started in 2017, contains 14 mid-length lateral wells and is connected to the White Cliffs pipeline through which we transport hydrocarbons for sale. We own an approximate working interest of 49% in the wells, and our partner PEO owns approximately 49%.

*Secured Credit Facility*

In December 2017, we completed the first closing of \$5.0 million of what ultimately became a \$25.0 million Secured Credit Facility, all of which was used to reduce our accounts payable, accrued liabilities and a line of credit. On February 1, 2018, we finalized the Secured Credit Facility with Providence Wattenberg Ltd., a Texas limited partnership and affiliate of PEO, as lender and the administrative agent, and 5NR Wattenberg, LLC, a Texas limited liability company, as lender (collectively, the “Secured Lenders”) pursuant to which the Lenders loaned us and additional \$20 million under the Secured Credit Facility. This facility allowed us to partially or fully repay a previously-outstanding line of credit and extend a line of credit that matured in December 2017. The remaining capital was utilized for pipeline construction, drilling and completion activities and additional working capital. As of December 31, 2018, we were in default under the Secured Credit Facility based a violations of certain covenants contained in the Secured Credit Facility. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. The Notice declared that all amounts outstanding were immediately due and payable. See “MANAGEMENT’S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATION”

Our biggest challenge during 2018, and to which we devoted a significant amount of our time and resources during the year and beyond, was our lack of liquidity and capital. To address those challenges, we initiated a series of efforts to improve our working capital position. In addition to the Secured Credit Facility discussed above, we also undertook efforts to sell some of our assets to raise cash. This effort resulted in the sale of our non-operated oil and gas wells, discussed in more detail below.

#### *Non-Operated Sale*

On February 27, 2019, we completed the sale of nearly all of our non-operated assets. The assets we sold (collectively, the "Assets") include all non-operated horizontal wells in which we had an interest, as well as the leases on which those wells are located, oil, gas and other hydrocarbons produced from the leases on or after the effective date of sale, related equipment, machinery, fixtures and other personal property, surface rights and contracts. The effective date of the asset sale was January 1, 2019.

The sale does not include any of our interest in the operated wells comprising our Shook Pad. The net purchase price received for the Assets was approximately \$15.3 million in cash, net of closing costs, adjustments and broker's fees. The proceeds of the sale were applied by the Secured Lenders to reduce balances owed to them under the terms of the Secured Credit Facility.

#### *Resignation of Directors*

On March 22, 2019, we received the resignations of three members of our Board of Directors: Michael Allen, Joseph Drysdale and Cullen Schaar. The notices stated that the resignations were effective immediately. These directors had been appointed by the Secured Lenders under the terms of the Secured Credit Facility. None of the directors expressed any disagreement with the Company or its Board of Directors that precipitated the resignations. The Board of Directors plans to continue with a reduced membership of six directors.

#### *Proposed Legislation in Colorado*

Recently proposed COLORADO SB-181 ("SB-181"), a state senate bill currently pending in the Colorado legislature, would introduce significant changes to the regulation of oil and gas development in the State. If passed and signed by the governor, it would change the mandate of the Colorado Oil and Gas Conservation Commission ("COGCC") from that of promoting development of oil and gas to prioritizing the protection of public safety, health, welfare, and the environment. In addition to changing the mandate of the COGCC, it would change the composition of the Commission to include more health and safety advocates. The proposed legislation would also allow for more local control over the development of oil and gas properties and could alter the State statute allowing for "forced pooling" of oil and gas properties. This proposed legislation could significantly impact our ability to obtain permits to drill. See "Regulatory Environment" for additional information regarding this proposed legislation.

On March 20, 2019, the Adams County commissioners voted to place a six-month moratorium on the issuance of drilling permits in unincorporated portions of the County due to the pendency of proposed SB-181. A significant portion of our properties are located in Adams County, although some of the properties are located within the limits of the City of Brighton. It is not yet clear whether municipalities like Brighton will follow Adams County and consider a moratorium while the SB 191 is pending.

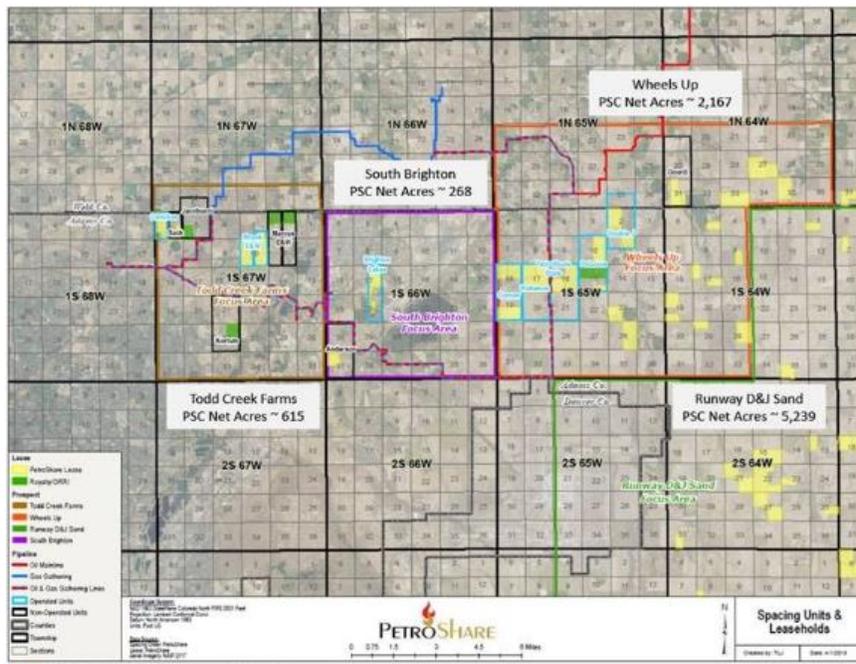
#### ***Oil and Gas Properties***

##### *DJ Basin and Wattenberg (Southern Core Area)*

Our area of focus, the Southern Core Area, is located within the Wattenberg Field, which is a part of the DJ Basin. Discovered in 1970, and historically a gas field, the Wattenberg Field, which covers more than 2,000 square miles, now produces both crude oil and natural gas primarily from the Niobrara and Codell formations. The DJ Basin generally extends from the Denver metropolitan area throughout northeast Colorado into parts of Wyoming, Nebraska, and Kansas. The majority of the DJ Basin lies in Weld County, but reaches into Adams, Arapahoe, Boulder, Broomfield, Denver, and Larimer Counties.

The Southern Core Area covers areas in northwest Adams County and southwest Weld County. The Southern Core Area saw significant development through vertical drilling in the preceding decades, but modern horizontal drilling is relatively new for the area. The "northern core Wattenberg," located south of Greeley in west-central Weld County, has been the primary focus of oil and gas producers for the past seven years. We believe the Southern Core area provides us compelling economics in even lower price environments.

The following map depicts our properties in the Southern Core:



We currently possess an inventory of approximately 88 gross wells that are permitted or pending final permit approval for horizontal drilling locations within our Southern Core Area. Of that amount, there are 56 locations that are fully permitted and available for drilling, subject to available capital. There are a number of remaining locations which are potential infill horizontal wells located in and around current drilling spacing units established under applicable industry rules. We have not included certain of these potential infill horizontal drilling locations in our proved undeveloped or probable reserves because we have not yet established a development plan for those locations in accordance with SEC rules.

#### Todd Creek Farms

Within our Southern Core focus area, our primary prospect is Todd Creek Farms, which is located in northwest Adams County, Colorado. Our Shook pad, on which we have 14 producing horizontal wells, is located in the Todd Creek focus area. We have also permitted eight wells on the Corcilius pad located within this focus area, however, our plans to drill and complete the Corcilius wells in 2019 are dependent on receiving final approval from Adams County and our availability of capital. Our working interest in the Shook pad wells averages approximately 49%. The Shook Pad and its associated production represent a significant portion of our cash flow in 2018 and 2019 to date.

On February 27, 2019, we completed the sale of essentially all of our non-operated production and proven undeveloped locations in the Todd Creek Farms area. The non-operated wells and associated production provided a significant portion of our cash flow during 2018 prior to our bringing online our operated Shook production in the fourth quarter of 2018.

#### Wheels Up (aka South Brighton)

Our Wheels Up Area (formerly the South Brighton Focus Area) is east of our Todd Creek Farms prospect and sits in northern Adams County and southern Weld County. We acquired the majority of this acreage in 2016. In 2018, we completed acreage swaps and acquisitions with certain third parties to increase our leasehold interest to approximately 2,166 net acres with the right to acquire another 754 net acres under certain terms and conditions.

During 2018, we received state approved drilling permits as the operator for up to 56 (2 mile) horizontal wells with another 16 horizontal wells targeting the Niobrara and the Codell formations pending final state approval. In addition, we have eight (2 mile) horizontal well permits approved by the state for our Brighton Lakes Pad which we plan to drill in 2019, subject to receiving final approval from the City of Brighton and the availability of capital.

## Runway

Our Runway prospect area is east of our Todd Creek Farms and our Wheels Up areas and lies principally within Adams County, Colorado, east of the Denver International Airport. We have leaseholds encompassing 20,118 gross (5,239 net) acres in the Runway prospect.

### Productive Wells

The following table sets forth the number of productive oil and natural gas wells in which we owned a working interest as of April 2, 2019:

Location	Productive Wells (1)					
	Crude Oil		Natural Gas		Total	
	Gross	Net	Gross	Net	Gross	Net
Southern Core	54	23.24	4.0	1.12	58	24.36
Total productive wells	54	23.24	4.0	1.12	58	24.36

- (1) The total wells in which we have an interest include 14 gross (6.95 net) horizontal wells on the Shook pad. The remaining wells are vertical wells, some of which are currently or periodically shut-in.

### Developed and Undeveloped Acreage

The following table shows our developed and undeveloped acreage as of April 2, 2019:

Location	Acreage					
	Developed		Undeveloped (1)		Total	
	Gross	Net	Gross	Net	Gross	Net
Todd Creek Farms	2,016	615	—	—	2,016	615
Wheels up	4,312	1,840	947	327	5,259	2,167
Northern Wattenberg	80	32	2,036	803	2,116	835
South Brighton	—	—	549	268	549	268
Runway	12,284	4,400	7,834	839	20,118	5,239
Total acreage	18,692	6,887	11,366	2,237	30,058	9,124

- (1) Undeveloped acreage includes leasehold interests on which wells have not been drilled or completed to the point that would permit the production of commercial quantities of oil and natural gas regardless of whether the leasehold interest is classified as containing proved reserves.

Following industry standard, we generally acquire oil and gas leases without warranty of title, except as to claims made by, through, or under the transferor. Accordingly, we conduct due diligence as to title prior to acquiring properties, but we cannot guarantee that there will not be losses resulting from title defects. We obtain drilling title opinions and perform any necessary curative work prior to commencing drilling operations. We believe the leasehold title to our properties is good and defensible in accordance with industry standards, subject to such exceptions that, in our opinion, are not so material as to detract from the use or value of our properties. Title to our properties generally carry encumbrances, such as royalties, overriding royalties, contractual obligations, liens, easements, and other matters that commonly affect real property, all of which are customary in the oil and gas industry. We intend to acquire any additional leases by lease purchase, farm-in, or exchange.

Leases that are held by production generally remain in force so long as the well on the particular lease is producing or capable of producing. Leased acres that are not held by production may require annual rental payments to maintain the lease until the expiration of the lease or the time oil or gas is produced from one or more wells drilled on the leased acreage. At the time the well begins producing or is capable of producing, the lease is considered to be held by production. Unless production is established within the area covering our undeveloped acreage, the leases for such acreage eventually will expire. Our leases which are not held by production are scheduled to expire, including potential extensions, from 2019 until 2022. If our leases expire in an area we intend to explore, we or our working interest partners will have to negotiate the price and terms of lease renewals with the lessors. The cost to renew such leases may increase significantly and we may not be able to renew the lease on commercially reasonable terms, or at all.

The following table shows the calendar years during which our leases not currently held by production will expire unless a productive oil or gas well is drilled:

	Leased Acres		Expiration of Lease
	Gross	Net	
	3,428	1,005	2019
	7,020	759	2020
	579	299	2021
	339	174	2022

### Drilling Results

The following table sets forth information with respect to the number of wells either drilled by us or in which we participated as a non-operator during the three years ended December 31, 2018. The information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation between the number of productive wells drilled, quantities of reserves found or economic value.

	For the Year Ended December 31,					
	2018(2)		2017(1)		2016	
	Gross	Net	Gross	Net	Gross	Net
Development Wells						
Productive	28	8.4	21	2.95	—	—
Dry	—	—	—	—	—	—
Exploratory Wells						
Productive	—	—	—	—	—	—
Dry	—	—	—	—	—	—
Total Wells						
Productive	28	8.4	21	2.95	—	—
Dry	—	—	—	—	—	—

(1) Includes 21 non-operated wells, all of which were sold subsequent to December 31, 2018.

(2) The 2018 results do not include 3 gross (0.2 net) wells which were in the process of drilling or completion as of December 31, 2018.

### Sales Data

The following table shows the net sales volumes, average sales prices, and average production costs for wells in which we had an interest during the periods presented:

	Year Ended December 31,		
	2018	2017	2016
Sales volumes			
Oil (Bbls)	287,984	188,529	4,903
Gas (Mcf)	773,396	549,846	26,059
NGLs (Bbls)	55,811	50,111	1,511
BOE	472,694	330,281	10,756
Average sales price			
Oil (per Bbl)	\$ 58.37	\$ 46.25	\$ 48.91
Gas (per Mcf)	\$ 3.18	\$ 2.78	\$ 2.62
NGLs (per Bbl)	\$ 20.39	\$ 17.20	\$ 16.55
BOE	\$ 43.17	\$ 33.63	\$ 30.97
Average production cost per BOE(1)	\$ 5.65	\$ 2.95	\$ 19.18

(1) Excludes production taxes - Total operating cost per BOE for 2018, 2017 and 2016 including production taxes amounted to \$8.77, \$5.19, and \$19.21.

## Oil, Natural Gas and NGL Data

### Proved Reserves

#### Estimation of Proved Reserves

Under SEC rules, proved reserves are those quantities of oil, natural gas and NGL, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a “high degree of confidence that the quantities will be recovered.” All of our proved reserves as of December 31, 2018 and 2017 were estimated using a deterministic method. The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and natural gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions established under SEC rules. The process of estimating the quantities of recoverable oil, natural gas and NGL reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into four broad categories or methods: (1) production performance-based methods; (2) material balance-based methods; (3) volumetric-based methods; and (4) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. Non-producing reserve estimates, for developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for our properties, due to the mature nature of the properties targeted for development and an abundance of subsurface control data.

To estimate economically recoverable proved reserves and related future net cash flows, Cawley Gillespie & Associates, Inc. (“Cawley Gillespie”) considered many factors and assumptions, including the use of reservoir parameters derived from geological and engineering data which cannot be measured directly, economic criteria based on current costs and the SEC pricing requirements and forecasts of future production rates.

Under SEC rules, reasonable certainty can be established using techniques that have been proven effective by actual production from projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation. To establish reasonable certainty with respect to our estimated proved reserves, the technologies and economic data used in the estimation of our proved reserves have been demonstrated to yield results with consistency and repeatability, and include production and well test data, downhole completion information, geologic data, electrical logs, radioactivity logs, core analyses, historical well cost and operating expense data.

#### Summary of Oil, Natural Gas and NGL Reserves

The table below presents summary information with respect to the estimates of our net proved oil, natural gas and natural gas liquids reserves at December 31, 2018, all of which are located in Colorado, based on a reserve report prepared by Cawley Gillespie dated March 4, 2019.

	Crude Oil (MBbls)	Natural Gas (MMcf)	Natural Gas Liquids (MBbls)	MBOE
Proved Developed Producing	1,188	6,300.1	672.7	2,910.7
Proved Developed Non-Producing	-	-	-	-
Proved Undeveloped Reserves	2,005.2	11,232.6	536.8	4,414.1
Total Proved Reserves	<u>3,193.1</u>	<u>17,532.7</u>	<u>1,209.6</u>	<u>7,324.8</u>

At December 31, 2018, we had estimated total proved reserves of 7,324.8 MBOE, consisting of 3,193.1 MBbls of crude oil, 17,532.7 MMcf of natural gas, and 1,209.6 MBbls of natural gas liquids. We sold approximately 47% of our proved reserves in our non-operated properties that closed on February 27, 2019. Our proved reserves include only those amounts that we reasonably expect to recover in the future from known oil and gas reservoirs under existing economic and operating conditions, at current prices and costs, under existing regulatory practices, and with existing technology and anticipated capital resources. Accordingly, any changes in prices, operating and development costs, regulations, technology, or other factors could significantly increase or decrease estimates of our proved reserves. Estimates of volumes of proved reserves are presented in MBbls for crude oil and MMcf for natural gas at the official temperature and pressure basis of the areas in which the gas reserves are located.

## *Proved Developed Reserves and Proved Undeveloped Reserves*

At December 31, 2018, we had 2,910.7 MBOE of estimated proved developed reserves. Proved developed reserves are the proved reserves that can be produced through existing wells with existing equipment and infrastructure and operating methods.

At December 31, 2018, we had 4,414.1 MBOE of estimated proved undeveloped reserves. We have included in our proved undeveloped reserves only those locations for which we have established a development plan and believe we can drill and complete within five years of the date the proved undeveloped reserves were first included in our proved reserves considering our existing and anticipated capital resources. We also have included certain non-operated properties the operator of which has informed us of planned development within the next five years and in which we have plans to participate.

The table below presents summary information with respect to the changes in our proved undeveloped reserves for the year ended December 31, 2018:

	<u>Total (MBOE)</u>
Total proved undeveloped reserves:	
Beginning of year	6,310.8
Revisions of previous estimates	570.9
Additions from discoveries, extensions and infill	69.7
Sales of reserves	(324.0)
Purchases of minerals in place	-
Removed for five-year rule	-
Conversions to proved developed	(2,213.3)
End of year	<u>4,414.1</u>

During 2018 we successfully converted 35% of our proved undeveloped reserves into proved developed producing reserves. The majority of the conversions were associated with the 14 operated wells known as the Shook wells, which were completed during the year. In addition, 21 non-operated PUD locations were developed by third parties, including 18 Ocho locations and 3 B-Farm locations. In total, we reported 94 unique PUD locations as of December 31, 2017, and converted 35 of them into developed properties during 2018. We incurred capital expenditures of approximately \$29.3 million to develop these reserves.

The positive revision in previous estimates was primarily the impact of revised drilling plans from other working interest owners on wells operated by them, including the Marcus, Kortum, and Seltzer locations. Substantially all the non-operated PUD locations were sold subsequent to year-end. As of December 31, 2018, we included 70 unique locations in our PUD development plan. As a result of the working capital and liquidity issues encountered during 2018, we reduced our drilling plans during the five-year development window based upon expected capital resources.

### *Independent Reserve Engineers*

Our proved reserves estimate as of December 31, 2018, shown herein, has been independently prepared by Cawley Gillespie, which was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-693. Zane Meekins was the technical person within Cawley Gillespie primarily responsible for preparing the estimates shown herein. Mr. Meekins has been practicing consulting petroleum engineering at Cawley Gillespie since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas (License No. 71055) and has approximately 31 years of practical experience in petroleum engineering, with approximately 29 years in the estimation and evaluation of reserves. He graduated from Texas A&M University in 1987 with a B.S. in Petroleum Engineering. Mr. Meekins meets or exceeds the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

The report of Cawley Gillespie, dated March 4, 2019, which contains further discussions of the reserve estimates and evaluations prepared by Cawley Gillespie, as well as the qualifications of Cawley Gillespie's technical personnel responsible for overseeing such estimates and evaluations, is attached as Exhibit 99.1 to this report.

### *Internal Controls Over Reserve Estimation Process*

Our President, Frederick J. Witsell, and our Chief Operating Officer, William B. Lloyd, work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to our independent reserve engineers in their reserve estimation process and are the technical persons within our company primarily responsible for overseeing the preparation of our reserve estimates. Each of Mr. Witsell and Mr. Lloyd has over 37 years of industry experience. Both have evaluated numerous properties throughout the United States with an emphasis on Colorado oil and natural gas production, as well as conventional and unconventional reservoirs, operations, reservoir development and property evaluation. Mr. Witsell holds a B.S. in Geology, an M.B.A. in Energy Management, and is an active member in the Society of Petroleum Engineers, American Association of Petroleum Geologists, and the Rocky Mountain Association of Geologists. Mr. Lloyd holds a B.S. in Petroleum Engineering.

During relevant time periods, Mr. Witsell and Mr. Lloyd meet with representatives of our independent reserve engineers to review properties and discuss methods and assumptions used in preparation of the proved reserve estimates. We do not have a formal committee specifically designated to review our reserve reporting and our reserve estimation process. A preliminary copy of the reserve report was reviewed by Mr. Witsell with representatives of our independent reserve engineers and internal technical staff.

## **Operations**

### *General*

We had an interest in both operated and non-operated properties during the year ended December 31, 2018. However, we sold all of our non-operated properties in February 2019, with an effective date of January 1, 2019.

As operator, we design and manage the development of a well and supervise operation and maintenance activities on a day-to-day basis. Independent contractors engaged by us provide all the equipment and personnel associated with these activities. We employ petroleum engineers, geologists and land professionals who work to improve production rates, increase reserves and lower the cost of operating our oil and natural gas properties.

### *Marketing and Customers*

We sell the majority of the production from properties we operate for both our account and the account of the other working interest owners in these properties. We sell our production to purchasers at market prices. Our largest purchaser is an oil marketer who has the ability to sell production into multiple markets.

During the year ended December 31, 2018, approximately 95% of our production was sold to three customers. During the year, approximately 41% of our revenue was derived from sales to Great West Oil and Gas Company, 33% were derived from sales to Rose Rock Midstream Crude LP and 21% were from sales to PDC Energy, Inc.

In connection with sales of oil and other products from our Shook pad, we are substantially dependent on Rocky Mountain Midstream LLC, which owns and operates the pipeline into which we produce oil to be sold to customers. We experienced significant interruptions in production during 2018 and in early 2019 due to operating difficulties with the pipeline, and we expect that such interruptions may occur in the future.

## **Regulatory Environment**

The production and sale of oil and gas is subject to various federal, state, and local governmental regulations, which may be changed from time to time in response to economic or political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, noise, unitization and pooling of properties, setbacks, the location and reclamation of piping, taxation and environmental protection. Many laws and regulations govern the location of wells, the method of drilling, casing and completing wells, the plugging and abandoning of wells, the restoration of properties upon which wells are drilled, temporary storage tank operations, air emissions from flaring, compression, the construction and use of access roads, and the disposal of fluids used in connection with operations. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. Changes in these regulations could have a material adverse effect on our company.

The failure to comply with any such laws and regulations can result in substantial penalties. In addition, the effect of all these laws and regulations may limit the amount of oil and gas we can produce from our wells and may limit the number of wells or the locations at which we can drill. Although we believe we are in substantial compliance with current applicable laws and regulations relating to our oil and natural gas operations, we are unable to predict the future cost or impact of complying with such laws and regulations because such laws and regulations are frequently amended or reinterpreted.

As an oil and gas operator, we are responsible for obtaining all permits and government permission necessary to drill the wells and develop our interests. We must obtain permits for any new well sites and wells that are drilled.

In February 2014, the Colorado Department of Public Health and Environment's Air Quality Control Commission, or AQCC, finalized regulations imposing stringent new requirements relating to air emissions from oil and gas facilities in Colorado. The new rules impose significantly more stringent control, monitoring, recordkeeping, and reporting requirements than those required under comparable federal rules. In addition, as part of the rule, the AQCC approved the direct regulation of hydrocarbon (i.e., methane) emissions from the Colorado oil and gas sector.

On January 25, 2016, the COGCC approved new rules enhancing local government participation in locating and planning for large scale oil and gas operations. The COGCC defined large scale facilities as (i) any location that proposes eight new horizontal, directional, or vertical wells, or (ii) cumulative hydrocarbon storage capacity of 4,000 Bbls or more, which are located within an urban mitigation area as defined by COGCC rules. The new COGCC rules also include additional notice and consultation requirements for operators when planning such large-scale facilities.

We currently own or lease numerous properties that have been used for the exploration and production of crude oil and natural gas for many years. If hydrocarbons or other wastes have been disposed of or released on or under the properties that we own or lease or on or under locations where such wastes have been taken for disposal by us or prior owners or operators of such properties, we could be subject to liability under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the Federal Resource Conservation and Recovery Act, or RCRA and analogous state laws, as well as state laws governing the management of crude oil and natural gas wastes. CERCLA and similar state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed of, transported, or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for release of hazardous substances under CERCLA may be subject to full liability for the costs of cleaning up the hazardous substances that have been released into the environment or remediation to prevent future contamination and for damages to natural resources. Under state laws, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

#### *Hydraulic Fracturing*

We operate primarily in the Wattenberg Field of the DJ Basin where the rock formations are typically tight, and it is a common practice to utilize hydraulic fracturing to allow for or increase hydrocarbon production. Hydraulic fracturing involves the process of injecting substances such as water, sand and additives (some proprietary) under pressure into a targeted subsurface formation to create pores and fractures, thus creating a passageway for the release of oil and gas. Hydraulic fracturing is a technique that we have and intend to employ extensively in future wells that we may drill and complete.

We expect to outsource all hydraulic fracturing services to service providers with significant experience, and which we deem to be competent and responsible. Our service providers supply all personnel, equipment, and materials needed to perform such stimulation, including the chemical mixtures that might be injected into our wells. We require our service companies to carry insurance covering incidents that could occur in connection with their activities. In addition to the drilling permit that we are required to obtain and the notice of intent that we provide the appropriate regulatory authorities, our service providers are responsible for obtaining any regulatory permits necessary for them to perform their services in the relevant geographic location. We have not had any incidents, citations, or lawsuits relating to any environmental issues resulting from hydraulic fracturing, and we are not presently aware of any such matters.

In recent years, environmental opposition to hydraulic fracturing has increased, and various governmental and regulatory authorities have adopted or are considering new requirements for this process. To the extent that these requirements increase our costs or restrict our development activities, our business and prospects may be adversely affected.

The United States Environmental Protection Area, or EPA has asserted that the Safe Drinking Water Act ("SDWA") applies to hydraulic fracturing involving diesel fuel, and in February 2014, it issued final guidance on this subject. The guidance defines the term "diesel fuel," describes the permitting requirements that apply under SDWA for the underground injection of diesel fuel in hydraulic fracturing and makes recommendations for permit writers. Although the guidance applies only in those states, excluding Colorado, where the EPA directly implements the Underground Injection Control Class II program, it could encourage state regulatory authorities to adopt permitting and other requirements for hydraulic fracturing. In addition, from time to time, Congress has considered legislation that would provide for broader federal regulation of hydraulic fracturing under the SDWA. If such legislation were enacted, hydraulic fracturing operations could be required to meet additional federal permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting, and recordkeeping obligations, and provide for additional public disclosure of the chemicals used in the fracturing process.

The EPA is also conducting a nationwide study into the effects of hydraulic fracturing on drinking water. In June 2015, the EPA released a draft assessment of the potential impacts to drinking water resources from hydraulic fracturing for public comment and peer review. The assessment concluded that while there are mechanisms by which hydraulic fracturing can impact drinking water resources, there was no evidence that these mechanisms have led to widespread, systemic impacts on drinking water resources in the United States. The EPA's science advisory board subsequently questioned several elements and conclusions in the EPA's draft assessment. In December 2016, the EPA released the final report on impacts from hydraulic fracturing activities on drinking water, concluding that hydraulic fracturing activities can impact drinking water resources under some circumstances and identified some factors that could influence these impacts.

Federal agencies have also adopted or are considering additional regulation of hydraulic fracturing. On March 26, 2016, the U.S. Occupational Safety and Health Administration ("OSHA") issued a final rule, with effective dates of 2018 and 2021 for the hydraulic fracturing industry, which imposes stricter standards for worker exposure to silica, including worker exposure to sand in hydraulic fracturing. In May 2014, the EPA issued an advance notice of proposed rulemaking under the Toxic Substances Control Act ("TSCA") to obtain data on chemical substances and mixtures used in hydraulic fracturing. In March 2015, the Bureau of Land Management ("BLM") issued a new rule regulating hydraulic fracturing activities involving federal and tribal lands and minerals, including requirements for chemical disclosure, wellbore integrity and handling of flowback and produced water.

In Colorado, the primary regulator is the COGCC, which has adopted regulations regarding chemical disclosure, pressure monitoring, prior agency notice, emission reduction practices, and offset well setbacks with respect to hydraulic fracturing operations and may in the future adopt additional requirements for this purpose. As part of these requirements, operators must report all chemicals used in hydraulically fracturing a well to a publicly searchable registry website developed and maintained by the Ground Water Protection Council and the Interstate Oil and Gas Compact Commission.

Apart from these ongoing federal and state initiatives, local governments are adopting new requirements and restrictions on hydraulic fracturing and other oil and gas operations. Some local governments in Colorado, for instance, have amended their land use regulations to impose new requirements on oil and gas development, while other local governments have entered memoranda of agreement with oil and gas producers to accomplish the same objective. Beyond that, during the past few years, a total of five Colorado cities have passed initiatives temporarily or permanently prohibiting hydraulic fracturing. Since that time, however, local district courts have struck down the ordinances for certain of those Colorado cities, and such decisions were upheld by the Colorado Supreme Court in May 2016. Nevertheless, there is a continued risk that cities will adopt local ordinances that seek to regulate the time, place, and manner of hydraulic fracturing activities and oil and gas operations within their respective jurisdictions.

#### *Adams County USR Process*

On March 22, 2016, the Adams County Board of County Commissioners approved amendments to the county's oil and gas regulatory process. The new regulations include an enhanced administrative review process for operators that share a Memorandum of Understanding, or MOU, with Adams County, including a site-specific review of any oil and gas permit application. The regulations also require compliance with the USR approval process for oil and gas facilities governed by an MOU between the operator and Adams County. This approval process includes increased notice and filing requirements. The USR process is designed to consist of a six-week administrative review of the application by the county and appropriate agencies. The application can be approved, approved with conditions, denied or referred to the Board of County Commissioners for a public hearing. If denied, the applicant can appeal to the Board of County Commissioners.

In March 2019 the Adams County Commissioners imposed a moratorium on new drilling permits within unincorporated areas of the County for a period of six months.

#### *City of Brighton Permitting Process*

During a two-year period between 2017 and 2019 we negotiated to obtain a Memorandum of Understanding (MOU) with the City of Brighton. In February 2019 we submitted an oil and gas Pre-Application and participated in a Pre-Application meeting with the City of Brighton. In March 2019 we submitted an oil and gas application for a permit to develop our Brighton Lakes pad. Once submitted, the City of Brighton has 10 days to request edits and additions to the permit. Once deemed complete, the City is required to provide a 14 day notice to neighbors within a 1,000 feet of the parcel and to host a neighborhood informational meeting to discuss questions and concerns. At such time, if all requirements have been met, the City can issue a permit to drill.

#### **Joint Operating Agreements**

We are registered with the COGCC as an operator of oil and natural gas wells and properties in the State of Colorado and have posted the appropriate bonds to support our activities. We have entered into operating agreements with our working interest partners that stipulate, among other things, that each partner is responsible for paying its proportionate share of costs and expenses in connection with the wells we operate. As operator, we are an independent contractor not subject to the control or direction of our other working interest partners except as to the type of operation to be undertaken as provided in the operating agreement. Further, we are responsible for hiring employees or contractors to conduct operations, taking custody of funds for the account of all working interest partners, keeping books and records relating to operations, and filing operational notices, reports or applications required to be filed with governmental bodies having jurisdiction over operations. Our liability to the other working interest partners for losses sustained or liabilities incurred are limited to losses incurred as a result of our gross negligence or willful misconduct.

## Competition

We encounter significant competition from numerous other oil and gas companies in all areas of operations, including drilling and marketing oil and natural gas; obtaining desirable oil and natural gas leases; obtaining drilling, pumping and other services; attracting and retaining qualified employees; and obtaining capital. International developments may influence other companies to increase their domestic crude oil and natural gas exploration. Competition among companies for favorable prospects can be expected to continue and we anticipate that the cost of acquiring properties will increase in the future. Most of our competitors possess larger staffs and greater financial resources than we do, which will enable them to identify and acquire desirable producing properties and drilling prospects more economically and to attract more capital. Our ability to acquire additional properties and to explore for oil and natural gas prospects in the future depends upon our ability to conduct our operations, raise capital, evaluate and select suitable properties, and consummate transactions in this highly competitive environment.

The oil and gas industry is characterized by rapid and significant technological advancements and introduction of new products and services using new technologies. If one or more of the technologies we use now or in the future become obsolete or if we are unable to use the most advanced commercially available technology, our business, financial condition, results of operations and cash flows could be materially adversely affected.

## Employees

We currently have 11 employees, including our Chief Executive Officer, President, Chief Operating Officer, and Chief Financial Officer. We also engage a number of independent contractors and consultants to supplement the services of our employees, including land services, geologic mapping, reservoir and facilities engineers, drilling contractors, attorneys, and accountants.

## Company Facilities

Our executive and administrative offices are currently located at 9635 Maroon Circle, Suite 400, Englewood, Colorado 80112, where we lease approximately 5,282 square feet at a rate of \$11,224 per month. We consider this space to be adequate for our needs for the foreseeable future.

## ITEM 1A. RISK FACTORS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that may be affected by several risk factors. The following information summarizes the material risks known to us as of the date of filing this report:

### Risks Relating To Our Company

***As described in the notes to our consolidated financial statements, there is substantial doubt about our ability to continue as a going concern and we are dependent on receipt of additional capital to fund our obligations and to continue in operation.***

The uncertainty regarding our ability to continue as a going concern is based on our defaults under the Secured Credit Facility, substantial near-term liabilities, continuing net losses and negative working capital, among other things which existed as of December 31, 2018. At December 31, 2018, we had a cash balance of approximately \$2.6 million and other current assets of approximately \$29.6 million, including assets held for sale of \$16.1 million which were sold subsequent to year-end, resulting in negative working capital of \$32.9 million. We had net losses, including non-cash charges, of \$17.3 million and \$10.8 million for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 we were obligated to repay \$9.4 million in principal plus accrued interest on our outstanding convertible promissory notes, which payment we did not make. We are in default under the terms of our Secured Credit Facility and as a result, we have included \$29.9 million including the outstanding principal and accrued interest and penalties in current liabilities. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. The Notice declared that all amounts outstanding were immediately due and payable. Some of our accounts payable obligations to vendors are past the due date and some of those vendors have filed liens or indicated an intent to file liens against certain of our assets. The net proceeds from the sale of our non-operated assets in February 2019 have been applied by our Secured Lenders to reduce amounts allegedly owed under the Secured Credit Facility. We will need to generate sufficient cash flow from operations and sell equity or debt to fund further drilling and acquisition activity and to continue in operation. If sufficient cash flow and additional financing is not available, we may be compelled to reduce the scope of our business activities, sell a portion of our interests in our oil and gas properties or file for bankruptcy protection. This, in turn, may have an adverse effect on our ability to realize the value of our assets. These factors raise substantial doubt about our ability to continue as a going concern and you may lose some or all of your investment.

***We have engaged legal advisors to assist us in, among other things, analyzing various strategic alternatives to address our liquidity and capital structure, including strategic and refinancing alternatives to restructure our indebtedness and we may elect to implement such a restructuring through Chapter 11 of the United States Bankruptcy Code in order to obtain court supervision and to facilitate the stakeholder approvals necessary to implement such a restructuring, or it may otherwise become necessary for us to seek protections under Chapter 11.***

Seeking Chapter 11 protection may have a material adverse impact on our business and the trading price of our securities. As long as a Chapter 11 proceeding continues, our senior management would be required to spend a significant amount of time and effort dealing with the reorganization, including managing potential negative impact to our reputation. Bankruptcy court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of our business. Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. As a result, we believe that seeking bankruptcy court protection under a Chapter 11 proceeding could cause the shares of our existing common stock to be canceled, or otherwise result in a limited recovery, if any, for holders of our common stock, and would place holders of our common stock at significant risk of losing some or all of their investment in our shares.

***Our secured debt is currently in default and if our effort to negotiate a continuing waiver of that default is unsuccessful, the lenders may foreclose on or force a sale of our assets.***

We notified our Secured Lenders in 2018 and 2019 of several events of default under the terms of the Secured Credit Facility, including the filing of liens on our properties, liabilities that were more than 90 days past due and our inability to pay the unsecured notes when they matured at December 31, 2018. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default. As a result of these events, we are in default under the terms of the Secured Credit Facility and as a result all outstanding principal, interest and penalties are immediately due and payable. If we are unable to obtain a waiver of the defaults the lenders may undertake collection efforts against us and our property. In that event, the holders of the debt would likely be entitled to the first proceeds of the sale of our assets and the holders of our equity securities may lose some or all of their investment.

***Our use of debt financing could have a material adverse effect on our financial condition.***

In addition to the existing defaults under the Secured Credit Facility, we are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required principal and interest payments and the long-term risk that we will be unable to refinance that indebtedness, or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. If our debt cannot be paid, refinanced or extended, we may be required to divest our assets or file for bankruptcy. Further, if prevailing interest rates or other factors at the time of a refinancing result in higher interest rates or other restrictive financial covenants, then such refinancing would adversely affect our cash flow and funds available for operation and development of our assets and properties.

We are also subject to financial covenants under the Secured Credit Facility. These covenants generally require us to satisfy certain financial ratios related to our oil and gas reserves and debt to earnings, and prohibit us without the lenders' consent from, among other things, incurring additional indebtedness or making loans to any third party, other than trade debt incurred in the ordinary course of business or selling, leasing, or otherwise disposing of any material amount of assets. Failure to comply with these covenants could result in a further default.

***Our estimates of oil and gas reserves involve inherent uncertainty, which could materially affect the quantity and value of our reported reserves and our financial condition.***

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and cash flows attributable to such unconventional resource reserves, including factors beyond our reserve engineers' control. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to such reserves, is a function of the available data, assumptions regarding future oil and gas prices, expenditures for future development and exploration activities, engineering and geological interpretations and judgment. In addition, accurately estimating reserves in unconventional resources such as the shale and tight sand formations, of the Niobrara and Codell, can be even more difficult than estimating reserves in more traditional hydrocarbon-bearing formations given the complexities of the projected decline curves and economics of unconventional oil and gas resource wells.

As such, investors should not place undue reliance on these estimates contained in this report. Reserves and future cash flows may be subject to material downward or upward revisions, based upon production history, development and exploration activities and prices of oil and gas. In addition, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Due to our smaller volume of reserves compared to our competitors, revisions in reserve estimates and future cash flows have a greater chance of being material to us.

***Legislation pending in the Colorado legislature and a recent permitting moratorium in Adams County may have an adverse effect on our ability to raise capital and develop our oil and gas properties.***

The Colorado legislature, the State all of our properties are located in, has proposed legislation that would significantly affect oil and gas development in the state. Among other things, that legislation would revise the mandate of the COGCC from one of primarily fostering oil and gas development to one of ensuring the health, safety and environment of the State's citizens. The proposed legislation, if adopted in its present form, would also revamp the composition of the COGCC to include more health and safety advocates and less industry advocates. In addition, the legislation could allow the COGCC to refuse to issue new permits until final rules are adopted consistent with the new legislation. This legislation is presently making its way through the legislature and there is no assurance that it will be adopted in its present form, or at all. However, if past in some form, the governor of the state has promised to sign the legislation. In response to the proposed legislation, in March, 2019 Adams County has imposed a six-month moratorium on new permits while the legislation is considered. If this legislation is approved in its present form, it could have a significant and adverse effect on oil and gas development in the State, especially on development in proximity to residential and other sensitive areas. This legislation and the Adams County moratorium may also have a chilling effect on our ability to raise capital, as bankers and other investors seek to evaluate the effect of the pending legislation on our properties and future prospects.

***We may experience a change in control and our officers and/or directors may be replaced.***

It is possible that in connection with a refinancing or other restructuring of our debt to improve our liquidity, we would have to issue additional common stock or new preferred stock and that the issuance of this stock may give the new shareholders control of our board of directors. We are unable to determine at this time who these investors might be or who might be appointed to our board. Investors in our common stock will be unable to evaluate the new directors until such time, if ever, they are formally appointed.

***Oil and gas wells are depleting assets and our failure or inability to reinvest in additional wells will lead to reduced production.***

Our ability to invest additional amounts in new wells and additional acreage is a function of the availability of capital. If we are unable to obtain that capital in amounts sufficient to allow for additional investment, our existing and contemplated production will eventually diminish. This may lead to a drop in the price of our stock, and investors may lose all or part of their investment.

***The due diligence undertaken by us in connection with recent acquisitions may not have revealed all relevant considerations or liabilities related to those assets, which could have a material adverse effect on our financial condition or results of operations.***

The due diligence undertaken by us in connection with the acquisition of our properties may not have revealed all relevant facts that may be necessary to evaluate such acquisitions. The information provided to us in connection with our diligence may have been incomplete or inaccurate. As part of the diligence process, we have also made subjective judgments regarding the results of operations and prospects of the assets. If the due diligence investigations have failed to correctly identify material issues and liabilities that may be present, such as title defects or environmental problems, we may incur substantial impairment charges or other losses in the future. In addition, we may be subject to significant, previously undisclosed liabilities that were not identified during the due diligence processes and which may have a material adverse effect on our financial condition or results of operations.

***We have granted PEO the option to participate in certain of our acreage acquisitions.***

On May 13, 2015, we entered into a participation agreement with PEO which has been amended on two subsequent occasions. Under the terms of the original participation agreement, we assigned an undivided 50% interest to our right, title and interest in our then-existing leases in our Todd Creek Farms prospect and granted PEO the right to acquire up to 50% of other acquisitions within an area of mutual interest, or AMI. The Participation Agreement was subsequently amended to provide an option to another affiliate of PEO, potentially reducing our retained interest in any properties to 50%. The AMI covers all of our Southern Core area and part of our other properties. To date, PEO has exercised its option to participate in all of our acreage acquisitions.

***We have limited management and staff and are dependent upon partnering arrangements and third-party service providers.***

We currently have 11 employees, including our Chief Executive Officer, President, Chief Financial Officer and Chief Operating Officer. The loss of any of these individuals would have an adverse effect on our business, as we have very limited personnel. We leverage the services of other independent consultants and contractors to perform various professional services, including engineering, oil and gas well planning and supervision, and land, legal, environmental and tax services. We also pursue alliances with partners in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. Our dependence on third-party consultants and service providers create a number of risks, including but not limited to:

- the possibility that such third parties may not be available to us as and when needed; and
- the risk that we may not be able to properly control the timing and quality of work conducted with respect to its projects.

If we experience significant delays in obtaining the services of such third parties or they perform poorly, our results of operations and stock price could be materially adversely affected.

***The proceeds from the recent sale of all of our non-operated oil and gas assets have been paid to our Secured Lenders and applied to the outstanding balance on our Secured Credit Facility and will not be available to pay any of our vendors or the olders of any other accrued liabilities.***

Under the terms of the Secured Credit Facility, we were obligated to obtain the consent of our Secured Lenders to sell the non-operated assets. As a condition of that consent, the Secured Lenders required that the proceeds of the sale be paid to an account controlled by them, and that we grant the Secured Lenders a security interest in the proceeds. Following the sale, the Secured Parties notified us that they had applied the proceeds of the sale against the amounts that they deemed outstanding under the Secured Credit Facility. As a result, we are unable to use those proceeds to pay our vendors or the holders of any other accrued liabilities. Some of those vendors have filed mechanic's liens against our property interests as a result of our failure to pay the amounts due to the vendors. If the amounts due giving rise to those liens are not paid prior to the expiration of the liens, the vendors may foreclose the liens and attempt to sell some of our properties. The vendors may also put us on cash terms for future transactions, severely restricting our ability to conduct business in the ordinary course.

***Competition in the oil and natural gas industry is intense and many of our competitors have resources that are substantially greater than ours.***

Our industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil, natural gas and NGLs, but also purchase and transport hydrocarbons, carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies are able to attract more capital and pay more for productive properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to raise capital and evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, larger companies have a greater ability to continue exploration activities during periods of low commodity prices. Larger competitors are also able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which could adversely affect our competitive position. These factors could adversely affect the success of our operations and our profitability.

***We are concentrated in one geographic area, which increases our exposure to many of the risks enumerated herein.***

Operating in a concentrated area increases the potential impact that many of the risks stated herein may have upon our ability to perform. For example, we have greater exposure to regulatory actions impacting Colorado, natural disasters in the geographic area, competition for equipment, services and materials available in the area and access to infrastructure and markets. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and gas producing areas such as the DJ Basin, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

***Our ability to sell any production and/or receive market prices for our production has in the past and may in the future be adversely affected by a lack of transportation, capacity constraints and interruptions.***

The marketability of any production from any of our properties depends in part upon the availability, proximity and capacity of third-party refineries, natural gas gathering systems and processing facilities. We currently deliver most of the oil and natural gas produced from our properties through pipelines that we do not own and expect to do so in the future. The availability of delivery capacity in these pipelines is in part dependent on the market price for oil and natural gas, as higher prices will attract additional production, which in turn will take up capacity in these systems. The lack of availability or capacity of these systems and facilities could reduce the price offered for any production or result in the shut-in of producing wells or the delay or discontinuance of development plans for properties. In addition to capacity constraints, we have been significantly affected by interruptions in operation of these gathering systems and processing facilities and may be affected in the future. Since we do not own these systems, we cannot control their operation.

***We are not required to obtain an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002 until we are no longer an emerging growth company.***

For so long as we remain an emerging growth company as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to obtain the auditor attestation of our assessment of our internal controls. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting. We will remain an "emerging growth company" until the earliest to occur of (1) the last day of the fiscal year during which our total annual revenues equal or exceed \$1.0 billion (subject to adjustment for inflation), (2) the last day of the fiscal year during which occurs the fifth anniversary of our initial public offering, (3) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt, or (4) the date on which we are deemed a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Once we are no longer an emerging growth company, compliance with Section 404(b) will be costly.

***Colorado law and our Articles of Incorporation may protect our directors from certain types of lawsuits at the expense of the shareholders.***

The laws of the State of Colorado provide that directors of a corporation shall not be liable to the corporation or its shareholders for monetary damages for all but limited types of conduct. Our Articles of Incorporation permit us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing shareholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances.

## Risks Relating to the Energy Production and/or Distribution Industry

***Oil and natural gas exploration and development are affected by fluctuations in oil and natural gas prices, and low prices could have a material adverse effect on the future of our business.***

In addition to our efforts to raise capital, our future success will depend largely on the prices received for any oil or natural gas production. Prices received also will affect the amount of future cash flow available for capital expenditures and may affect the ability to raise additional capital. Lower prices affect the amount of oil and natural gas that can be commercially produced from reserves either discovered or acquired. Lower prices may also make it uneconomical to drill in certain areas.

The prices for oil and natural gas have been volatile since 2014, with a high over \$100.00 per barrel in June 2014 and to lows below \$30.00 per barrel in 2016 based on West Texas Intermediate (WTI) Crude Oil, as quoted on NYMEX. Prices for natural gas have also been volatile. On April 2, 2019, the price of WTI was \$62.61 per barrel and Henry Hub Natural gas was \$2.69 per MMBtu. Our revenue, results of operation, cash flows, liquidity and reserve estimates depend to a large part on the price of oil and gas. Factors that can cause price fluctuations include:

- the level of consumer product demand;
- the domestic and foreign supply of oil and natural gas;
- consumer perception and the availability of alternative energy sources;
- refinery capacity;
- domestic and foreign governmental regulations;
- actions by other producers, including the Organization of the Petroleum Exporting Countries (OPEC);
- political and ethnic conflicts in oil and natural gas producing regions;
- the price of foreign imports; and
- overall economic conditions.

***If we do not hedge our exposure to reductions in oil and natural gas prices, we may be subject to significant reductions in price. Alternatively, we may use oil and natural gas price hedging contracts, which involve credit risk and may limit future revenues from price increases and result in significant fluctuations in our profitability.***

We may use hedging transactions with respect to a portion of our oil and natural gas production to achieve more predictable cash flow and to reduce our exposure to price fluctuations. While the use of hedging transactions limits the downside risk of price declines, their use also may limit future revenues from price increases. Hedging transactions also involve the risk that the counterparty may be unable to satisfy its obligations. Alternatively, in the event that we choose not to hedge, our exposure to reductions in oil and natural gas prices by purchasing futures and by using other hedging strategies, we may be subject to significant reduction in prices which could have a material negative impact on our profitability.

***We identified locations scheduled to be drilled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.***

Our management team has identified drilling locations in our operating areas scheduled over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by regulators, seasonal conditions, oil and natural gas prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this report as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Due to these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all. Our actual drilling activities may be materially different from our current expectations, which could adversely affect our business, financial condition and results of operations.

***We may face difficulties in securing and operating under authorizations and permits to drill, complete or operate our wells.***

Oil and gas exploration in the United States has drawn intense scrutiny from environmental and community interest groups, regulatory agencies and other governmental entities. As a result, we may face significant opposition to, or increased regulation of, our operations that may make it difficult or impossible to obtain permits and other needed authorizations to drill, complete or operate, result in operational delays, or otherwise make oil and gas exploration more costly or difficult than in other countries.

***The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect our ability to execute exploration and development plans within the established budget and on a timely basis.***

Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect development and exploration operations or cause us to incur significant expenditures that are not provided for in our capital budget, which could have a material adverse effect on our business, financial condition or results of operations. Increased drilling or completion costs may not be fully offset by increases in the price received for oil and gas.

***Our operations are subject to health, safety and environmental laws and regulations which may expose us to significant costs and liabilities, and which may not be covered by insurance.***

Our oil and natural gas exploration is subject to stringent and complex federal, state and local laws and regulations governing health and safety aspects of our operations, the discharge of materials into the environment and the protection of the environment. These laws and regulations impose on our operations numerous requirements, including the obligation to obtain a permit before conducting drilling activities; restrictions on the types, quantities and concentration of materials that may be released into the environment; limitations or prohibitions of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; specific health and safety criteria to protect workers; and the responsibility for cleaning up any pollution resulting from operations. Numerous governmental authorities such as the EPA and analogous state agencies have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly actions. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties; the imposition of investigatory or remedial obligations; the issuance of injunctions limiting or preventing some or all of our proposed operations; and delays in granting permits or cancellation of leases.

Under certain environmental laws and regulations, we may be liable regardless of whether we were at fault for the full cost of removing or remediating contamination, even when multiple parties contributed to the release and the contaminants were released in compliance with all applicable laws. In addition, accidental spills or releases on our properties may expose us to significant liabilities that could have a material adverse effect on our financial condition or results of operations, and which may not be covered by insurance. Aside from government agencies, the owners of properties where our wells are located, the operators of facilities where our petroleum hydrocarbons or wastes are expected to be taken for reclamation or disposal and other private parties may be able to sue us to enforce compliance with environmental laws and regulations, collect penalties for violations or obtain damages for any related personal injury or property damage. Some sites are located near current or former third-party oil and natural gas operations or facilities, and there is a risk that contamination has migrated from those sites to ours. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly material handling, emission, waste management or cleanup requirements could require us to make significant expenditures to attain and maintain compliance or may otherwise have a material adverse effect on our own results of operations, competitive position or financial condition. We may not be able to recover some or any of these costs from insurance.

***Federal, state, and local legislative and regulatory initiatives relating to oil and gas production, including hydraulic fracturing, as well as government reviews of such activities, could result in increased costs, additional operating restrictions or delays, and adversely affect our production and/or ability to book future reserves.***

Hydraulic fracturing involves the injection of water, sand or other proppants, and chemical additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the proppant, enabling the oil or natural gas to flow to the wellbore. The process is typically regulated by state oil and natural gas commissions; however, the EPA asserted federal regulatory authority over certain hydraulic-fracturing activities involving diesel fuel under the Safe Drinking Water Act. In addition, the COGCC has adopted (and other states have adopted or are considering adopting) regulations that impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. Further, on February 23, 2014, Colorado's Air Quality Control Commission fully adopted EPA's Standards of Performance for Crude Oil and Natural Gas Production, Transmission, and Distribution; adopted corresponding revisions to its emissions reporting and permitting framework; and adopted complimentary oil and gas control measures. These regulations will affect our operations, increase our costs of exploration and production and limit the quantity of oil and natural gas that we can economically produce to the extent that we use hydraulic fracturing.

Effective March 22, 2016, Adams County adopted new amendments to the county's oil and gas regulatory process. The new regulations include an enhanced administrative review process, which may increase our costs or delay our drilling program.

In the event that additional regulations or legal restrictions at the federal, state or local level are adopted related to oil and gas production, hydraulic fracturing or other development activities in the areas in which we currently or in the future plan to operate, we may incur additional costs to comply with such requirements that may be significant in nature, and also could become subject to additional permitting and siting requirements and cause us to experience added delays or curtailment in the pursuit of exploration, development, or production activities. Furthermore, these additional costs may put us at a competitive disadvantage compared to larger companies in the industry which can spread such additional costs over a greater number of wells and larger operating staff.

**Legislative and regulatory initiatives related to global warming and climate change could have an adverse effect on our operations and the demand for oil and natural gas.**

In December 2009, the EPA determined that emissions of carbon dioxide, methane and other “greenhouse gases,” or GHG, present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth’s atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act. The EPA recently adopted two sets of rules regulating greenhouse gas emissions under the Clean Air Act, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources. The EPA has also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States on an annual basis, including petroleum refineries, as well as certain onshore oil and natural gas production facilities.

On March 10, 2016, the EPA announced that it is moving towards issuing performance standards for methane emissions from existing oil and gas sources. The agency said that it will “begin with a formal process (*i.e.*, an Information Collection Request) to require companies operating existing oil and gas sources to provide information to assist in the development of comprehensive regulations to reduce methane emissions.” On May 12, 2016, the EPA issued regulations (effective August 2, 2016) that build on the existing New Source Performance Standards, or the NSPS OOOO, promulgated by the EPA in 2012, as amended in 2013 and 2014. The regulations directly regulate methane and volatile organic compound, or VOC, emissions from various types of new and modified oil and gas sources. Some of those sources are already regulated under NSPS OOOO, while others, like hydraulically fractured oil wells, pneumatic pumps, and certain equipment and components at gas well sites and compressor stations, will be covered for the first time.

In addition, the U.S. Congress has from time to time considered adopting legislation to reduce GHG emissions and almost one-half of the states have already taken legal measures to reduce GHG emissions, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Most of these GHG cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is reduced each year in an effort to achieve the overall GHG emission reduction goal.

The adoption of legislation or regulatory programs to reduce GHG emissions could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil, natural gas liquids, and natural gas we produce. Consequently, legislation and regulatory programs to reduce GHG emissions could have an adverse effect on our business, financial condition and results of operations. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHG in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

***We may not be able to keep pace with technological developments in the industry.***

The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage or competitive pressures may force us to implement those new technologies at substantial costs. In addition, other oil and natural gas companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we are in a position to do so. We may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies used now or in the future were to become obsolete or if we are unable to use the most advanced commercially available technology, the business, financial condition, and results of operations could be materially adversely affected.

***We may incur losses as a result of title deficiencies.***

We own working and revenue interests in oil and natural gas leasehold interests. The existence of a material title deficiency can render a lease worthless and can adversely affect our results of operations and financial condition. Title insurance covering mineral leaseholds is not generally available, and, in many instances, we forego the expense of retaining lawyers to examine the title to the mineral interest to be placed under lease or already placed under lease until the drilling block is assembled and ready to be drilled. As is customary in our industry, we rely upon the judgment of oil and natural gas lease brokers, in-house landmen or independent landmen who perform the field work in examining records in the appropriate governmental offices and abstract facilities before attempting to acquire or place under lease a specific mineral interest. We do not always perform curative work to correct deficiencies in the marketability of the title to us. In cases involving serious title problems, the amount paid for affected oil and natural gas leases can be lost, and the target area can become undrillable. We may be subject to litigation from time to time as a result of title issues.

***The oil and natural gas business involves many operating risks that can cause substantial losses.***

The oil and natural gas business involves a variety of operating risks, including:

- fires;
- explosions;
- blow-outs and surface cratering;

- uncontrollable flows of underground natural gas, oil or formation water;
- natural disasters;
- pipe and cement failures;
- casing collapses;
- embedded oilfield drilling and service tools;
- abnormal pressure formations; and
- environmental hazards such as natural gas leaks, oil spills, pipeline ruptures or discharges of toxic gases.

If any of these events occur, we could incur substantial losses as a result of:

- injury or loss of life;
- severe damage to and destruction of property, natural resources or equipment;
- pollution and other environmental damage;
- clean-up responsibilities;
- regulatory investigation and penalties;
- suspension of our operations; or
- repairs necessary to resume operations.

If we were to experience any of these problems, it could affect well bores, gathering systems and processing facilities, any one of which could adversely affect our ability to conduct operations. We may be affected by any of these events more than larger companies, since we have limited working capital. We currently have general liability insurance with a combined single limit per occurrence of not less than \$1.0 million for bodily injury and property damage and a combined occurrence limit of \$2.0 million, an excess umbrella liability policy for up to \$5.0 million, and control of well insurance with limits of \$5.0 million for any one occurrence. For other risks, however, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could adversely affect operations and/or our financial condition. Moreover, we may not be able to maintain adequate insurance in the future at rates considered reasonable.

#### **Risks Related to Our Common Stock**

***The price of our common stock may be volatile or may decline and you may have difficulty reselling any shares of our common stock.***

Our common stock currently trades on the OTCQB Marketplace with very limited daily trading volume. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- the limited trading market in our common stock;
- commodity prices in general, and the price of oil in particular;
- regulatory developments, including new permitting regulations in Colorado;
- the success of our development efforts;
- our ability to successfully implement our business plan;
- failure to meet our revenue or profit goals or operating budget;
- decline in demand for our common stock;
- sales of additional amounts of common stock;

- downward revisions in securities analysts' estimates or changes in general market conditions;
- investor perception of our industry or our prospects; and
- general economic trends.

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to resell their shares at a fair price.

***The sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

Substantially all of our outstanding common stock is currently available for resale under applicable securities laws. In addition, we have a significant amount of common stock that can be issued under outstanding warrant, options or convertible debt, and we are obligated to register that common stock for resale. Our common stock is currently thinly-traded and it is likely that market sales of large amounts of common stock (or the potential for those sales even if they do not actually occur) could cause the market price of our common stock to decline, which may make it difficult to sell our common stock in the future at a time and price which we deem reasonable or appropriate and may also cause investors to lose all or a part of their investment.

***A small number of existing shareholders own a significant amount of our common stock, which could limit your ability to influence the outcome of any shareholder vote.***

Our executive officers, directors, and certain beneficial owners would own approximately 70% of our common stock if the debtholders exercised certain conversion rights outstanding as of the date of this report. Under our Articles of Incorporation and Colorado law, the vote of a majority of the shares outstanding is required to approve certain shareholder action, such as the approval of a merger or share exchange. As a result, these individuals, if some convertible debt is converted, would control the outcome of shareholder votes on these matters for the foreseeable future, including votes concerning the election of directors, amendments to our Articles of Incorporation or proposed mergers or other significant corporate transactions. We have no existing agreements or plans for mergers or other corporate transactions that would require a shareholder vote at this time. However, shareholders should be aware that they may have limited ability to influence the outcome of any vote in the future.

***Since our common stock is not presently nor expected to be listed on a national securities exchange, trading in our shares will likely be subject to rules governing "penny stocks," which will impair trading activity in our shares.***

Our common stock is currently subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. Those disclosure rules applicable to penny stocks require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized disclosure document required by the SEC. These rules also require a cooling off period before the transaction can be finalized.

In addition, FINRA rules require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit the ability to buy and sell our stock and have an adverse effect on the market value for our shares. Many brokers may be unwilling to engage in transactions in our common stock because of the added disclosure requirements and applicable FINRA requirements, thereby making it more difficult for stockholders to dispose of their shares.

***If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Further, we are required to report any changes in internal controls on a quarterly basis. In addition, we are required to furnish a report by management on the effectiveness of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. If we identify material weaknesses in our internal control over financial reporting or are unable to assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of the common stock could be negatively affected. A weakness in internal control could also result in a restatement of our consolidated financial statements, which could have a material adverse effect on the trading price of our stock.

***Issuance of our stock in the future could dilute existing shareholders and adversely affect the market price of our common stock.***

We have the authority to issue up to 210,000,000 shares of stock, including 200,000,000 shares of common stock and 10,000,000 shares of preferred stock, and to issue options and warrants to purchase shares of our common stock. We are authorized to issue significant amounts of common stock in the future, subject only to the discretion of our Board. These future issuances could be at values substantially below the price paid for our common stock by investors. In addition, we could issue large blocks of our stock to fend off unwanted tender offers or hostile takeovers without further shareholder approval. Because the trading volume of our common stock is relatively low, the issuance of our stock may have a disproportionately large impact on its price compared to larger companies.

***The issuance of preferred stock in the future could adversely affect the rights of the holders of our common stock.***

An issuance of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over the common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve.

***We have never paid dividends on our common stock and we do not anticipate paying any in the foreseeable future.***

We have not paid dividends on our common stock to date, and it is unlikely that we will pay dividends for the foreseeable future. The provisions of the Secured Credit Facility prohibit the payment of dividends without the approval of the Secured Lenders, and it is unlikely that the Lenders would approve any dividends so long as the debt is outstanding. Our ability to pay dividends will also depend on our ability to successfully develop our business plan and generate additional revenue from operations. Further, our initial earnings, if any, will likely be retained to finance our operations. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

In this report, references to "PetroShare," the "Company," "we," "us," and "our" refer to PetroShare Corp., the Registrant. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "will," "would," and similar words or expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies, and there can be no assurance that such statements and information will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and information. We caution you not to put undue reliance on these statements, which speak only as of the date of this report. Further, the information contained in this document or is a statement of our present intention and is based on present facts and assumptions, and may change at any time and without notice, based on changes in such facts or assumptions. Readers should not place undue reliance on forward-looking statements.

The important factors that could affect the accuracy of forward-looking statements and prevent us from achieving our stated goals and objectives include, but are not limited to information set forth under "Risk Factors" and the following:

- changes in the general economy affecting the disposable income of the public;
- changes in environmental law, including federal, state and local legislation;
- changes in drilling requirements imposed by state or local laws or regulations;
- terrorist activities within and outside the United States;
- technological changes in the crude oil and natural gas industry;
- acts and omissions of third parties over which we have no control;
- inflation and the costs of goods or services used in our operation;
- access and availability of materials, equipment, supplies, labor and supervision, power, and water;
- interpretation of drill hole results and the uncertainty of reserve estimates;
- the availability of sufficient pipeline and other transportation facilities to carry our production and the impact of these facilities on price;
- the level of demand for the production of crude oil and natural gas;
- changes in our business strategy;

- potential failure to achieve production from development drilling projects; and
- capital expenditures.

Those factors discussed above and elsewhere in this report are difficult to predict and expressly qualify all oral and written forward-looking statements attributable to us or persons acting on our behalf. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not have any intention or obligation to update forward-looking statements included in this report after the date of this report, except as required by law. The preceding outlines some of the risks and uncertainties that may affect our forward-looking statements.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 3. LEGAL PROCEEDINGS**

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. No legal proceedings, government actions, administrative actions, investigations, or claims are currently pending against us or our officers and directors in which we are adverse.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

##### **Market Information**

Since November 23, 2015, our common stock has been quoted on the OTCQB of OTCLink under the symbol "PRHR." Prior to that date, there was no trading market for our common stock.

On April 2, 2019, the high and low sales price of our common stock on the OTCQB were \$0.38 and \$0.36, respectively.

Because our common stock is thinly traded and is not listed on a national securities exchange, the price for our common stock may be highly volatile and may bear no relationship to our actual financial condition or results of operations. Factors that we discuss in this report, including the many risks associated with our stock, may have a significant impact on the market price of our common stock. The market for our common stock will be affected by the offer and sale of our common stock by existing securities holders.

##### **Holders of our Common Stock**

As of April 2, 2019, we have outstanding 28,077,337 shares of common stock and approximately 162 holders of record of our common stock.

##### **Transfer Agent**

We have appointed Corporate Stock Transfer, Inc. of Denver, Colorado to be our transfer agent. Its address is 3200 Cherry Creek Drive South, #430, Denver, Colorado 80209 and its telephone number is 303-282-4800.

##### **Penny Stock Rules**

Due to the price of our common stock, as well as the fact that our stock is not listed on a national securities exchange, our stock is characterized as a "penny stock" under applicable securities regulations. As a result, we are subject to rules adopted by the SEC and FINRA regulating broker-dealer practices in connection with transactions in penny stocks. The broker or dealer proposing to effect a transaction in a penny stock must furnish the customer with a document containing information prescribed by rule and obtain from the customer an executed acknowledgment of receipt of that document. Also, because of the relatively low trading price of our common stock, many brokerage firms may be unwilling to effect transaction in our common stock.

The broker or dealer must also provide the customer with pricing information regarding the security prior to the transaction and with the written confirmation of the transaction. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction and with the written confirmation of the trade. The broker or dealer must also send an account statement to each customer for which he has executed a transaction in a penny stock each month in which such security is held for the customer's account. The existence of these rules may have an adverse effect on the price of our stock, and the willingness of certain brokers to effect transactions in our stock.

#### **Dividend Policy**

We have never declared or paid dividends on our common stock and we do not expect to pay any in the near future. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including the terms of any credit arrangements, our financial condition, operating results, current and anticipated cash needs and plans for expansion. Any earnings in the foreseeable future likely will be reinvested into our company. At the present time, the Secured Credit Facility limits our ability to pay dividends.

#### **ITEM 6. SELECTED FINANCIAL DATA**

Not required for smaller reporting companies.

#### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

##### **Overview**

The following discussion summarizes our plan of operation as of April 2, 2019 for the next twelve months and the related anticipated capital expenditures. It also analyzes (i) our financial condition at December 31, 2018 and compares it to December 31, 2017, and (ii) our results of operations for the years ended December 31, 2018 and 2017. The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and related notes and with the understanding that the actual future results may be materially different from what we currently expect.

As an oil and natural gas exploration and production company, our revenue, results of operation, cash flow from operations, reserve values, access to capital and future rate of growth are influenced by the prevailing prices of oil and natural gas. Changes in prices can affect, both positively and negatively, our financial condition, liquidity, ability to obtain financing, operating results, and the amount of oil and natural gas that we choose to produce. Prevailing prices for such commodities fluctuate in response to changes in supply and demand and a variety of additional factors beyond our control, such as global, political and economic conditions. The price received for oil and natural gas production is unpredictable, and such volatility is expected. All of our production is sold at market prices and, therefore, the amount of revenue that we realize, as well as our estimates of future revenues, is to a large extent determined by factors beyond our control.

Under the terms of the participation agreements covering our prospects and operating agreements with other third-party operators, we are required to pay our proportionate share of the costs of any wells in which we participate. In exchange, we are entitled to a proportionate share of the revenue, net of related expenses. Accordingly, the ultimate success of our business plan depends on our ability to generate sufficient cash flow from the sale of produced crude oil and natural gas from our interest in the leases to pay our overhead, outstanding liabilities and costs of future acquisitions and development.

We cannot fully determine what impact the volatility in crude oil and natural gas prices may have on our ongoing operations and future operations if such volatility continues into the future. Our decision on whether to drill and complete wells is based on both the prevailing commodity prices and the cost to drill such wells. Our ability to acquire financing and/or properties, drill wells, identify working interest and/or industry partners may all be negatively impacted by downward fluctuations in the price of oil and gas.

##### **Going Concern**

As described in the notes to our consolidated financial statements and the report of the independent registered public accounting firm accompanying those consolidated financial statements, there is substantial doubt about our ability to continue as a going concern. The uncertainty is based on our substantial current liabilities, negative working capital, accumulated deficit and limited cash flow, among other things, which existed as of December 31, 2018. We are dependent on improving cash flow and obtaining funding from the sale of debt or equity to continue as a going concern.

At December 31, 2018 we had a cash balance of approximately \$2.6 million and other current assets of approximately \$29.6 million including assets held for sale of \$16.1 million, resulting in negative working capital of \$32.9 million. We had net losses, including non-cash charges, of \$17.3 million and \$10.8 million for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 we were obligated to repay \$9.4 million in principal plus accrued interest on our outstanding convertible promissory notes, which payment we did not make. The convertible notes are currently in default. We are in default under the terms of our Senior Secured Credit Facility and as a result \$29.9 million including the outstanding principal and accrued interest and penalties are due. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. Some of our accounts payable obligations to vendors are past the due date and some of those vendors have filed liens or indicated an intent to liens against certain of our assets. The net proceeds from the sale of our non-operated assets in February 2019 have been applied by our Secured Lenders to amounts allegedly outstanding under the Secured Credit Facility. We will need to generate additional cash flow from operations and sell equity or debt to fund further drilling and acquisition activity and pay our existing obligations. If sufficient cash flow and additional financing is not available, we may be compelled to reduce the scope of our business activities and/or sell a portion of our interests in our oil and gas properties. This, in turn, may have an adverse effect on our ability to realize the value of our assets. These factors raise substantial doubt about our ability to continue as a going concern.

### Plan of Operation and Expected Capital Expenditures

Our plan of operation for the next twelve months is to drill and complete 8 wells on our Brighton lakes pad. However, our ability to achieve this objective is subject to receipt of additional capital. If we are successful in raising additional capital by means of an equity financing in 2019, we may pursue another operated drilling program. Our goal is to increase the value of our company by selective deployment of capital in what we believe to be an attractive area in a premier oil and gas field.

Subject to the availability of additional capital and final permitting, we expect to spend \$13.5 million to drill and complete 8 wells on our Brighton Lakes pad. We expect to begin drilling in the Spring of 2019 and expect that these wells are fully producing by December 2019, adding significantly to our revenue. We also intend to monitor the production from our operated Shook pad and vertical wells in order to determine whether production rates could be improved through work overs or by other means.

### Results of Operations for the Year Ended December 31, 2018 Compared to December 31, 2017

The following provides selected operating results and averages for the years ended December 31, 2018 and 2017:

	For the year ended	
	December 31,	
	2018	2017
Revenue		
Crude Oil	\$ 16,809,145	\$ 8,719,793
Natural Gas	2,456,927	1,525,833
NGLs	1,137,896	861,948
Total revenue	\$ 20,403,968	\$ 11,107,574
Total operating expense <sup>(1)</sup>	\$ 4,147,762	\$ 1,715,616
Depletion, depreciation and amortization expense	\$ 7,067,729	\$ 2,836,891
Interest expense	\$ 13,074,289	\$ 9,293,782
General and administrative expense	\$ 4,155,651	\$ 6,205,412
Net (loss)	\$ (17,307,747)	\$ (10,847,379)
Sales volume <sup>(2)(3)</sup>		
Crude Oil (Bbls)	287,984	188,529
Natural Gas (Mcfs)	773,396	549,846
NGLs (Bbls)	55,811	50,111
BOE	472,694	330,281
Average sales price		
Crude Oil (per Bbl)	\$ 58.37	\$ 46.25
Natural Gas (per Mcf)	\$ 3.18	\$ 2.78
NGLs (per Bbl)	\$ 20.39	\$ 17.20
BOE	\$ 43.17	\$ 33.63
Average per BOE		
Production cost	\$ 5.65	\$ 2.95
Total operating expense <sup>(1)</sup>	\$ 8.77	\$ 5.19
Depletion, depreciation and amortization expense	\$ 14.95	\$ 8.59

(1) Total operating expense (oil and gas production costs, including production taxes).

(2) Estimates are inherent in reported volumes to coincide with revenue accruals as a result of the timing of sales information reporting by third-party operators.

(3) Sales volumes are based upon crude oil, natural gas and NGL's sold or accrued during the period and differ from crude oil, natural gas and NGL's produced during the period.

(4) Averages calculated based upon non-rounded figures.

**Overview:** Fiscal 2018 was our second year of meaningful revenue, as we realized revenue from the non-operated horizontal wells in which we participated and revenue from our first operated horizontal wells. The 14 mid-length lateral wells on the Shook Pad commenced commercial production during the third quarter of 2018. However, for the year, we realized a net loss of \$17.3 million, including non-cash charges, or \$0.62 per share, compared to a net loss of \$10.8 million, or \$0.46 per share, for the year ended December 31, 2017. Production from the Shook Pad wells was periodically interrupted due to problems with the gathering pipeline into which we deliver our oil, adversely affecting our revenue for the year. In addition to the interruption in production, the increase in net loss of \$6.5 million for the year ended December 31, 2018 resulted primarily from a significant increase in impairment charges, interest expense, depletion, depreciation and amortization and other non-cash expenses including amortization of debt discount associated with our Secured Credit Facility. We expect to continue operating at a loss until cash flow from the wells in which we have an interest is sufficient to cover operating costs, interest expenses, general and administrative and other expenses.

**Revenue:** Crude oil, natural gas and NGL sales revenue increased \$9.3 million for the year ended December 31, 2018, to \$20.4 million, from \$11.1 million for the year ended December 31, 2017, attributable to increased production volume and higher oil and natural gas commodity prices. Crude oil, natural gas and NGL sales volumes increased by 142,413 BOE for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase, in turn, was primarily the result of production from the completion of 14 operated wells during 2018 in which we have an average net revenue interest of 39%, coupled with the completion of 14 non-operated wells. Our production in 2017 was solely from crude oil, natural gas and NGLs produced from vertical wells that we acquired during 2016 and the completion of 7 non-operated wells that were put on production in the in late 2016 and in 2017.

For the year ended December 31, 2018, our average sales price for oil was \$58.37 per Bbl compared to \$46.25 per Bbl for the year ended December 31, 2017, due to higher average oil spot prices during 2018. Overall, the increase in the average price per BOE of \$9.53, or 28.3%, results primarily from increased sales volumes coupled with blended higher sales prices during the year ended December 31, 2018.

**Operating Expense:** Operating expense is comprised of the following items:

	Year ended December 31,	
	2018	2017
Lease operating costs	\$ 1,415,453	\$ 722,799
Production taxes	1,475,866	742,787
Transportation and other costs	1,256,443	250,030
Total	<u>\$ 4,147,762</u>	<u>\$ 1,715,616</u>

Total operating expense increased in 2018 commensurate with increased production. This reflects our operated and additional non-operated properties coming online in 2018, while 2017 primarily reflects the operations of legacy vertical wells and a smaller number of non-operated wells.

Lease operating costs, or LOE, per BOE was \$2.99 for the year ended December 31, 2018, compared to \$2.19 for the year ended December 31, 2017. As a percent of crude oil, natural gas and NGL sales revenue, routine LOE was 6.94% for the year ended December 31, 2018, compared to 6.51% for the year ended December 31, 2017. Production taxes for the year ended December 31, 2018 amounted to \$1.5 million as compared to \$0.7 million for the year ended December 31, 2017.

Overall operating costs (crude oil, natural gas and NGL operating costs excluding production taxes) per BOE was \$5.65 for the year ended December 31, 2018, compared to \$2.95 for the year ended December 31, 2017.

**Depletion, depreciation and amortization expense:** Depletion, depreciation and amortization increased by \$4.3 million in 2018, from \$2.8 million for the year ended December 31, 2017 to \$7.1 million for the year ended December 31, 2018. The increase was the result of increased production volumes related to wells coming online during the 2018 period, partially offset by an increase in our reserves.

**Impairment expense:** During 2018, we recognized an impairment expense of \$9.9 million related to the sale of our non-operated assets on February 27, 2019. This impairment resulted from the sale of our non-operated assets in February 2019 and our determination that the net unamortized costs of the assets exceeded the proceeds from the sale. We incurred no comparable expense during 2017.

**Interest expense:** During 2018, we recognized interest expense of \$13.1 million compared to \$9.3 million for the year ended December 31, 2017. The interest expense recognized 2018 relates to the interest on our Secured Credit Facility, our unsecured convertible notes, the amortization of debt discounts and accrued default interest and penalties related to our technical defaults under the Secured Credit Facility. During the year ended December 31, 2017, interest expense primarily related to advances on our two lines of credit and our convertibles notes payable.

The following table presents the components of interest expense for the years ended December 31:

	2018	2017
Interest incurred at the contract rate	\$ 5,434,231	\$ 2,004,041
Default interest	312,500	—
Make whole premium	3,357,875	—
Accretion of debt discount	6,126,680	7,546,497
Interest capitalized	(2,156,997)	(259,756)
Total	<u>\$ 13,074,289</u>	<u>\$ 9,293,782</u>

**Change in fair value – derivative liability:** During 2018 we recognized other income of \$1.4 million related to a change in the fair value of the compound derivative liabilities embedded in the Secured Credit Facility. Accounting standards require us to re-measure the value of the derivative liabilities each reporting period, and any changes in fair value are included in Other income or Other expense. During 2017, we did not have any derivative liabilities.

**General and administrative expenses:** We incurred general and administrative expenses of \$4.2 million during the year ended December 31, 2018, a decrease of \$2.0 million from 2017, or 33%. This decrease is primarily attributable to decreased non-cash compensation of \$0.6 million, decreases in professional fees of \$0.6 million, increases in drilling overhead charges recorded as a reduction to general and administrative expense of \$1.1 million and increases in producing overhead charges of \$0.6 million recorded as a reduction to general and administrative expense, offset by increased salaries and insurance expense of \$0.9 million. In 2017, we incurred general and administrative expenses of \$6.2 million.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

In 2018, our shortage of capital and liquidity was exacerbated. Historically, we have relied on sales of our equity securities, borrowing and advances from our working interest partners to fund operations. In 2018, our need for additional capital became more acute, as we accelerated the pace of development of our properties, including completing our first operated drilling program. However, the state of the equity markets for junior exploration and production companies in 2018 forced us to rely on other avenues for funding during the year.

### 2018 Financing

In February 2018, we completed the Secured Credit Facility. Under the Secured Credit Facility, we refinanced \$5 million in December 2017 and received gross proceeds of an additional \$20 million in February 2018. The Secured Credit Facility proceeds were utilized to repay amounts due to affiliates of the Secured Lenders under pre-existing lines of credit, for fees associated with the Secured Credit Facility and for development costs incurred in connection with the completion of our operated Shook pad.

### Working Capital

As of December 31, 2018, we had negative working capital of \$32.9 million, comprised of current assets of \$32.2 million and current liabilities of \$65.1 million. A significant portion of the current assets consisted of property held for sale, which property was disposed of subsequent to year end and the proceeds of which were applied by the Secured Lenders against the amounts owed to them. Working capital decreased by \$15.1 million from December 31, 2017, primarily due to the default and subsequent reclassification of amounts due under our Secured Credit facility from a long-term liability to a current liability. Current liabilities increased by approximately \$38 million at December 31, 2018 compared to 2017.

## Cash Flows

*Year Ended December 31, 2018 Compared to December 31, 2017*

### Operating Activities

Net cash provided by operating activities during the year ended December 31, 2018 was \$4.6 million, compared to \$10.4 million during the year ended December 31, 2017, representing a decrease of \$5.7 million. The increased net loss in 2018 accounted for most of the difference.

### Investing Activities

Cash used in investing activities in 2018 decreased to \$13.9 million from \$20.3 million in the 2017 period. During the 2018 period, our drilling and other development activity, as well as acquisitions of property, decreased due to our lack of working capital. During 2017, we spent \$17.1 million on drilling and other development activities on our properties and \$3.2 million on acquisitions of oil and gas properties.

### Financing Activities

During 2018, we closed on the Secured Credit Facility which provided net cash proceeds of \$11.2 million and provided resources after repaying \$6.5 million in principal and \$1.1 million in accrued interest from other financings. The total face value of the Secured Credit Facility is \$25.0 million, including the \$5.0 million that originated in 2017.

## Off-Balance Sheet Arrangements

We have no material off-balance sheet transactions, arrangements, or obligations.

## Critical Accounting Policies

### *Use of Estimates in the Preparation of Consolidated Financial Statements*

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Our significant accounting policies are described in Note 2 of the Notes to Consolidated Financial Statements included as part of this Form 10-K. We have identified below the policies that are of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. We analyze our estimates, including those related to oil and gas reserve estimates, on a periodic basis and base our estimates on historical experience, independent third-party reservoir engineers and various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

#### *Assets Held for Sale*

We occasionally identify specific oil and gas properties that we wish to sell. At the end of each reporting period, we evaluate properties that might be sold to determine whether any should be reclassified as held for sale. The held-for-sale criteria include: a commitment to a plan to sell; the asset is available for immediate sale; an active program to locate a buyer exists; the sale of the asset is probable and expected to be completed within one year; the asset is being actively marketed for sale; and it is unlikely that significant changes to the plan will be made. If each of these criteria is met, the property is reclassified as held for sale on our consolidated balance sheets. We also determine whether the fair values of the properties held for sale are less than the net unamortized cost. If an impairment is indicated, the assets held for sale are recorded at fair value less costs to sell and an impairment expense is recorded.

#### *Successful Efforts Method of Accounting*

Our application of the successful efforts method of accounting for our oil and gas exploration and production activities requires judgments as to whether particular wells are developmental or exploratory, since exploratory costs and the costs related to exploratory wells that are determined to not have proved reserves must be expensed whereas developmental costs are capitalized. The results from a drilling operation can take considerable time to analyze, and the determination whether commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and natural gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. On occasion, wells are drilled which have targeted geologic structures that are both developmental and exploratory in nature, and in such instances an allocation of costs is required to properly account for the results. The evaluation of natural gas and oil leasehold acquisition costs included in unproved properties requires management's judgment of exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

Our estimates of proved reserves are based on the quantities of oil, natural gas and NGLs, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Our independent petroleum engineers, Cawley Gillespie, prepare a reserve and economic evaluation of all of our properties on a well-by-well basis. The accuracy of reserve estimates is a function of the:

- quality and quantity of available data;
- interpretation of that data;
- accuracy of various mandated economic assumptions; and
- judgment of the independent reserve engineer.

One of the most significant estimates we make is the estimate of oil, natural gas and NGL reserves. Oil, natural gas and NGL reserve estimates require significant judgments in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given area may change substantially over time as a result of numerous factors including, but not limited to, additional development activity, production history, projected future production, economic assumptions relating to commodity prices, operating expenses, severance and other taxes, capital expenditures and remediation costs and these estimates are inherently uncertain. For example, if estimates of proved reserves decline, our depletion, depreciation and amortization (DD&A) rate will increase, resulting in an increase in net loss. A decline in estimates of proved reserves could also cause us to perform an impairment analysis to determine if the carrying amount of oil and gas properties exceeds fair value and could result in an impairment charge, which would increase our loss. We cannot predict what reserve revisions may be required in future periods.

The recent volatility in oil, natural gas and NGL prices increases the uncertainty as to the impact of commodity prices on our estimated proved reserves. We are unable to predict future commodity prices with any greater precision than the futures market. A prolonged period of depressed commodity prices may have a significant impact on the value and volumetric quantities of our proved reserve portfolio, assuming no other changes to our development plans or costs.

#### *Depletion, Depreciation, Amortization*

Our DD&A rate is dependent upon our estimates of total proved producing and proved developed reserves, which incorporate various assumptions and future projections. If our estimates of total proved or proved developed reserves decline, the rate at which we record DD&A expense increases, which in turn increases our net loss. Such a decline in reserves may result from lower commodity prices or other changes to reserve estimates, as discussed above, and we are unable to predict changes in reserve quantity estimates as such quantities are dependent on the success of our exploration and development program, as well as future economic conditions.

#### *Impairment of Proved Oil and Gas Properties*

Proved oil and gas properties are reviewed for impairment annually or when events and circumstances indicate a possible decline in the recoverability of the carrying amount of such property. We estimate the expected future cash flows of our oil and gas properties and compare these undiscounted cash flows to the carrying amount of the oil and gas properties to determine if the carrying amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, we will write down the carrying amount of the oil and gas properties to the estimated fair value. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity prices, future production, future capital expenditures, future operating costs, and discount rates commensurate with the risk associated with realizing the projected cash flows. Impairment expense for proved oil and gas properties is reported in impairment of proved crude oil and natural gas properties in the consolidated statements of operations.

Our impairment analyses require us to apply judgment in identifying impairment indicators and estimating future cash flows of our oil and gas properties. If actual results are not consistent with our assumptions and estimates or our assumptions and estimates change due to new information, we may be exposed to an impairment charge.

Unproved oil and gas properties consist of costs to acquire unevaluated leases as well as costs to acquire unproved reserves. We evaluate significant unproved oil and gas properties for impairment based on remaining lease term, drilling results, reservoir performance, seismic interpretation or future plans to develop acreage. When successful wells are drilled on undeveloped leaseholds, unproved property costs are reclassified to proved properties and depleted on a unit-of-production basis. Impairment expense and lease extension payments for unproved properties is reported in exploration and abandonment costs in the consolidated statements of operations.

*Asset Retirement Obligations*

Our asset retirement obligations ("ARO") consist of estimated future costs associated with the plugging and abandonment of oil, natural gas and NGL wells, removal of equipment and facilities from leased acreage, land restoration in accordance with applicable local, state and federal laws, and applicable lease terms. The fair value of an ARO liability is required to be recognized in the period in which it is incurred, with the associated asset retirement cost capitalized as part of the carrying cost of proved crude oil and natural gas properties. The recognition of an ARO requires management to make numerous assumptions regarding such factors as the estimated probabilities, amounts and timing of settlements; the credit-adjusted risk-free discount rate to be used; and inflation rates. In periods subsequent to the initial measurement of the ARO, we must recognize period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Increases in the ARO liability due to the passage of time impact operating results as accretion expense. The related capitalized cost, including revisions thereto, is charged to expense through DD&A over the life of the oil and gas property.

*Stock-Based Compensation*

We currently utilize a standard option pricing model (i.e., Black-Scholes) to measure the fair value of stock options granted to employees and directors. The determination of the fair value of stock-based awards at the grant date requires judgment in developing assumptions, which involve a number of variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, the expected dividend yield and the expected stock option exercise behavior.

Our computation of expected volatility is based on a combination of historical and market-based implied volatility. The volatility rate was derived by examining historical stock price behavior and assessing management's expectations of stock price behavior during the term of the option. The term of the options was derived based on the "simplified method" calculation. The simplified method allows companies that do not have sufficient historical experience to provide a reasonable basis for an estimate to instead estimate the expected term of a "plain vanilla" option by averaging the time to vesting and the full term of the option. ("Plain vanilla" options are options with the following characteristics: (1) the options are granted at-the-money; (2) exercisability is conditional only upon performing service through the vesting date; (3) if an employee terminates service prior to vesting, the employee would forfeit the options; (4) if an employee terminates service after vesting, the employee would have a limited time to exercise the options (typically 30 to 90 days); and (5) the options are nontransferable and non-hedgeable.) The Company periodically evaluates the applicability of using the simplified method with respect to the characteristics noted above to estimate the expected term of our options and will continue to do so as our business continues to evolve. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

*Going Concern Assessment*

Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-15, *Presentation of Financial Statements – Going Concern*, we have assessed our ability to continue as a going concern for a period of one year from the date of the issuance of these consolidated financial statements. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year from the consolidated financial statement issuance date.

Management has evaluated these conditions and determined that increased revenues from the Company's operated properties may allow the Company to meet its ongoing operational obligations. There is uncertainty whether management's plans, if executed, will allow us to meet all of our obligations.

**Recent Accounting Pronouncements**

Please refer to Recent Accounting Pronouncements in *Note 2—Basis of Presentation and Significant Accounting Policies* in Part II, Item 8 of this report.

## GLOSSARY OF TERMS

Unless otherwise indicated in this report, natural gas volumes are stated at the legal pressure base of the state or geographic area in which the reserves are located at 60 degrees Fahrenheit. Crude oil and natural gas equivalents are determined using the ratio of six Mcf of natural gas to one barrel of crude oil, condensate or natural gas liquids.

The following are abbreviations and definitions of terms commonly used in the oil and natural gas industry and within this prospectus:

**"Bbl"**—Barrel or 42 US gallons liquid volume.

**"MBbls"**—One thousand Bbls.

**"BOE"**—One barrel of crude oil equivalent, which combines Bbls of oil, Bbls of natural gas liquids, and Mcf of natural gas by converting each six Mcf of natural gas to one Bbl of oil.

**"MBOE"**—One thousand BOE.

**"BOE/D"**—Barrels of oil equivalent per day.

**"Condensate"**—A mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

**"Developed acreage"**—The number of acres that are allocated or assignable to producing wells or wells capable of production.

**"Development well"**—A well drilled within the proved area of a crude oil or natural gas reservoir to the depth of stratigraphic horizon (rock layer or formation) noted to be productive for the purpose of extracting proved crude oil or natural gas reserves.

**"Exploratory well"**—A well drilled to find and produce crude oil or natural gas in an unproved area, to find a new reservoir in a field previously found to be producing crude oil or natural gas in another reservoir, or to extend a known reservoir.

**"Field"**—An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

**"Gross acres"**—The number of acres in which the Company owns a gross working interest.

**"Gross well"**—A well in which the Company owns a working interest.

**"Leases"**—Full or partial rights in mineral interests authorizing the leaseholder to drill for, produce and sell oil and natural gas in exchange for any or all of rental, bonus and royalty payments. Leases are generally acquired from private landowners (fee leases) and from federal and state governments on acreage held by them.

**"Mcf"**—One thousand cubic feet of natural gas.

**"MMcf"**—One thousand Mcf.

**"MMBtu"**—One million British thermal units—a measure of the amount of energy required to raise the temperature of a one-pound mass of water one-degree Fahrenheit at sea level.

**"Net acres" or "Net wells"**—The sum of the fractional working interests owned in gross acres or wells, as the case may be, expressed as whole numbers and fractions thereof.

**"NGL"**—Means natural gas liquids.

**"Operator"**—The individual or company responsible to the working interest owners for the exploration, development and production of an oil or natural gas well or lease.

**"Producing well"**—A well that is currently producing crude oil, natural gas, or liquids.

**"Productive well"**—A producing well or a well mechanically capable of production.

**"Prospect"**—A location where hydrocarbons such as crude oil and natural gas are believed to be present in quantities which are economically feasible to produce.

**"Proved developed reserves"**—Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional crude oil and natural gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included in "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

**"Proved reserves"**—Proved crude oil and natural gas reserves are those quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

**"Proved undeveloped reserves"**—Proved crude oil and natural gas reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for development. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated unless such techniques have been proven effective by actual tests in the area and in the same reservoir.

**"Reservoir"**—A porous and permeable underground formation containing a natural accumulation of producible crude oil and/or natural gas that is confined by impermeable rock or water barriers and is separate from other reservoirs.

**"Resources"**—Quantities of crude oil and natural gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

**"Revenue interest"**—The amount or percentage of revenue/proceeds derived from a producing well that the owner is entitled to receive.

**"Section"**—640 acres.

**"Shut-in"**—A well which is capable of producing but is not presently producing.

**"Spacing"** or **"Spacing Unit"**—The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres, e.g., 40-acre spacing, and is often established by regulatory agencies.

**"Standardized measure"**—The present value of estimated future cash inflows from proved natural gas and crude oil reserves, less future development and production costs and future income tax expenses, using prices and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depletion, depreciation and amortization and discounted using an annual discount rate of 10% to reflect timing of future cash flows.

**"Undeveloped acreage"**—Leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of crude oil and natural gas, regardless of whether or not such acreage contains proved reserves. Undeveloped acreage includes net acres under the bit until a productive well is established in the spacing unit.

**"Unproved property"**—A property or part of a property with no proved reserves.

**"Working interest"**—The amount or percentage of costs that an owner is required to pay of drilling and production expenses. It also gives the owners, in the aggregate, the right to drill, produce and conduct operating activities on the property and to share in any revenue from the production.

**"Workover"**—Operations on a producing well to restore or increase production.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors  
PetroShare Corp.  
Englewood, Colorado

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of PetroShare Corp. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows, for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the entity is in default under the terms of its secured credit facility, is in default under the terms of its convertible promissory notes, has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. PetroShare Corp. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2017.

Denver, Colorado  
April 3, 2019

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**PetroShare Corp.**  
**Consolidated Balance Sheets**  
**December 31,**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,636,943	\$ 713,924
Accounts receivable - joint interest billing, net of allowance	495,911	828,583
Accounts receivable - joint interest billing - related party	1,158,213	204,730
Accounts receivable - crude oil, natural gas and NGL sales	11,659,479	1,412,612
Prepaid expenses and other assets	178,259	26,795
Deferred financing fee, net	—	251,389
Assets held for sale, net of costs to sell	16,090,898	—
<b>Total current assets</b>	<u>32,219,703</u>	<u>3,438,033</u>
<b>Crude oil and natural gas properties - using successful efforts method:</b>		
Proved crude oil and natural gas properties	41,017,944	22,144,366
Unproved crude oil and natural gas properties	2,055,752	1,919,335
Wells in progress	1,194,114	9,858,262
Less: accumulated depletion, depreciation and amortization	(14,395,458)	(2,849,374)
Crude oil and natural gas properties, net	<u>29,872,352</u>	<u>31,072,589</u>
<b>Property, plant and equipment, net</b>	115,350	168,411
<b>Other assets</b>	357,070	233,871
<b>TOTAL ASSETS</b>	<u>\$ 62,564,475</u>	<u>\$ 34,912,904</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 24,385,417	\$ 4,140,352
Accounts payable and accrued liabilities - related party	7,624,877	589,496
Oil and gas revenue distributions payable	2,501,095	148,103
Drilling advances - related party	—	680,248
Asset retirement obligation	843,796	288,784
Line of credit - related party	—	5,000,000
Supplemental line of credit	—	3,552,500
Derivative liabilities – Secured Credit Facility	241,800	—
Convertible notes payable, net	9,358,100	6,831,897
Secured Credit Facility, net	20,182,264	—
<b>Total current liabilities</b>	<u>65,137,349</u>	<u>21,231,380</u>
<b>Long-term liabilities</b>		
Credit facility, net	—	4,896,565
Other long-term liabilities	448,465	67,265
Asset retirement obligation	1,246,151	834,660
<b>Total liabilities</b>	<u>66,831,965</u>	<u>27,029,870</u>
<b>Shareholders' equity (deficit):</b>		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 28,089,765 and 27,718,802 shares issued and outstanding, respectively with 184,350 and 155,350 shares subject to vesting restrictions respectively	28,090	27,719
Additional paid-in capital	33,710,588	28,553,736
Accumulated deficit	(38,006,168)	(20,698,421)
<b>Total Shareholders' Equity (Deficit)</b>	<u>(4,267,490)</u>	<u>7,833,034</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 62,564,475</u>	<u>\$ 34,912,904</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PetroShare Corp.**  
**Consolidated Statements of Operations**  
**For the years ended December 31,**

	2018	2017
<b>REVENUE:</b>		
Crude oil sales	\$ 16,809,145	\$ 8,719,793
Natural gas sales	2,456,927	1,525,833
NGL sales	1,137,895	861,948
Total revenue	20,403,967	11,107,574
<b>COSTS AND EXPENSES:</b>		
Lease operating expense	1,415,453	722,799
Production taxes, gathering and marketing	2,732,309	992,817
Exploration and abandonment costs	580,881	61,693
Depletion, depreciation and amortization	7,067,729	2,836,891
Accretion expense	117,636	99,682
Asset retirement and plugging expense	(2,989)	9,608
Impairment of proved crude oil and natural gas properties	9,896,807	—
General and administrative expense	4,155,651	6,205,412
Total costs and expenses	25,963,477	10,928,902
<b>Operating (loss) income</b>	<b>(5,559,510)</b>	<b>178,672</b>
<b>OTHER INCOME (EXPENSE):</b>		
Other income (expense)	(102,165)	39,381
Change in fair value of derivative liabilities	1,428,217	—
Interest expense	(13,074,289)	(9,293,782)
Loss on conversion of notes payable	—	(1,771,650)
Total other (expense)	(11,748,237)	(11,026,051)
<b>Net (loss)</b>	<b>\$ (17,307,747)</b>	<b>\$ (10,847,379)</b>
<b>Net (loss) per share:</b>		
Basic and diluted	<b>\$ (0.62)</b>	<b>\$ (0.46)</b>
<b>Weighted average number of shares outstanding:</b>		
Basic and diluted	<b>27,991,742</b>	<b>23,530,583</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PetroShare Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficit)**  
**For the years ended December 31, 2018 and 2017**

	Common Stock		Additional Paid-In Capital	Accumulated (Deficit)	Total
	Shares	Amount			
<b>Balance at December 31, 2016</b>	21,964,282	\$ 21,964	\$ 11,405,225	\$ (9,851,042)	\$ 1,576,147
Issuance of common stock in connection with conversion of convertible notes payable	4,814,265	4,814	7,062,528	—	7,067,342
Issuance of common stock for lease acquisition	470,555	471	846,529	—	847,000
Issuance of common stock for loan extension	250,000	250	387,250	—	387,500
Issuance of restricted shares	219,700	220	155,111	—	155,331
Beneficial conversion feature on convertible notes payable	—	—	4,329,365	—	4,329,365
Warrants issued in connection with convertible notes payable	—	—	2,978,796	—	2,978,796
Stock-based compensation	—	—	1,388,932	—	1,388,932
Net (loss)	—	—	—	(10,847,379)	(10,847,379)
<b>Balance at December 31, 2017</b>	27,718,802	\$ 27,719	\$ 28,553,736	\$(20,698,421)	\$ 7,883,034
Issuance of common stock in connection with conversion of convertible notes payable	135,963	136	203,811	—	203,947
Issuance of common shares as compensation	145,000	145	162,105	—	162,250
Issuance of restricted shares	90,000	90	101,018	—	101,108
Beneficial conversion feature on Secured Credit Facility	—	—	2,272,775	—	2,272,775
Warrants issued in connection with Secured Credit Facility	—	—	1,521,451	—	1,521,451
Stock-based compensation	—	—	895,692	—	895,692
Net (loss)	—	—	—	(17,307,747)	(17,307,747)
<b>Balance at December 31, 2018</b>	<u>28,089,765</u>	<u>\$ 28,090</u>	<u>\$ 33,710,588</u>	<u>\$(38,006,168)</u>	<u>\$ (4,267,490)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PetroShare Corp.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31,**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Net (loss)	\$ (17,307,747)	\$ (10,847,379)
<i>Adjustments to reconcile net (loss) to net cash provided by operating activities:</i>		
Depletion, depreciation and amortization	7,067,729	2,836,891
Deferred rental liability	(23,625)	6,526
Accretion of asset retirement obligation	117,636	99,682
Accretion of debt discounts and deferred financing fee	6,380,057	7,666,313
Loss on conversion of notes payable	—	1,771,650
Stock-based compensation	1,159,051	1,544,261
Change in fair value – derivative liabilities	(1,428,217)	—
Default penalties incurred in connection with Secured Credit Facility	3,670,375	—
Impairment of proved crude oil and natural gas properties	9,896,807	—
Break-up fees in connection with abandonment of lease acquisition	580,881	—
Bad debt expense	131,395	—
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable - joint interest billing	(66,470)	(588,132)
Accounts receivable - joint interest billing - related party	204,731	81,495
Accounts receivable - crude oil, natural gas and NGL sales	(10,246,868)	(1,233,376)
Prepaid expenses, other assets and liabilities	130,164	961,048
Settlement of asset retirement obligations	(174,532)	—
Accounts payable and accrued liabilities	758,525	7,053,693
Accounts payable and accrued liabilities- related party	2,123,621	589,496
Oil and gas revenue distributions payable	2,352,992	3,578
Drilling advances - related party	(680,248)	445,796
<b>Net cash provided by operating activities</b>	<b>4,646,257</b>	<b>10,391,542</b>
<b>Cash flows from investing activities:</b>		
Additions of property, plant and equipment	—	(91,186)
Development of crude oil and natural gas properties	(13,379,249)	(17,052,313)
Acquisitions of proved and unproved crude oil and natural gas properties	(507,181)	(3,202,380)
<b>Net cash (used in) investing activities</b>	<b>(13,886,430)</b>	<b>(20,345,879)</b>
<b>Cash flows from financing activities:</b>		
Repayment of supplemental line of credit	—	(3,552,500)
Borrowings on Secured Credit Facility	11,163,192	—
Convertible notes issued for cash	—	11,771,349
<b>Net cash provided by financing activities</b>	<b>11,163,192</b>	<b>8,218,849</b>
<b>Cash:</b>		
Net increase (decrease) in cash	1,923,019	(1,735,488)
Cash, beginning of period	713,924	2,499,412
<b>Cash, end of period</b>	<b>\$ 2,636,943</b>	<b>\$ 713,924</b>
<b>Supplemental cash flow disclosure:</b>		
Cash paid for interest, net of amounts capitalized of \$2.2 million and \$0.3 million as of December 31, 2018 and 2017	\$ 3,394,575	\$ 640,410
<b>Non-cash investing and financing activities:</b>		
Addition of oil and natural gas properties – Asset exchange agreement	\$ 2,873,912	\$ —
Accrued development costs of crude oil and natural gas properties	\$ 16,015,992	\$ 1,719,481
Revisions and other non-cash charges in asset retirement obligation	\$ 1,023,400	\$ 127,826
Conveyance of oil and gas properties – to satisfy supplemental line of credit	\$ 2,052,500	\$ 4,683
Addition of property, plant and equipment through tenant improvement allowance	\$ —	\$ 84,460
Embedded derivative liabilities – Secured Credit Facility	\$ 1,670,017	\$ —
Previous borrowings refinanced through Secured Credit Facility	\$ 6,500,000	\$ —
Issuance of common stock warrants in connection with Secured Credit Facility	\$ 1,521,451	\$ —
Issuance of common stock warrants in connection with convertible notes payable	\$ —	\$ 2,978,796
Beneficial conversion feature in connection with Secured Credit Facility and convertible notes payable	\$ 2,272,775	\$ 4,329,365
Issuance of common stock in connection with conversion of notes payable and accrued interest	\$ 203,947	\$ 5,295,692
Conversion of notes payable and accrued interest – Additional paid in capital	\$ —	\$ 7,067,342
Issuance of common stock in connection with lease acquisitions	\$ —	\$ 847,000
Issuance of common stock in connection with deferred financing fee	\$ —	\$ 387,500
Accounts payable and accrued interest repaid through Secured Credit Facility	\$ 1,086,808	\$ 4,895,128
Financing fee paid through Secured Credit facility	\$ 1,250,000	\$ 104,871

The accompanying notes are an integral part of these consolidated financial statements.

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

PetroShare Corp. (“PetroShare” or the “Company”) is a corporation organized under the laws of the State of Colorado on September 4, 2012 to investigate, acquire and develop crude oil and natural gas properties in the Rocky Mountain or mid-continent portion of the United States. Since inception, the Company has focused on financing activities and the acquisition, exploration and development of crude oil and natural gas prospects in the Denver-Julesburg Basin, or DJ Basin, in northeast Colorado.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”). The Company has no items of other comprehensive income or loss; therefore, its net income or loss is identical to its comprehensive income or loss.

***Principles of Consolidation***

The consolidated financial statements include the accounts and balances of the Company and its wholly-owned subsidiary, CFW Resources, LLC, a Colorado limited liability company. The Company’s undivided interests in joint operating ventures are proportionately consolidated.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities. Estimated quantities of crude oil, natural gas and natural gas liquids are the most significant of the Company’s estimates. All reserve data used in the preparation of these consolidated financial statements are based on estimates. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil, natural gas and natural gas liquids. There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, reserve estimates may be different from the quantities of crude oil, natural gas and natural gas liquids that are ultimately recovered.

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

Other items subject to significant estimates and assumptions include, but are not limited to, the carrying amounts of crude oil and natural gas properties, accrued and unpaid revenues and unbilled costs, asset retirement obligations, deferred income tax liabilities and assets, including any associated valuation allowances, derivative liabilities, convertible notes payable and the Secured Credit Facility. Furthermore, valuation assumptions related to the Company's stock-based compensation and fair value financial instruments require significant judgments and estimates. Management evaluates estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic and commodity price environment. The volatility of commodity prices results in increased uncertainty inherent in such estimates and assumptions. Actual results could be significantly different from the estimates.

**Income (or Loss) Per Common Share**

Basic earnings (or loss) per share is computed by dividing net income (or loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (or loss) per share is computed after considering the potential dilution from additional shares that would be issued pursuant to the conversion of debt, exercise of warrants, and fulfillment of outstanding equity awards. Any potentially dilutive securities that have an anti-dilutive impact on the per share calculation are excluded. During periods in which the Company reports a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the impact of all potentially dilutive securities would be anti-dilutive.

The following table presents the number of potentially dilutive securities that were excluded from the calculation at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Exercisable stock options	4,621,000	4,347,500
Warrants to purchase common stock	9,088,800	7,588,800
Shares underlying secured credit facility and convertible notes	23,489,786	6,372,066
<b>Total</b>	<b>37,199,586</b>	<b>18,308,366</b>

**Cash, cash equivalents, and restricted cash**

During the periods presented herein, the Company had no cash equivalents or restricted cash.

**Revenue Recognition**

*Oil sales*

Under the Company's oil sales contracts, the Company sells oil production at the point of delivery and collects an agreed upon index price, net of pricing differentials. The Company recognizes revenue when control transfers to the purchaser at the point of delivery at the net price received. Payment is generally received from the customer in the month following delivery.

*Natural gas and natural gas liquids*

Under the Company's natural gas sales processing contracts, the Company delivers commingled natural gas and natural gas liquids (NGLs) to a midstream processing entity. The midstream processing entity gathers and processes the various hydrocarbons and remits proceeds to the Company for the resulting sale. Under these processing agreements, the Company recognizes revenue when control transfers to the purchaser at the point of delivery. Payment is generally received from the customer one to two months following delivery. Revenue is recognized net of gathering and processing fees.

*Disaggregation of Revenue.* The following table presents revenues disaggregated by product:

	2018	2017
Operating revenues		
Crude oil sales	\$ 16,809,145	\$ 8,719,793
Natural gas sales	2,456,927	1,525,833
NGL sales	1,137,895	861,947
Total Operating Revenues	<u>\$ 20,403,967</u>	<u>\$ 11,107,574</u>

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**Accounts Receivable – Crude oil, natural gas and NGLs**

Accounts receivable – Crude oil, natural gas and NGLs consists of amounts due from customers for the sale of hydrocarbons. In general, settlements for hydrocarbon sales occur 30 to 90 days after the month in which the oil, natural gas or other hydrocarbon products were produced.

**Accounts Receivable – Joint interest billing**

Accounts receivable – Joint interest billing represents costs to be reimbursed by the Company's working interest partners under joint operating agreements. Collateral is not required for such receivables, nor is interest charged on past due balances. However, should a working interest partner default on its obligation, the Company would have a claim against their future pro rata revenue and to any reserves attributable to the joint interest.

**Allowance for doubtful accounts**

The Company regularly reviews outstanding accounts receivable for indication that amounts may not be collectible. The Company's allowance for doubtful accounts is based on analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. An allowance of \$0.1 million and \$nil was recorded as of December 31, 2018 and 2017, respectively.

**Capitalized Interest Costs**

The Company capitalizes interest costs as part of the historical cost of developing assets. Significant oil and gas investments in unproved properties and significant exploration and development projects including wells in progress that have not commenced production are assets that qualify for interest capitalization during the period that they are being prepared for their intended use. Capitalized interest is calculated by using the weighted average interest cost on the Company's outstanding debt, including the accretion of interest expense associated with debt discounts. The interest costs capitalized into oil and gas properties totaled \$2.2 million and \$0.3 million for the years ended December 31, 2018 and 2017, respectively.

**Concentration of Credit Risk and Major Customers**

The Company is exposed to credit risk in the event of nonpayment by counterparties, a significant portion of which are concentrated in energy-related industries. The creditworthiness of customers and other counterparties is subject to regular review.

The Company does not believe the loss of any single purchaser of its production would materially impact its operating results, as crude oil, natural gas, and NGLs are products with well-established markets and numerous purchasers in the Company's operating region. The Company had the following major customers, which accounted for 10 percent or more of its total crude oil, natural gas, and NGL production revenue for at least one of the periods presented:

	<u>For the Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Great Western Oil and Gas Company	40.5%	22%
Rose Rock Midstream Crude LP	33.4%	-
PDC Energy, Inc	20.6%	71%

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

The Company maintains its primary bank accounts with a large, multinational bank that has branch locations in the Company's areas of operations. Bank account balances periodically exceed federally insured limits. To mitigate risk of loss, the Company's policy is to maintain its deposits with high quality financial institutions.

***Crude Oil and Natural Gas Properties***

The Company follows the successful efforts method of accounting for its crude oil and natural gas properties. Under this method of accounting, the costs incurred to acquire, drill, and complete productive wells, development wells, and proved properties are capitalized. Oil and gas lease acquisition costs are also capitalized. Exploration costs, including personnel and other internal costs, geological and geophysical expenses, delay rentals for gas and oil leases, and costs associated with unsuccessful lease acquisitions are charged to expense as incurred. Costs of drilling exploratory wells are initially capitalized as wells in progress until the viability of the well is determined. Successful exploratory wells are capitalized, and unsuccessful exploratory wells are charged to expense.

*Proved*

Proved properties include all capitalized costs associated with proved developed and proved undeveloped reserves. Depletion, depreciation and amortization ("DDA") of proved properties is calculated as a group of assets (properties aggregated based upon common attributes) using the units-of-production method. DDA of development costs, including capitalized tangible and intangible drilling costs, well equipment, and facilities costs, is based on the estimate of proved developed reserves. Similarly, DDA of proved leasehold costs, including proved undeveloped leases, is calculated using the same method based on the estimate of total proved reserves (both developed and undeveloped). Currently, the Company's properties are located solely within the Wattenberg Field of the DJ Basin, which is considered one field for unit-of-production calculations. The Company based its determination upon certain common attributes, including geological structure, geographic proximity, cost environment, and similar operating practices.

The Company periodically assesses its proved crude oil and natural gas properties for impairment. The impairment test compares the net capitalized costs of the properties to the estimated undiscounted future net cash flows. If the net capitalized costs exceed estimated future net cash flows, an impairment expense is recorded to reduce the carrying value of the property.

The sale or other disposition of part of a proved property is reported as a normal retirement, under which no gain or loss is recognized, unless doing so significantly affects the unit-of-production amortization rate. Gains or losses are recorded in the statement of operations for all other divestiture activities.

*Unproved*

Unproved properties consist of costs to acquire unproved and unevaluated leases and other mineral assets. All acquisition costs are initially capitalized. When successful wells are drilled on unproved properties, the associated costs are reclassified as proved properties and depleted on a units-of-production basis. The Company periodically evaluates significant unproved properties for impairment based on remaining lease term, drilling results, reservoir performance, seismic interpretation or plans to develop acreage. Individually insignificant unproved properties are evaluated on a composite basis, and, when appropriate, are amortized as a group based on past success, experience and average lease-term lives.

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

*Exploration costs*

Geological and geophysical costs, including exploratory seismic studies, and the costs of carrying and retaining unproved acreage are expensed as incurred. Costs of seismic studies that are utilized in development drilling within an area of proved reserves are capitalized as development costs. Amounts of seismic costs capitalized are based on only those blocks of data used in determining development well locations. To the extent that a seismic project covers areas of both developmental and exploratory drilling, those seismic costs are proportionately allocated between development costs and exploration expense.

Costs of drilling exploratory wells are initially capitalized, pending determination of whether the well contains proved reserves. If an exploratory well does not contain proved reserves, the costs of drilling the well and other associated costs are charged to expense. Costs incurred for exploratory wells that contain reserves, which cannot yet be classified as proved, continue to be capitalized if (a) the well has found a sufficient quantity of reserves to justify completion as a producing well, and (b) the Company is making satisfactory progress assessing the reserves and the economic and operating viability of the project. If either condition is not met, or if the Company obtains information that raises substantial doubt about the economic or operational viability of the project, the exploratory well costs are expensed.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful lives of the related assets. Expenditures for renewals and betterments which increase the estimated useful life or capacity of the asset are capitalized; expenditures for repairs and maintenance are expensed as incurred.

***Related Party Transactions***

The Company engages in a number of transactions with Providence Energy Operators, LLC ("PEO") and its affiliates. PEO is a subsidiary of Providence Energy Corporation, a privately-held corporation based in Dallas, Texas. PEO is the beneficial owner of 11.6% of our outstanding common stock. We have a participation agreement that grants PEO the option to acquire up to a 50% interest and participate in any oil and gas development on acreage we obtain within an area of mutual interest (AMI) near our Southern Core area. To date, PEO has exercised its option under the participation agreement or otherwise participated or agreed to participate in all acreage acquisitions and drilling operations. As discussed elsewhere in this report, an affiliate of PEO is a major participant in our principal lender group through which we currently maintain a \$25.0 million Secured Credit Facility. The Board of Directors is required to approve all significant related party transactions.

***Drilling Advances - Related Party***

The Company's drilling advances consist of cash provided to the Company from its joint interest partners for planned drilling activities. Advances are applied against the joint interest partners' share of costs incurred.

***Income Taxes***

The Company accounts for deferred income taxes under the asset and liability method whereby it recognizes deferred tax assets and liabilities based on the tax effects of temporary differences between the cost basis of assets and liabilities reported for financial reporting purposes compared to income tax reporting purposes using currently enacted tax rates. These differences will result in taxable income or deductions in future years when the reported amounts of the assets or liabilities are recorded or settled. Deferred tax assets are also recognized for future tax consequences attributable to operating loss carryforwards. The Company provides a valuation allowance for deferred tax assets when it does not consider realization of such assets to be more likely than not. The Company complies with authoritative accounting guidance regarding uncertain tax provisions. The entire amount of unrecognized tax benefit reported by the Company would affect its effective tax rate if recognized. The Company does not expect a significant change to the recorded unrecognized tax benefits in 2018.

***Asset Retirement Obligation***

The Company recognizes an estimated liability for future costs associated with the dismantlement, abandonment, or other restoration required when its oil and gas assets are retired or otherwise permanently removed from service. Calculation of an asset retirement obligation ("ARO") requires estimates about several future events, including the estimated date of retirement, the costs to remove the asset from service, and inflation factors. The ARO is initially estimated based upon discounted cash flows over the life of the asset and is accreted to full value over time using the Company's credit-adjusted risk-free interest rate.

**PetroShare Corp.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

Upon initial recognition of an ARO, the carrying amount of the associated asset is increased by the same amount. The capitalized costs are included in the periodic calculation of DD&A and are subject to impairment testing. If the estimated timing or estimated cash flow of the ARO changes, an adjustment is recorded to both the ARO and the asset retirement cost.

**Assets Held for Sale**

We occasionally identify specific oil and gas properties that we wish to sell. At the end of each reporting period, we evaluate properties that might be sold to determine whether any should be reclassified as held for sale. The held-for-sale criteria include: a commitment to a plan to sell; the asset is available for immediate sale; an active program to locate a buyer exists; the sale of the asset is probable and expected to be completed within one year; the asset is being actively marketed for sale; and it is unlikely that significant changes to the plan will be made. If each of these criteria is met, the property is reclassified as held for sale on our consolidated balance sheets. We also compare the fair values of the properties held for sale to the net unamortized cost. If an impairment is indicated, the assets held for sale are recorded at fair value less costs to sell and impairment expense is recorded.

**Stock-Based Compensation**

The Company uses the Black-Scholes option-pricing model to determine the fair-value of stock-based awards in accordance with ASC 718, "Stock Compensation." The option-pricing model requires the input of highly subjective assumptions, including the option's expected life, the price volatility of the underlying stock, and the estimated dividend yield of the underlying stock. The expected term of outstanding stock-based awards represents the period that stock-based awards are expected to be outstanding and is determined based on the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards. As there was insufficient historical data available to ascertain an expected term for these awards, the plain vanilla method was applied in calculating the expected term of the options. The Company's common stock has limited historical trading data, and as a result the expected stock price volatility is based on the historical volatility of a group of publicly-traded companies that share similar operating metrics and histories. The Company has never paid dividends on its common stock and does not intend to do so in the foreseeable future, and as such, the expected dividend yield is zero. Forfeitures are recorded as they occur.

**Loans and Borrowings**

Borrowings are recognized initially at fair value, net of financing costs incurred, and subsequently measured at amortized cost. Any difference between the amounts originally recorded and the redemption value of the debt is recognized as interest expense in the consolidated statements of operations over the period to maturity using the effective interest method.

**Fair Value of Financial Instruments**

Fair value accounting, as prescribed in ASC Section 825, "Financial Instruments," utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

As disclosed in Note 5, the Secured Credit Facility contained embedded elements that required identification and quantification of fair value. The estimated fair values as of February 1, 2018, the closing date of the facility, are presented in Note 5. As of December 31, 2018, the estimated fair values are presented in the following table:

	December 31, 2018
Registration rights penalty derivative liability	\$ (102,892)
Share purchase option derivative liability	(138,908)
	<u>\$ (241,800)</u>

The following table presents a roll-forward of the fair value of the derivative liabilities associated with the Company's Secured Credit Facility, categorized as Level 3 for the year ended December 31, 2018. There were no comparable liabilities for the 2017 period:

	Year Ended December 31, 2018
Beginning balance	\$ -
Additions (Note 5)	(1,670,017)
Gain included in earnings	1,428,217
Gain (loss) included in other comprehensive income	-
Ending Balance	<u>\$ (241,800)</u>

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***Estimated Fair Value of Other Financial Assets and Liabilities***

The Company's other financial instruments consist primarily of cash, accounts receivable, accounts payable, and various borrowings. Substantially all of the Company's other financial instruments are classified as current assets or current liabilities. The carrying values of current assets and current liabilities are representative of their fair values due to their short-term maturities.

***Going Concern Assessment***

Pursuant to Accounting Standards Update ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern" the Company has assessed its ability to continue as a going concern for a period of one year from the date of the issuance of these consolidated financial statements. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity may be unable to meet its obligations as they become due within one year from the consolidated financial statement issuance date.

The uncertainty regarding the Company's ability to continue as a going concern is based on its substantial near-term liabilities, continuing net losses and negative working capital, among other things which existed as of December 31, 2018. At December 31, 2018 the Company had a cash balance of approximately \$2.6 million and other current assets of approximately \$29.6 million including assets held for sale of \$16.1 million, resulting in negative working capital of \$32.9 million. The Company had net losses, including non-cash charges, of \$17.3 million and \$10.8 million for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 the Company was obligated to repay \$9.4 million in principal plus accrued interest on outstanding convertible promissory notes, which payment was not made. The convertible notes are currently in default. The Company is also in default under the terms of the Secured Credit Facility (Note 5) and as a result \$29.9 million, including the outstanding principal, accrued interest and penalties are due. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. Some accounts payable obligations to vendors are past the due date and some of those vendors have filed liens or indicated an intent to file liens on certain of the Company's assets. The net proceeds from the sale of the non-operated assets in February 2019 were applied by the Secured Lenders to amounts allegedly owed to them. The Company has been unable to access the debt or equity markets to obtain any additional funding during 2018.

Management has evaluated these conditions and determined that increased revenues from the Company's operated properties may allow the Company to meet its ongoing operational obligations. However, to continue to execute its business plan, and meet its debt obligations, additional working capital will be required. As part of the analysis, the Company considered selective participation in certain operated drilling programs based on availability of working capital and the timing of production-related cash flows. There is uncertainty that management's plans, if executed will allow the Company to meet all of its obligations.

As a result, there is substantial doubt about the Company's ability to continue as a going concern within one year after the date the consolidated financial statements are issued. The Company's consolidated financial statements do not include any adjustments related to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Recently Adopted Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard on revenue recognition that provides a single, comprehensive model that entities will apply to determine the measurement and timing of revenue to be recognized. The underlying principle is that an entity will recognize revenue for the transfer of goods or services to customers at the amount expected to be received in exchange for those goods or services. The standard outlines a five-step approach to apply the underlying principle: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to separate performance obligations and (5) recognize revenue when or as each performance obligation is satisfied. The standard, known as Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related ASU's, was adopted by the Company effective January 1, 2018. The Company adopted ASU 2014-09 using the modified retrospective transition method, which was applied to all active contracts as of January 1, 2018. The adoption of ASU 2014-09 did not result in a change to current or prior period results nor did it result in a material change to the Company's business processes, systems, or controls. However, upon adopting ASU 2014-09, the Company expanded its disclosures to comply with the expanded disclosure requirements of ASU 2014-09.

Effective January 1, 2018, the Company adopted ASU No. 2017-01, *Business Combinations (Topic 805) Clarifying the Definition of a Business* ("ASU 2017-01"). The ASU clarifies the definition of a business with the objective of adding guidance for the evaluation of whether certain transactions represent the acquisition (or disposal) of assets or business combinations. The Company adopted ASU 2017-01 on a prospective basis.

**Recent Accounting Pronouncements** – In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. For lessees, the guidance in this update and subsequent amendments require that a company recognize most leases by recording both a lease liability and right-of-use asset on its balance sheet, representing the obligation to make payments and the right to use or control the use of a specified asset for the lease term. The standards include an exception for short term leases. Furthermore, the new lease standard does not apply to leases of mineral rights related to crude oil and natural gas. The new requirements are effective for annual periods beginning after December 15, 2018. Upon adoption, the Company will begin reflecting long-term future lease payments as both an asset and a liability on its consolidated balance sheet. The Company has elected the practical expedient provided in the standard that allows the new guidance to be applied prospectively to all new or modified land easements and rights-of-way. Based upon its preliminary analysis, the Company's implementation of this standard on January 1, 2019 resulted in an increase to total assets and total liabilities of insignificant amounts, with no adjustment to the opening balance of retained earnings (accumulated deficit).

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815)*, which makes significant changes to the current hedge accounting guidance. The new standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same line as the hedged item in the consolidated statement of operations. The new standard also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The new standard will be adopted by the Company effective for the annual period beginning after December 15, 2018, including interim periods within that annual period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

There are no other recently issued ASUs (issued through April 2, 2019 and not yet adopted by the Company) that are expected to have a material effect on the Company's consolidated financial statements and related disclosures when they are adopted.

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**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment balances were comprised of furniture, fixtures, and equipment and are shown below:

	December 31,	
	2018	2017
Property, plant and equipment	\$ 223,517	\$ 223,517
Accumulated depreciation	(108,167)	(55,106)
<b>Total</b>	<b>\$ 115,350</b>	<b>\$ 168,411</b>

Depreciation expense recorded for the years ended December 31, 2018 and 2017 amounted to \$53,061 and \$46,778, respectively.

**NOTE 4 – CRUDE OIL AND NATURAL GAS PROPERTIES**

The Company's crude oil and natural gas properties are located entirely within the State of Colorado in the United States of America. The net capitalized costs related to the Company's crude oil and natural gas activities were as follows:

	As of December 31,	
	2018	2017
Proved oil and gas properties	\$ 41,017,944	\$ 22,144,336
Unproved oil and gas properties (1)	2,055,752	1,919,335
Wells in progress (2)	1,194,114	9,858,262
Total capitalized costs	44,267,810	33,921,963
Accumulated DDA and impairment	(14,395,458)	(2,849,374)
<b>Net capitalized costs</b>	<b>\$ 29,723,352</b>	<b>\$ 31,072,589</b>

(1) Unproved oil and gas properties represent unevaluated costs the Company excludes from the amortization base until proved reserves are established or impairment is determined.

(2) Costs from wells in progress are excluded from the amortization base until production commences.

During the years ended December 31, 2018 and 2017, DDA expense was \$7.0 million and \$2.8 million, respectively. As discussed below, the Company recorded impairment charges of \$9.9 million and lease abandonment charges of \$0.6 million during the fourth quarter of 2018.

*Acquisitions and Divestitures, including Assets Held for Sale*

*2018 Activity*

During 2018, the Company completed an asset exchange that increased its working interest in its operated producing property in exchange for cash and cancellation of joint interest billing receivables. No gain or loss was recognized on the exchange.

In June 2018, the Company executed two participation agreements with PEO whereby the Company agreed to acquire working interests in approximately 2,200 gross mineral acres for a total purchase price of \$4.6 million (Note 11). The terms of the agreements allowed the Company to defer payment until December 31, 2018. As of December 31, 2018, the Company decided not to fund the agreement and recorded an abandonment charge of \$0.6 million payable to PEO.

Effective June 1, 2018, the Company completed a conveyance of property in lieu of payment transaction with Providence Energy Partners III ("PEP III"), one of its lenders. The exchange conveyed the Company's working interests in four producing wells, eight wells in various stages of drilling and completion, 16 proposed wells and the underlying mineral leases (the "Ocho Assets"). The conveyance of properties represented full and final settlement of \$2.1 million outstanding principal balance under the supplemental line of credit with PEP III (Note 5). PEP III is considered an affiliate of PEO. As the transaction represented the conveyance of part of an interest in a proved property and did not have a significant impact on the DDA calculation, it has been recorded as a normal retirement. The carrying cost of the oil and gas properties was \$0.8 million.

During the fourth quarter of 2018, as part of the plan to divest certain properties and improve liquidity, the Company began an active program to sell certain undeveloped properties along with some producing properties operated by other companies. As the plan did not represent a strategic shift, it did not qualify for accounting treatment as a discontinued operation. The Company evaluated the six criteria for classification of assets held for sale in accordance with FASB ASC 360-10-45-9. After the evaluation of these criteria, the assets were reclassified as Assets Held for Sale as of December 31, 2018.

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The proceeds from the February 27, 2019 sale of the Assets held for sale was \$16.1 million after adjusting for anticipated costs to sell. As the net unamortized costs of the properties was \$26.0 million, the Company recorded an impairment provision of \$9.9 million for the year ended December 31, 2018. On February 27, 2019, the Company closed on the sale for price of \$16.5 million, after adjustments to the purchase price for amounts owed to the buyer of approximately \$8.4 million and title defects of \$0.1 million offset by revenue receivable of \$7.5 million and net of brokers fees of \$0.3 million, net, proceeds amounted to \$15.3 million which were remitted to the Company's Secured Lenders.

*2017 Activity*

On April 3, 2017, the Company completed an acquisition of oil and gas leases covering approximately 5,874 gross (1,462 net) acres in Adams and Weld Counties, Colorado. The seller reserved to itself all rights in the leases that exist below 50 feet above the top of the uppermost J Sand formation for those lands located in Township 7 North, Range 63 West in Weld County, Colorado. The acquisition was effective January 1, 2017. The net purchase price to the Company's retained interest in the assets, following the Company's working interest partner's 50% participation in the transaction and a reduction in purchase price due to title defects, was \$1.3 million. The Company paid \$0.5 million of the Company's net purchase price in cash, and \$0.8 million was paid through the issuance of 450,000 shares of the Company's common stock valued at \$1.80 per share.

On April 21, 2017, the Company acquired a 9.37% royalty interest covering approximately 145 net acres located in Adams County, Colorado for a net purchase price of \$0.6 million following the Company's working interest partner's 50% participation in the transaction. The acquisition was effective April 1, 2017. In connection with the acquisition, the Company paid a finders' fee of 20,555 shares of common stock valued at \$1.80 per share to a lease broker.

On May 9, 2017, the Company acquired 200 gross (70 net) acres in Adams County, Colorado for a net purchase price of \$0.4 million following the Company's working interest partner's 50% participation in the transaction. The transaction was effective April 1, 2017.

On September 15, 2017, the Company completed a purchase of additional oil and gas leases covering approximately 400 gross (200 net) acres. The gross purchase price was \$0.4 million, or \$0.2 million to the Company's retained interest following the Company's working interest partner's 50% participation in the transaction. The location of the acreage is contiguous with that of the acreage acquired in the April 3, 2017 transaction described above.

*Costs Incurred in Crude Oil and Natural Gas Activities.* Costs incurred in connection with the Company's crude oil and natural gas acquisition, exploration and development activities for each of the years ended December 31, 2018 and 2017 are shown below:

	December 31,	
	2018	2017
Exploration and abandonment costs	\$ 580,881	\$ 61,693
Development costs	33,393,215	18,771,794
Acquisition of properties		
Proved	164,199	—
Unproved	342,982	4,049,380
Total	<u>\$ 34,481,277</u>	<u>\$ 22,882,867</u>

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**NOTE 5 – DEBT**

The following table presents account balances and activity for our various debt instruments as of December 31:

	Initial Line of Credit	Supplemental Line of Credit	Convertible Notes 10%	Convertible Notes Series B	Secured Credit Facility
<b>December 31, 2016 Principal Balance</b>	<b><u>\$ (5,000,000)</u></b>	<b><u>\$ (7,105,000)</u></b>	<b><u>\$ (1,942,600)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>December 31, 2016, Total, net</b>	<b><u>\$ (5,000,000)</u></b>	<b><u>\$ (7,105,000)</u></b>	<b><u>\$ (5,308)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<i>Principal</i>					
Borrowings	-	-	(8,057,400)	(4,724,900)	(5,000,000)
Repayments	-	3,552,500	-	-	-
Conversions	-	-	5,166,800	-	-
Beginning Balance - Unamortized Debt Issuance Costs - Original Issuer Discount	-	-	204,703	-	-
Additions	-	-	804,750	205,211	104,871
Accretion	-	-	(742,944)	(36,887)	(1,436)
Ending - Unamortized Debt Issuance Costs - Original Issuer Discount	<u>-</u>	<u>-</u>	<u>266,509</u>	<u>168,324</u>	<u>103,435</u>
Beginning Balance - Unamortized Debt Issuance Costs - Beneficial Conversion Feature	-	-	1,030,762	-	-
Additions	-	-	4,272,867	56,500	-
Accretion	-	-	(3,978,881)	(11,959)	-
Ending - Unamortized Debt Issuance Costs - Beneficial Conversion Feature	<u>-</u>	<u>-</u>	<u>1,324,748</u>	<u>44,541</u>	<u>-</u>
Beginning Balance - Unamortized Debt Issuance Costs - Warrant Discount	-	-	701,827	-	-
Additions	-	-	2,978,791	-	-
Accretion	-	-	(2,758,537)	-	-
Ending - Unamortized Debt Issuance Costs - Warrant Discount	<u>-</u>	<u>-</u>	<u>922,081</u>	<u>-</u>	<u>-</u>
<b>December 31, 2017, Principal Balance</b>	<b><u>\$ (5,000,000)</u></b>	<b><u>\$ (3,552,500)</u></b>	<b><u>\$ (4,833,200)</u></b>	<b><u>\$ (4,724,900)</u></b>	<b><u>\$ (5,000,000)</u></b>
<b>December 31, 2017, Total, net</b>	<b><u>\$ (5,000,000)</u></b>	<b><u>\$ (3,552,500)</u></b>	<b><u>\$ (2,319,862)</u></b>	<b><u>\$ (4,512,035)</u></b>	<b><u>\$ (4,896,565)</u></b>
<i>Principal</i>					
Borrowings	-	-	-	-	(20,000,000)
Repayments	5,000,000	3,552,500	-	-	-
Conversions	-	-	200,000	-	-
Beginning Balance - Unamortized Debt Issuance Costs - Original Issuer Discount	-	-	266,509	168,324	103,435
Additions	-	-	-	-	4,284,416
Accretion	-	-	(266,509)	(168,324)	(1,789,664)
Ending - Unamortized Debt Issuance Costs - Original Issuer Discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,598,187</u>
Beginning Balance - Unamortized Debt Issuance Costs - Beneficial Conversion Feature	-	-	1,324,748	44,541	-
Additions	-	-	-	-	2,272,775
Accretion	-	-	(1,324,748)	(44,541)	(949,372)
Ending - Unamortized Debt Issuance Costs - Beneficial Conversion Feature	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,323,403</u>
Beginning Balance - Unamortized Debt Issuance Costs - Warrant Discount	-	-	922,081	-	-
Additions	-	-	-	-	1,538,943
Accretion	-	-	(922,081)	-	(642,797)
Ending - Unamortized Debt Issuance Costs - Warrant Discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>896,146</u>
<b>December 31, 2018, Principal Balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (4,633,200)</u></b>	<b><u>\$ (4,724,900)</u></b>	<b><u>\$ (25,000,000)</u></b>
<b>December 31, 2018, Total, net</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (4,633,200)</u></b>	<b><u>\$ (4,724,900)</u></b>	<b><u>\$ (20,182,264)</u></b>

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***Line of credit***

On May 13, 2015, the Company entered into a Revolving Line of Credit Facility Agreement (“initial line of credit”, “Line of credit”) with PEO, a related party, which provided the Company with a revolving line of credit of up to \$5.0 million. Interest on the supplemental line initially accrued at the rate of 10% per year. On February 1, 2018 concurrent with the closing of the Secured Credit Facility (as described more fully below), the outstanding balance of \$5.0 million plus accrued interest was repaid in full. In connection with the repayment, the Company recognized \$0.3 million in interest expense related to the recognition of an unaccrued debt discount associated with the Line of Credit.

As of December 31, 2018, and 2017, the outstanding balance on the Line of credit was \$0.0 and \$5.0 million respectively. The Company had accrued interest was \$0.0 and \$0.5 million respectively. During the years ended December 31, 2018 and 2017, the Company recorded interest expense of \$0.3 million and \$0.4 million respectively, related to the initial line of credit.

***Supplemental line of credit***

On October 13, 2016, the Company entered into a revolving line of credit facility agreement (the “supplemental line of credit”) with PEP III. PEP III is an affiliate of PEO. The supplemental line of credit permitted the Company to borrow up to \$10.0 million to pay costs associated with its acquisition and development of oil and gas properties in the Wattenberg Field. Interest on the supplemental line initially accrued at the rate of 8% per year.

The supplemental line of credit was amended on March 30, 2017, pursuant to which the Company agreed not to borrow additional amounts against the supplemental line of credit and to repay \$3.6 million.

On June 8, 2017, the Company entered into a letter agreement (“PEP III Agreement”) with PEP III and PEO, pursuant to which PEP III agreed to modify the Company’s supplemental line of credit. The PEP III Agreement extended the maturity date of the supplemental line of credit, including approximately \$3.8 million in outstanding principal and accrued interest, from June 13, 2017 until December 27, 2017, and increased the interest rate on the supplemental line from 8% to 10%, effective June 8, 2017. The Company and PEO also agreed to amend the participation agreement between the Company and PEO, dated May 13, 2015 (“Participation Agreement”), in order to expand the area of mutual interest (“AMI”) established and granted PEP III an option to participate under the Participation Agreement. PEP’s option under the Participation Agreement expired when the line of credit was extinguished in June 2018.

On December 21, 2017 in connection with the execution of a Letter Agreement (as described more fully below) the interest rate on the supplemental line of credit was increased to 15% and the maturity date was extended until June 30, 2018.

On February 1, 2018, concurrent with the closing of the Secured Credit Facility (as described more fully below), \$1.5 million of principal plus accrued interest was repaid on the supplemental line of credit.

Effective June 1, 2018, the Company and PEP III closed on a transaction to exchange the Company’s interest in the Ocho Assets (Note 5) in full satisfaction of the remaining \$2.1 million of outstanding principal balance on the supplemental line of credit. The Company accounted for this transaction as a retirement in accordance with ASC 932-360-40-3. As the retirement did not impact the unit-of-production amortization rate no gain or loss was recognized on the transaction.

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As of December 31, 2018, and 2017, the outstanding balance on the supplemental line of credit was \$0.0 and \$2.1 million respectively. The Company had accrued interest of \$nil and \$0.5 million respectively. During the years ended December 31, 2018 and 2017, the Company recorded interest expense of \$0.1 million and \$0.4 million respectively, related to the supplemental line of credit.

*10% Convertible Notes*

On January 30, 2017, the Company completed the private placement of units consisting of convertible promissory notes ("Convertible Notes") with an aggregate face value of \$10.0 million and common stock purchase warrants. The Convertible Notes are unsecured, bear interest at 10% per year and were due and payable on December 31, 2018. At the option of the holders of the Convertible Notes, the principal amount and any accrued but unpaid interest are convertible into shares of the Company's common stock at a conversion price of \$1.50 per share.

The Company received net proceeds of approximately \$9.0 million from the private placement, after placement agent fees and other associated expenses.

In accordance with ASC 470, "Debt", the proceeds from the sale of the Convertible Notes was allocated between the conversion feature embedded in the Convertible Notes and the warrants attached to the notes based on the fair values of the debt instrument without the warrants, and of the warrants themselves, at the time of issuance. The fair value of the beneficial conversion feature (BCF) was \$5.3 million and the fair value of the warrants was \$3.7 million. Each of the fair value amounts were recorded as a reduction of the carrying value of the Convertible Notes and were amortized to interest expense using the effective interest method over the term of the Convertible Notes. In addition, warrants with an estimated fair value of \$1.0 million were issued to the placement agent in connection with the offering. The placement agent warrants were recorded as a charge to additional paid-in capital.

On October 16, 2017, in connection with the sales of Series B Unsecured Convertible Promissory Notes ("Series B Convertible Notes") as described more fully below, \$5.2 million in principal of the Convertible Notes and \$0.1 million in accrued interest was converted into 4,814,265 shares of common stock at a conversion rate of \$1.10 per share. The Company has recorded a loss on conversion of \$1.8 million in connection with the reduction of the initial contractual conversion rate.

As of December 31, 2018, and 2017, the Convertible Notes had an outstanding principal balance of \$4.6 million and \$4.8 million and accrued interest of \$nil and \$0.3 million respectively. Interest expense related to the notes for the years ended December 31, 2018 and 2017 was \$0.5 million and \$0.8 million.

The 10% Convertible Notes were not paid as of December 31, 2018, and they remain outstanding and in default.

*Series B Convertible Notes*

In September and October 2017, the Company sold Series B Convertible Notes in the principal amount of \$4.7 million. The Series B Convertible Notes are unsecured, bear interest at 15% per year, and were due and payable on December 31, 2018. At the option of the holders, the principal amount of the Series B Convertible Notes and any accrued but unpaid interest are convertible into shares of the Company's common stock at a conversion price of \$1.50 per share. The Company netted \$4.5 million from the sale of the Series B Convertible Notes after expenses.

In accordance with ASC 470, the fair value of the beneficial conversion feature of \$56,500 has been recorded as a reduction of the carrying value of the Series B Notes and was amortized to interest expense using the effective interest method over the term of the Series B Notes.

As of December 31, 2018, and 2017, the Series B Convertible notes had an outstanding balance of \$4.7 million and \$4.7 million and accrued interest of \$nil and \$0.2 million respectively. Interest expense related to the notes for the years ended December 31, 2018 and 2017 was \$0.7 million and \$0.2 million.

The Series B Convertible Notes were not paid as of December 31, 2018, and they remain outstanding and in default.

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**Secured Credit Facility**

On February 1, 2018, the Company closed on a \$25.0 million Secured Credit Facility with Providence Wattenberg, LP and 5NR Wattenberg, LLC ("Secured Lenders"). Each of Providence and 5NR are affiliates of the Lenders under a Letter Agreement entered into by the Company on December 21, 2017, under which the Company borrowed \$5.0 million. The obligation under the Secured Credit Facility includes the \$5 million borrowed under the Letter Agreement and includes additional borrowings of \$20.0 million.

The following are the material terms of the Secured Credit Facility:

- Interest on the outstanding principal balance accrues at the base rate of 14% per year plus the greater of either 1% or US Dollar LIBOR (three-month tenor), but in no event greater than 17%, plus, in the event of default, penalty interest of 5%. Interest payments are due and payable each month commencing March 1, 2018.
- The Company paid a \$1.25 million origination fee at the time of the closing and agreed to pay a \$1.25 million underwriting fee on February 1, 2019.
- The borrowing is secured by a lien on all of the Company's assets.
- All principal is due February 1, 2020 ("Maturity Date").
- At any time, each Secured Lender may convert 20% of the outstanding principal balance into common stock of the Company at a conversion rate of \$1.15 per share and 80% of the outstanding principal balance at a conversion rate of \$1.55 per share.
- The Secured Lenders received warrants to purchase 1,500,000 shares of common stock of the Company at a price of \$0.01 per share (Note 8).
- The Secured Lenders were granted the right to participate in any public or private securities offering by the Company, limited to 50% of securities offered until December 31, 2018, and 25% of any securities offered thereafter.
- Beginning on the maturity date and continuing until February 2021, the Secured Lenders were granted an option to purchase up to \$25 million of the Company's common stock at a 10% discount from the 30-day volume-weighted average trading price ("VWAP") of the common stock at the time the option is exercised, but in no event shall the exercise price be less than \$1.85 per share; and registration rights in connection with the common stock that may be issued upon exercise of the foregoing rights.
- The Borrower has the right to make an optional prepayment prior to the maturity date. Upon prepayment of the loan or upon certain events of default, the Company is subject to a "Make-Whole Premium" in the amount of 40% multiplied by the then-outstanding balance, less amounts paid for interest and certain fees paid by the Borrower under the Secured Credit Facility

The Secured Credit Facility is subject to certain financial and restrictive covenants under which the Company's failure to comply results in an event of default. The covenants include:

- The Company has agreed not to issue any equity securities or securities convertible into or exercisable for equity securities without the consent of Lenders, except for common stock issuable under the Company's equity incentive plan, certain registered public offerings, common stock issuable in connection with certain convertible promissory notes and certain outstanding warrants; and
- Maintenance of a Total Leverage Ratio and a Present Value of Proved Developed Producing Reserves Coverage Ratio, as defined in the borrowing documents.

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The following table summarizes the use of the \$20.0 million in additional borrowings under the terms of the Secured Credit Facility:

Gross Proceeds	\$ 20,000,000
Payment of origination fee	(1,250,000)
Principal repayment on Initial Line of Credit	(5,000,000)
Principal repayment on Supplemental Line of Credit	(1,500,000)
Payment of accrued interest costs	(1,086,808)
Net Cash Proceeds	<u>\$ 11,163,192</u>

The Secured Credit Facility is considered a hybrid debt instrument with several elements that required identification and valuation. As the fair value of the embedded derivatives is not readily determinable through an active marketplace of identical instruments, the Company employed the Monte Carlo simulation valuation model to determine the fair value of the embedded derivative liabilities.

It was determined that the rights to convert the debt into common shares contained a beneficial conversion feature that could be detached from the debt and valued as a component of equity. It was likewise determined that the warrants could be detached from the debt and valued as a component of equity. It was determined that the option to purchase shares at a 10% discount from VWAP represented a derivative liability that should be remeasured at fair value for each reporting period. The Company further determined that certain provisions of the agreement which provide for additional interest payments under certain conditions represent an additional compound derivative liability that should also be remeasured at fair value for each reporting period. The compound derivative liability included the Make-Whole Premium, Default Interest Penalty, and Registration Rights Penalty. For both the share purchase option and the additional interest provisions, a Monte Carlo simulation model was used to calculate estimates of fair value. The model was used as of February 1, 2018 to determine the initial valuation. In each interim reporting period subsequent to February 1, 2018, the model was updated to determine changes in the estimated values.

The values allocated to each component of the debt instrument are set forth below:

Secured Credit Facility, net of all discounts	\$ 16,786,981
Make whole premium derivative liability	14,698
Default interest penalty derivative liability	243,794
Registration rights penalty derivative liability	63,672
Share purchase option derivative liability	1,347,853
Stock purchase warrants	1,538,943
Beneficial conversion feature	2,272,775
Legal fees and other	<u>231,284</u>
Subtotal	22,500,000
Origination fee and Underwriting fee	<u>2,500,000</u>
Secured Credit Facility, face value	<u>\$ 25,000,000</u>

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*Defaults*

As of December 31, 2018, the Company was in default under certain provisions of the Secured Credit Facility including the inability of the Company to pay its debts or other obligations as they become due, a mechanic's lien filed against the Company in Adams, County Colorado and for accounts payable outstanding for greater than 90 days. On February 1, 2019, the Company incurred another event of default by failing to pay the Secured Lenders a \$1.3 million underwriting fee incurred in connection with the origination of the Secured Credit Facility.

As a result of the defaults, the Company has accrued additional default penalty interest of \$0.3 million at the penalty interest rate of an additional 5%, from the date of the first reported default on October 1, 2018 through December 31, 2018. The Company has accrued \$3.4 million related to the embedded make-whole premium.

As of December 31, 2018, \$29.9 million in principal, penalty interest and amounts accrued for the make-whole premium are due and payable. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. The Notice declared that all amounts outstanding were immediately due and payable.

The Company is currently in negotiation with the Secured Lenders as to the impact and resolution of the defaults.

**NOTE 6 – ASSET RETIREMENT OBLIGATION**

For the purpose of determining changes in the amount of the asset retirement obligation during the year ended December 31, 2018, the Company assumed an inflation rate of 2% and a credit-adjusted risk-free interest rate ranging from approximately 14% to 21%. For the year ended December 31, 2017, the Company assumed an inflation rate of 2% and a credit-adjusted risk-free rate ranging from approximately 11% to 14%. For both years, assumed well lives are based upon engineering and economic data and approximate 30 years for new horizontal wells and shorter lives for the acquisition of older wells.

The following table presents changes in the asset retirement obligation for the years ended:

	December 31,	
	2018	2017
Asset retirement obligation, beginning of year	\$ 1,123,444	\$ 945,419
Liabilities settled (1)	(192,996)	(50,163)
Liabilities incurred	58,511	91,999
Revisions in estimated cash flows	983,352	36,507
Accretion	117,636	99,682
Asset retirement obligation, end of year	<u>\$ 2,089,947</u>	<u>\$ 1,123,444</u>
Current liability	\$ 843,796	\$ 288,784
Long-term liability	\$ 1,246,151	\$ 834,660

(1) Reflects liabilities settled through plugging and abandonment activities and divestitures of properties.

The revisions in estimated cash flows during 2018 were primarily due to changes in estimates of costs for labor and materials related to the plugging and abandonment of wells and the shortening of the estimated lives of wells.

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities were comprised of the following amounts:

	December 31,	
	2018	2017
Trade payables and accrued liabilities	\$ 2,093,428	\$ 1,544,112
Accrued interest payable	-	876,455
Liabilities incurred in connection with acquisition of crude oil and natural gas properties	22,291,989	1,719,785
Total	<u>\$ 24,385,417</u>	<u>\$ 4,140,352</u>

See Note 11 for related party liabilities.

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**NOTE 8 - SHAREHOLDERS' EQUITY**

*Increase in share capital*

On March 15, 2019, at a special meeting, the shareholders approved an amendment to the Company's Articles of Incorporation ("Amendment") to increase the authorized common stock from 100,000,000 shares to 200,000,000 shares. The Amendment was effective on March 20, 2019 upon filing with the Colorado Secretary of State.

*Common Stock*

As of December 31, 2018, and 2017, the Company had 100,000,000 shares of common stock authorized with a par value of \$0.001 per share. As of December 31, 2018, and 2017, the Company had 28,089,765 and 27,718,802 shares issued and outstanding, respectively.

Activity for the year ended December 31, 2018 included the following:

On February 23, 2018 the Company issued 70,000 shares of common stock, valued at \$1.00 per share, in lieu of cash compensation.

On March 12, 2018 the Company issued 135,963 shares of common stock in connection with the conversion of \$200,000 of 10% convertible notes payable plus accrued interest. The shares were issued at the contractual rate of \$1.50.

On April 18, 2018 the Company issued 75,000 shares of common stock, valued at \$1.23 per share, in connection with the appointment of three new members to its Board of Directors.

On June 1, 2018 the Company issued 65,000 shares of common stock valued \$1.40 per share to employees of the Company as compensation. The shares are subject to certain vesting restrictions, but all 65,000 shares have full voting rights and are eligible to receive dividends during the vesting period.

On July 24, 2018 the Company issued 45,000 shares of common stock valued at \$1.29 per share to an officer of the Company as compensation. The shares are subject to certain vesting restrictions, but all 45,000 shares have full voting rights and are eligible to receive dividends during the vesting period.

Activity for the year ended December 31, 2017 included the following:

- On October 16, 2017, the Company issued 4,814,265 shares of common stock valued at \$1.38 in conversion of \$5.2 million of Convertible Notes and \$0.1 million in accrued interest (Note 5).
- On September 23, 2017, the Company issued 250,000 shares of common stock valued at \$1.55 to PEO in connection with the execution of a Letter Agreement.
- On various dates, in connection with the execution of four employment agreements and the employment of additional employees, the Company issued 219,700 shares of restricted stock. The shares are subject to certain vesting restrictions, but all 219,700 shares have full voting rights and are eligible to receive dividends during the vesting period.
- On April 3, 2017, the Company issued 470,555 shares valued at \$1.80 per share in connection with the acquisitions of oil and gas assets.

*Preferred Stock*

As of December 31, 2018, and 2017, the Company had 10,000,000 shares of preferred stock authorized with a par value of \$0.01 per share. As of December 31, 2018, and 2017, there were no shares of preferred stock issued or outstanding.

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*Warrants*

The table below summarizes warrants outstanding as of December 31, 2018:

	Shares Underlying Outstanding Warrants	Exercise Price Per Share	Expiration Date
	Underwriter warrants	255,600	\$ 1.25
Investor warrants	6,666,600	\$ 3.00	12/31/2019
Placement agent warrants	666,600	\$ 1.50	12/31/2021
Secured Credit Facility warrants	1,500,000	\$ 0.01	02/01/2020
<b>Total</b>	<b>9,088,800</b>		

Activity for the year ended December 31, 2018 included the following:

On February 1, 2018 in connection with the closing of the Secured Credit Facility, the Company issued 1,500,000 stock purchase warrants. The warrants are exercisable at \$0.01 per share and expire on February 1, 2020 (Notes 5).

Activity for the year ended December 31, 2017 included the following:

- On January 20, 2017 and January 30, 2017, the Company issued 537,260 warrants exercisable at \$1.50 per share and expiring on December 31, 2021 in connection with a private placement (Note 5).
- On January 20, 2017 and January 30, 2017, the Company issued 5,371,579 warrants exercisable at \$3.00 per share and expiring on December 31, 2019, also in connection with the private placement (Note 5).

**NOTE 9 – STOCK-BASED COMPENSATION**

On August 18, 2016, the Company's Board of Directors adopted the Amended and Restated PetroShare Corp. Equity Incentive Plan (the "Plan"). The Plan terminates on August 17, 2026. Among other things, the Plan increased the number of shares of common stock reserved for issuance thereunder from 5,000,000 to 10,000,000 shares. The Company's shareholders approved the Plan at the Company's annual meeting of shareholders on September 8, 2016.

During the year ended December 31, 2018, the Board of Directors granted non-qualified options to employees, directors and consultants of the Company under the Plan to acquire 790,000 shares of common stock.

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A summary of activity under the Plan for the years ended December 31, 2018 and 2017 is as follows:

	Number of Shares	Weighted Average Exercise Price	Remaining Contractual Term (Years)
Outstanding, December 31, 2016	4,675,000	\$ 0.76	5.39
Granted	422,000	\$ 1.86	5.69
Exercised	—	—	—
Forfeited	(100,000)	—	—
Outstanding, December 31, 2017	4,997,000	\$ 0.85	4.44
Exercisable, December 31, 2017	4,347,500	\$ 0.74	4.48
Granted	790,000	0.93	4.07
Exercised	—	—	—
Expired	(425,000)	1.00	—
Forfeited	(325,000)	1.35	3
Outstanding, December 31, 2018	5,037,000	\$ 0.79	3.87
Exercisable, December 31, 2018	4,621,000	\$ 0.75	3.86

The fair value of each stock-based award was estimated on the date of the grant using the Black-Scholes pricing model that incorporates key assumptions including volatility of the Company's stock, dividend yield and risk-free interest rates. As the Company's common stock has limited historical trading data, the expected stock price volatility is based primarily on the historical volatility of a group of publicly-traded companies that share similar operating metrics and histories. The expected term of the awards represents the period of time that management anticipates awards will be outstanding. As there was insufficient historical data available to ascertain an expected term, the plain vanilla method was applied in calculating the expected term of the options. The risk-free rates for the periods within the contractual life of the options are based on the US Treasury bond rate in effect at the time of the grant for bonds with maturity dates at the expected term of the options. The Company has never paid dividends on its common stock and currently does not intend to do so, and as such, the expected dividend yield is zero. Compensation expense related to stock options was recorded net of actual forfeitures.

The table below summarizes assumptions utilized in the Black-Scholes pricing model for the years ended 2018 and 2017:

	December 31, 2018	December 31, 2017
Expected option term—years	2.0-3.0	2.5 - 3.25
Risk-free interest rate	2.58%-2.81%	1.75%-1.93%
Expected dividend yield	—	—
Volatility	85%-100%	162% - 169%
Forfeited	—	—

During the years ended December 31, 2018 and 2017, the Company recorded stock-based compensation related to options of \$0.7 million, and \$1.4 million, respectively. Unvested stock-based option compensation at December 31, 2018 amounted to \$0.1 million.

**PetroShare Corp.**  
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**NOTE 10 – PROVISION FOR INCOME TAXES**

The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. No uncertain tax positions have been identified as of December 31, 2018.

The Company is in a position of cumulative reporting losses for the current and preceding reporting periods. The volatility of energy prices is not readily determinable by management. At this date, this fact pattern does not allow the Company to project sufficient sources of future taxable income to offset tax loss carry-forwards and net deferred tax assets. Under these circumstances, it is management's opinion that the realization of these tax attributes does not reach the "more likely than not criteria" under ASC 740, "Income Taxes." As a result, the Company's deferred tax assets as of December 31, 2018 and 2017 are subject to a full valuation allowance.

Net deferred tax assets and liabilities consist of the following components as of December 31, 2018 and 2017:

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax assets - noncurrent:		
NOL carryover\$	5,385,347	\$ 2,109,423
Stock based compensation	727,631	727,631
Asset retirement obligation	515,333	277,015
Charitable contribution	814	814
Allowance for doubtful accounts	29,321	—
Total deferred tax assets	<u>\$ 6,658,446</u>	<u>\$ 3,114,883</u>
Deferred tax liabilities - current:		
Property and equipment	(9,405)	(15,251)
Impairment, intangible drilling costs and other exploration costs capitalized	(1,205,247)	(935,482)
Debt discount - Beneficial conversion feature	(326,321)	(337,518)
Derivative liabilities	(352,165)	—
Total deferred tax liabilities	<u>(1,893,138)</u>	<u>(1,288,251)</u>
Net deferred tax assets	<u>4,765,308</u>	<u>1,826,632</u>
Valuation allowance	<u>(4,765,308)</u>	<u>(1,826,632)</u>
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

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The income tax provision differs from the amount of income tax determined by applying the US federal tax rate to the pretax loss from continuing operations for the years ended December 31, 2018 and 2017 due to the following:

	Year Ended December 31,	
	2018	2017
Tax at statutory federal rate	\$ (3,634,627)	\$ (3,688,109)
Permanent difference	836,035	2,258,353
State taxes, net of federal	(519,052)	(331,474)
Change in valuation allowance	3,499,090	396,256
Effect of the Tax Cuts and Jobs Act	—	918,446
Other	(181,446)	446,528
Provision (benefit) for income taxes	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2018, the Company had net operating loss carry-forwards of approximately \$21.8 million that may be offset against future taxable income from the years 2019 through 2038.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry-forwards for federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry-forwards may be limited as to use in future years.

The Company files income tax returns in the US federal jurisdiction and in the State of Colorado. The Company is currently subject to US federal, state and local income tax examinations by tax authorities since inception of the Company.

ASC 740 requires the recognition of the tax effects of the of the Act for annual periods that include December 22, 2018. At December 31, 2018, the Company has made reasonable estimates of the effects on its existing deferred tax balances. The Company has remeasured certain federal deferred tax assets and liabilities based upon the rates at which they are expected to reverse in the future, which is generally 21 percent. The provisional amount recognized related to the remeasurement of its federal deferred tax balance was approximately \$1.9 million, which was subject to a valuation allowance at December 31, 2018.

The Company will continue to analyze the Tax Act and future IRS regulations, refine its calculations and gain a more thorough understanding of how Colorado is implementing this new law. This further analysis could potentially affect the measurement of deferred tax balances or potentially give rise to new deferred tax amounts.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

**PEO**

The table below summarizes related party balances with PEO and its affiliates as of December 31:

	December 31,	
	2018	2017
<b>Liabilities</b>		
Revenue distribution payable and accrued liabilities	\$ (2,133,622)	\$ (589,496)
Initial line of credit	-	(5,000,000)
Secured Credit Facility	(25,000,000)	(5,000,000)
Loan commitment fee – Secured Credit Facility	(1,250,000)	-
Default penalty interest – Secured Credit Facility	(312,500)	-
Make-whole premium Secured Credit Facility	(3,347,874)	-
Break-up fee payable, participation agreement	(580,881)	-
<b>Assets</b>		
Accounts receivable – joint interest billing	1,158,213	204,730

*Initial Line of Credit*

As of December 31, 2018, there was no balance outstanding on the initial line of credit. As of December 31, 2017, the Company had an outstanding balance of \$5.0 million and had accrued interest in the amount of \$0.5 million. The outstanding principal balance of \$5.0 million and accrued interest of \$0.5 million were repaid on February 1, 2018 with proceeds from the closing of the Secured Credit Facility. Interest expense of \$0.3 million was recognized related to the note and accretion of unamortized debt discount during the year ended December 31, 2017.

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*Secured Credit Facility*

On February 1, 2018, the Company entered a Secured Credit Facility (Note 5) pursuant to which the Company borrowed \$25 million from PEO affiliated entities.

As of December 31, 2018, PEO beneficially owns approximately 11.6% of the Company's outstanding common stock. As of December 31, 2018, included in accounts payable and accrued liabilities – related party are \$1.3 million in underwriting fees payable which were due on February 1, 2019. Interest expense of \$7.5 million was recognized related to the note and the accretion of debt discounts during the year ended December 31, 2018.

In connection with the execution of the Secured Credit Facility, the Company issued 1.5 million warrants to purchase common stock of the Company to PEO affiliated entities (Note 8).

As of December 31, 2018, the Company was in default with certain provisions of the Secured Credit Facility including the inability of the Company to pay its debts or other obligations as they become due, mechanics liens filed against the Company in Adams County, Colorado and for in occurrence of prohibited new debt related to accounts payable outstanding for greater than 90 days. On February 1, 2019 the Company incurred another event of default by failing to pay the Senior Secured Lender a \$1.3 million underwriting fee incurred in connection with the origination of the Secured Credit Facility in February 2018. As a result of the defaults, the Company has accrued additional penalty interest of \$0.3 million at the penalty interest rate of 5%, from the date of the first reported default October 1, 2018 through December 31, 2018. The Company has accrued \$3.4 million related to the embedded make-whole premium, which, per the Agreement, is triggered upon the event of default. As of December 31, 2018, \$29.9 million in principal, penalty interest, underwriting fee payable and amounts accrued for the make-whole premium are due and payable. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. From December 31, 2018, until April 2, 2019, the Company was in negotiations with Secured Lenders to resolve the events of default, the negotiations continue. Accordingly, the Company did not retroactively accelerate the accretion of debt discounts recorded in connection with the Secured Credit Facility.

*Operations/PEO*

At December 31, 2018, the Company has recorded \$1.1 million in Accounts receivable – joint interest billing – related party. This amount relates to amounts billed and unbilled to PEO related to its participation in the Company's operated Shook drilling program and PEO's ownership interest in the vertical wells that the Company operates.

At December 31, 2018, the Company has recorded \$1.8 million in royalties and revenue distribution payable to a related party. This amount relates to undistributed revenue from Company's operated Shook pad and vertical wells.

At December 31, 2018, the Company has recorded \$0.6 million in abandonment costs payable, related to the Company's election not to participate in a participation agreement related to the acquisition of leasehold acreage (Note 4).

*Convertible Notes*

In January 2017, the Company sold 10% Convertible Notes to a total of four employees and directors who collectively purchased 10% Convertible Notes in the aggregate principal amount of \$0.2 million (Note 5), on the same terms and conditions as the other purchasers.

On October 16, 2017, ten of the Company's officers and directors converted 10% Convertible Notes in the aggregate principal amount of \$0.7 million and accrued interest of \$20,670 into 691,516 shares of common stock at \$1.10 per share (Note 5).

As of December 31, 2018, and 2017, the principal balance of the 10% Convertible Notes payable to employees and officers amounted to \$80,000 and \$80,000 respectively.

Employees, officers and directors of the Company received cash interest payments \$8,000 and \$0.1 million related to 10% Convertible Notes during the years ended December 31, 2018 and 2017.

*Series B Convertible Notes*

In September and October 2017, the Company sold Series B Convertible Notes to ten of the Company's officers and directors who collectively purchased \$0.6 million in aggregate principal amount (Note 5), on the same terms and conditions as the other purchasers, with the exception that the Company did not pay commissions on these sales. Employees, officers and directors received cash interest payments of \$0.1 million and \$0.1 million during the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, the outstanding principal balance of the Series B Convertible Notes payable to employees and directors amounted to \$0.6 million and \$0.6 million respectively.

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

*Operating Lease*

The Company leases its office facilities under a four-year non-cancelable operating lease agreement expiring in March 2021. The following is a schedule by year of future minimum rental payments required under the operating lease agreement:

Year ending December 31,	<u>Amount</u>
2019	\$ 133,698
2020	137,658
2021	<u>34,662</u>
Total	<u>\$ 306,018</u>

Lease expense totaled \$0.1 million and \$0.1 for the years ended December 31, 2018 and December 31, 2017, respectively.

**NOTE 13 – SUBSEQUENT EVENTS**

On February 27, 2019, the Company completed the sale of nearly all its non-operated oil and natural gas assets. The assets sold include all non-operated horizontal wells in which the Company had an interest, as well as the leases on which those wells are located, oil, natural gas and other hydrocarbons produced from the leases on or after the effective date of the sale, related equipment, machinery, fixtures and other personal property, surface rights and contracts. The effective date of the sale was January 1, 2019. The net purchase price received for the assets was approximately \$15.3 million in cash, net of closing costs, adjustments and broker's fees. The proceeds of the sale have been applied the Secured Lenders against amounts allegedly owed under the Secured Credit Facility. See Note 4 for description of the impact of this sale on the December 31, 2018 consolidated financial statements.

On March 15, 2019, at a special meeting, the shareholders approved an amendment to the Company's Articles of Incorporation ("Amendment") to increase the authorized common stock from 100,000,000 shares to 200,000,000 shares. The Amendment was effective on March 20, 2019 upon filing with the Colorado Secretary of State.

On March 22, 2019, three members of the Board of Directors provided notice of their resignation from the Board. The resignations of Michael Allen, Joseph Drysdale and Cullen Schaar were effective immediately. None of the resignations expressed any disagreement with either the Company or its Board of Directors. At this time, the Board of Directors plans to continue its work with a reduced membership of six directors.

On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility.

**NOTE 14 – UNAUDITED CRUDE OIL AND NATURAL GAS RESERVES INFORMATION**

The estimate of reserves at December 31, 2018, presented below, were prepared by the independent engineering firm Cawley, Gillespie & Associates Inc. All reserves are located within the DJ Basin. Proved oil, natural gas and NGL reserves are the estimated quantities of oil, natural gas and NGLs which geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under economic and operating conditions (i.e., prices and costs) existing at the time the estimate is made. Proved developed oil, natural gas and NGL reserves are proved reserves that can be expected to be recovered through existing wells and equipment in place and under operating methods being utilized at the time the estimates were made. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries and undeveloped locations are more imprecise than estimates of established proved producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available.

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**Analysis of Changes in Proved Reserves.** Estimated quantities of proved developed reserves (all of which are located within the United States), as well as the changes in proved developed reserves during the periods indicated, are presented in the following tables:

	Oil (Bbls)	Natural Gas (Mcf)	NGL's (Bbls)	Total (BOE)
<b>Balance as of December 31, 2016</b>	2,761,204	11,492,855	1,631,188	6,307,868
Revisions of previous estimates	(388,211)	292,477	38,668	(300,797)
Extensions and discoveries	839,738	4,183,757	631,149	2,168,180
Sales of reserves in place	—	—	—	—
Improved recovery	—	—	—	—
Purchase of reserves	—	—	—	—
Production	(188,529)	(549,846)	(50,111)	(330,281)
<b>Balance as of December 31, 2017</b>	3,024,202	15,419,243	2,250,894	7,844,970
Revisions of previous estimates	569,936	3,444,889	(877,172)	266,912
Extensions and discoveries	36,858	244,043	—	77,532
Sales of reserves in place	(150,554)	(820,564)	(97,396)	(384,710)
Improved recovery	—	—	—	—
Purchase of reserves	678	18,533	222	3,988
Production	(287,984)	(773,396)	(66,986)	(483,870)
<b>Balance as of December 31, 2018</b>	3,193,136	17,532,748	1,209,562	7,324,822
<b>Proved Developed Reserves, included above</b>				
Balance as of December 31, 2016	260,284	1,788,895	181,655	740,088
Balance as of December 31, 2017	521,354	3,752,330	387,430	1,534,172
Balance as of December 31, 2018	1,187,985	6,300,116	672,725	2,910,729
<b>Proved Undeveloped Reserves, included above</b>				
Balance as of December 31, 2016	2,500,920	9,703,960	1,449,533	5,567,780
Balance as of December 31, 2017	2,502,847	11,666,911	1,863,465	6,310,797
Balance as of December 31, 2018	2,005,151	11,232,632	536,837	4,414,093

The values for the 2018 oil, natural gas and NGL reserves are based on the twelve-month arithmetic average of the first day of the month prices for the period from January through December 31, 2018. The unweighted arithmetic average first-day-of-the-month prices for the prior twelve months was \$65.56 per barrel (West Texas Intermediate price) for crude oil and NGLs and \$3.10 per MMBtu (Henry Hub price) for natural gas. All prices are then further adjusted for transportation, quality and basis differentials. The average resulting price used as of December 31, 2018 was \$59.23 per barrel for oil, \$3.64 per Mcf for natural gas and \$24.28 per barrel for NGLs.

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The values for the 2017 oil, natural gas and NGL reserves are based on the twelve-month arithmetic average of the first day of the month prices for the period from January through December 31, 2017. The unweighted arithmetic average first-day-of-the-month prices for the prior twelve months was \$51.34 per barrel (West Texas Intermediate price) for crude oil and NGLs and \$2.98 per MMBtu (Henry Hub price) for natural gas. All prices are then further adjusted for transportation, quality and basis differentials. The average resulting price used as of December 31, 2017 was \$45.03 per barrel for oil, \$1.71 per Mcf for natural gas and \$20.42 per barrel for NGLs.

The values for the 2016 oil, natural gas and NGL reserves are based on the twelve-month arithmetic average of the first day of the month prices for the period from January through December 31, 2016. The unweighted arithmetic average first-day-of-the-month prices for the prior twelve months was \$42.75 per barrel (West Texas Intermediate price) for crude oil and NGLs and \$2.48 per MMBtu (Henry Hub price) for natural gas. All prices are then further adjusted for transportation, quality and basis differentials. The average resulting price used as of December 31, 2016 was \$34.09 per barrel for oil, \$2.69 per Mcf for natural gas and \$14.44 per barrel for NGLs.

For the year ended December 31, 2018, the Company reported extensions and discoveries of 77,532 BOE primarily from the recognition of reserves associated with new wells drilled by its working interest partners. There were also revisions to previous estimates to reflect net upward revisions of 266,912 BOE, primarily from the improved economics provided by the increased hydrocarbon pricing, somewhat offset by a negative revision in NGL quantities as certain previous engineering estimates were adjusted for revised production information received during 2018.

For the year ended December 31, 2017, the Company reported extensions and discoveries of 2,168,180 BOE primarily as result of the conversion of 18 PUD locations in the Todd Creek Farms prospect area during 2017 coupled with the addition of new PUD locations due to economic field extensions adjacent to Company leases. The Company reported downward revisions of previous estimates of 300,797 BOE primarily related to the removal of uneconomic PUD locations.

For the year ended December 31, 2016, the Company reported extensions and discoveries of 6,030,624 BOE as a result of drilling and completion activities during 2016. Additionally, during 2016 the Company purchased reserves of 287,999 BOE.

**Standardized Measure of Estimated Discounted Future Net Cash Flows to Proved Oil and Natural Gas Reserves (in thousands):**

The Company follows the guidelines prescribed in ASC 932, Extractive Activities-Oil and Gas for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. The following summarizes the policies used in the preparation of the accompanying oil, natural gas and NGL reserve disclosures, standardized measures of discounted future net cash flows from proved oil, natural gas and NGL reserves and the reconciliations of standardized measures from year to year.

The information is based on estimates of proved reserves attributable to the Company's interest in oil and gas properties as of December 31, of the years presented. These estimates were prepared by Cawley Gillespie & Associates, Inc., independent petroleum engineers.

The standardized measure of discounted future net cash flows from production of proved reserves was developed as follows: (1) estimates are made of quantities of proved reserves and future periods during which they are expected to be produced based on year-end economic conditions; (2) the estimated future cash flows are compiled by applying the twelve-month average of the first-day-of-the-month prices of crude oil and natural gas relating to the Company's proved reserves to the year-end quantities of those reserves; (3) the future cash flows are reduced by estimated production costs, costs to develop and produce the proved reserves and abandonment costs, all based on year-end economic conditions, plus Company overhead incurred; and (4) future net cash flows are discounted to present value by applying a discount rate of 10%.

The assumptions used to compute the standardized measure are those prescribed by the FASB and the SEC. These assumptions do not necessarily reflect the Company's expectations of actual revenues to be derived from those reserves, nor their present value. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations, since these reserve quantity estimates are the basis for the valuation process. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries and undeveloped locations are more imprecise than estimates of established proved producing oil and gas properties. The standardized measure of discounted future net cash flows does not purport, nor should it be interpreted, to present the fair value of the Company's oil and natural gas reserves. An estimate of fair value

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would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs and a discount factor more representative of the time value of money and the risks inherent in reserve estimates.

The following summary sets forth the Company's estimated future net cash flows relating to proved oil, natural gas and NGL reserves based on the standardized measure prescribed in ASC 932, Extractive Activities-Oil and Gas (in thousands):

	For the years ended December 31,		
	2018	2017	2016
Future cash inflows	\$ 282,293	\$ 208,459	\$ 148,596
Future cash outflows:			
Production cost	(81,432)	(48,929)	(35,038)
Development cost	(53,980)	(58,784)	(37,667)
Future income tax	(21,534)	(16,006)	(5,802)
Future net cash flows	125,347	84,740	70,089
Adjustment to discount future annual net cash flows at 10%	(42,237)	(35,054)	(29,925)
Standardized measure of discounted future net cash flows	<u>\$ 83,110</u>	<u>\$ 49,686</u>	<u>\$ 40,164</u>

The following are the principal sources of change in the standardized measure (in thousands):

**Changes in Standardized Measure of Estimated Discounted Future Net Cash Flows**

	For the years ended December 31,		
	2018	2017	2016
Standardized measure, beginning of year	\$ 49,686	\$ 40,164	\$ —
Sales of oil and gas, net of production cost	(18,270)	(9,392)	(126)
Net change in sales prices, net of production cost	35,308	10,263	489
Discoveries, extensions and improved recoveries	1,289	11,979	76,445
Change in future development costs	(2,497)	(4,050)	(37,667)
Development costs incurred during the period that reduced future development cost	19,415	1,144	—
Sales of reserves in place	(3,048)	—	—
Revisions of quantity estimates	2,867	(559)	—
Accretion of discount	5,908	4,275	130
Net change in income tax	(4,292)	(6,810)	(2,587)
Purchase of reserves	15	—	6,021
Changes in timing of rates of production	(3,271)	2,672	(2,541)
Standardized measure, end of year	<u>\$ 83,110</u>	<u>\$ 49,686</u>	<u>\$ 40,164</u>

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

### ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Rules 13a-15(b) and 15d-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. As described below under paragraph (b) within Management's Annual Report on Internal Control over Financial Reporting, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013) ("Framework"). Based on this assessment, management concluded that our internal control over financial reporting as of December 31, 2018, was effective with the exception of the material weakness described below. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement in our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

During the quarter ended March 31, 2018, we did not maintain effective controls over the accounting for a derivative liability embedded in our Secured Credit Facility, specifically, the process level controls over the calculation of the Share Purchase Option derivative liability failed to detect a mathematical error in the calculation of the fair value of the Share Purchase Option derivative liability as of February 1, 2018 and March 31, 2018. Management's review of the fair value estimate of the Share Purchase Option derivative liability was not effectively designed during that period to identify the misstatement. This control deficiency resulted in a material misstatement of the aforementioned account and disclosures to the consolidated financial statements was not prevented or detected in a timely manner. Accordingly, we have determined that this control deficiency constituted a material weakness.

This deficiency resulted in the understatement of the fair value of the Share Purchase Option derivative liability as recorded. This error was identified by management and was corrected prior to the issuance of our consolidated financial statements as of and for the quarters ended June 30, 2018, September 30, 2018 and as of and for the year ended December 31, 2018. We therefore believe that the material weakness that existed at March 31, 2018 was remediated prior to the issuance of our December 31, 2018 consolidated financial statements.

#### Changes in Internal Control Over Financial Reporting

The changes described below were made to our internal control over financial reporting during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In connection with the evaluation of internal control over financial reporting as of December 31, 2018, we identified that a material weakness in internal control over financial reporting existed relating to the design and operating effectiveness of controls over the calculation of the fair value of the Share Purchase Option derivative liability.

To address this material weakness in our internal control over financial reporting, we implemented the following:

- We designed and implemented additional controls around the review of the Share Purchase Option derivative liability.
- We engaged an independent consulting firm to review the fair value calculation of the Share Purchase Option derivative liability and other embedded derivatives contained in our Secured Credit Facility.

We have completed the documentation and testing of the design and operating effectiveness of the corrective actions described above and have concluded that the material weakness related to the calculation of the Share Purchase Option derivative liability that existed as of March 31, 2018 was remediated prior to issuance of the consolidated financial statements as of and for the year ended December 31, 2018.

There were no changes in our internal control over financial reporting during our fiscal quarter ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted above.

## Inherent Limitations Over Internal Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

## ITEM 9B. OTHER INFORMATION

Not applicable.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors and Executive Officers

Our executive officers and directors as of April 3, 2019 and their respective ages, positions, and biographical information are set forth below:

Name	Age	Positions with the Company	Board or Executive Officer Position Held Since
Bill M. Conrad	62	Chairman of the Board of Directors	November 2012
Stephen J. Foley	65	Chief Executive Officer and Director	November 2012
Frederick J. Witsell	60	President and Director	November 2012
Paul D. Maniscalco	49	Chief Financial Officer	January 2016
William B. Lloyd	60	Chief Operating Officer	January 2016
Scott C. Chandler	57	Director	May 2016
James H. Sinclair	56	Director	May 2016
Douglas R. Harris	65	Director	July 2016

Each of our directors is serving a term which expires at the next annual meeting of our shareholders and until his successor is elected and qualified or until he resigns or is removed.

The following information summarizes the business experience of each of our officers and directors for at least the last five years:

**Bill M. Conrad, Chairman.** Mr. Conrad has served as Chairman of our Board of Directors since our inception. He is presently an independent consultant, providing financial management services. From January 1990 until December 2012, Mr. Conrad served as the Vice-President, Chief Financial Officer and Director of MCM Capital Management, Inc., or MCM, a privately-held financial and management consulting firm. MCM assisted other companies in developing and implementing their business plans and capital formation strategies. In that capacity, Mr. Conrad participated in the organization or development of a number of companies in industries as diverse as oil and gas, real estate, and technology. From 2006 to the present, Mr. Conrad has served as a director of Gold Resource Corporation (NYSE American: GORO), a publicly-traded gold and silver mining and exploration company, and since 2014 has served as Chairman of the Board. From May 2005 to March 2016, Mr. Conrad served as a director of Synergy Resources Corporation (NYSE American: SYRG), a publicly traded oil and gas exploration and production company. Mr. Conrad's extensive experience as a director of other extraction companies and experience in capital market transactions makes him a valuable asset in connection with the growth and development of our company. For these reasons, we believe Mr. Conrad is qualified to serve as a director of our company.

**Stephen J. Foley, Chief Executive Officer and Director.** Mr. Foley has served as our Chief Executive Officer since our inception. Prior to entering private business, Mr. Foley had a successful professional football career as a safety with the Denver Broncos football organization of the National Football League where he played for 11 seasons, from 1976 to 1986. In 1991, Mr. Foley founded and continues to serve as the president of FSI Development Inc., a privately-held construction and development company engaged in residential development and construction. In 2000, he founded and continues to serve as a managing member of FS Land, LLC, a privately-held real estate development company. He holds a B.S. in Business Administration from Tulane University and serves on the Board of Denver Street Schools. Mr. Foley has extensive knowledge of our operations and of developing companies. For these reasons, we believe Mr. Foley is qualified to serve as a director of our company.

**Frederick J. Witsell, President and Director.** Mr. Witsell became our President in November 2012 and assumed the role of Secretary in August 2013. Mr. Witsell has over 37 years of experience in several facets of the oil and gas industry, including prospect development, conventional and horizontal drilling and completion operations, project management, gathering and compression systems, and marketing and risk management. From July 2011 to September 2012, Mr. Witsell served as the owner and General Manager of Premier Energy Supply, LLC, a consulting service firm in the oil and gas industry. From 2010 to 2011, Mr. Witsell served as Vice-President and General Manager of Monroe Gas Storage, an affiliate of High Sierra Energy Partners, and led the organization's projects and eventual divestiture in 2011. From 1999 to 2003, he was with Markwest Hydrocarbons (NYSE: MPLX) in the capacity of Vice-President of the Rocky Mountain Business Unit and responsible for the growth through capital programs and financial performance of the company's oil and gas operations in the United States and Canada. Mr. Witsell led the acquisition and eventual divestiture process of Markwest oil and gas assets. Prior to 1999 and at various times between 2003 and 2010 and in 2012, Mr. Witsell also served as an executive and co-founder of a series of small, privately-funded oil and gas companies with properties in North Dakota, Wyoming, Utah and Colorado. He was responsible for the growth and execution of capital programs, utilizing modern horizontal / directional drilling and completion technologies. He led the divestiture of these oil and gas companies. Mr. Witsell has a B.A. in Geology from Colorado College, an M.B.A. in Energy Management from the University of Denver, and is a member of Society of Petroleum Engineers, the American Association of Petroleum Geologists and the Rocky Mountain Association of Geologists. Our Board of Directors believes that Mr. Witsell is well qualified to serve as a director and executive officer of the company as a result of his extensive oil and gas industry experience including in areas of executive management and operations developed by serving as an executive officer of other oil and gas companies throughout his career. Mr. Witsell brings years of hands-on experience with oil and natural gas companies in many capacities and across multiple basins. For these reasons, we believe Mr. Witsell is qualified to serve as a director of our company.

**Paul D. Maniscalco, Chief Financial Officer.** Mr. Maniscalco became our Chief Financial Officer in January 2016. Mr. Maniscalco has been a principal with SJM Holdings, Inc., d/b/a SJM Accounting, Inc., an accounting and business advisory services firm headquartered in Englewood, Colorado, since 2008. From 2012 until 2014, Mr. Maniscalco served as interim Chief Financial Officer of Earthstone Energy Inc. (NYSE American: ESTE), a company engaged in the oil and gas industry. From 2010 until 2011, Mr. Maniscalco served as the interim Chief Financial Officer of GeoPetro Resources Company, a company engaged in the oil and gas industry with securities formerly traded on AMEX and currently traded on OTC Pink of OTCMarkets. Prior to joining SJM Accounting, Inc., Mr. Maniscalco was a senior manager for several accounting firms. Mr. Maniscalco holds a B.B.A. in Accounting and a B.H.S. in Healthcare Administration, each from Florida Atlantic University.

**William B. Lloyd, Chief Operating Officer.** Mr. Lloyd became our Chief Operating Officer in January 2016. Mr. Lloyd has over 37 years of experience in the oil and gas industry, serving in engineering, management, and senior leadership capacities. Prior to joining the Company, from 2007 until 2015, Mr. Lloyd served as the Senior Vice President of Operations for Cirque Resources L.P. ("Cirque"), a company engaged in the oil and gas industry. From 2006 until 2007, Mr. Lloyd served as the Western Region Drilling Manager for El Paso Exploration Company, which has oil and gas exploration and drilling operations in the Uintah Basin, Powder River Basin, and the Raton Basin. From 2002 until 2006, Mr. Lloyd served as Operations Director for ConocoPhillips Norway, during which time Mr. Lloyd managed well operations on multiple fixed platforms and exploratory drilling operations. Mr. Lloyd holds a Bachelor of Science in Petroleum Engineering from Montana Tech of the University of Montana.

**Scott C. Chandler, Director.** Mr. Chandler joined our Board of Directors in May 2016. Mr. Chandler has over 25 years of senior executive level management experience. He is the founder and owner of Franklin Court Partners, Inc., or FCP, an entity that provides management and financial consulting services in connection with developing business plans, securing financing and restructuring, a position he has held since 2002. Prior to founding FCP, Mr. Chandler was a founder, Chief Financial Officer and Senior Vice President for Rhythms Netconnections, Inc. (former NASDAQ: RTHM), a formerly publicly-traded corporation, where he served from 1998 to 2001. Mr. Chandler was a member of the senior management team that led this national provider of DSL networking and services prior to the sale of a majority of its assets to MCI Worldcom. From 1996 to 1998, Mr. Chandler served as President and Chief Executive Officer of C-COR Incorporated, or C-COR, a publicly-traded corporation and pioneer in the cable television industry and leading supplier of broadband telecommunications equipment. The common stock of C-COR was traded on the NASDAQ Global Market until the company was merged in late 2007. Prior to C-COR, Mr. Chandler held a number of positions at US WEST. Mr. Chandler's business career began with Arthur Andersen & Co. as a Senior Consultant/Accountant. He earned an M.B.A. from the Wharton School of Business at the University of Pennsylvania and a B.A. from Whitworth University. Mr. Chandler currently serves as a member of the board of directors of several privately-held and non-profit entities and has in the past served as a member of several public company boards, such as Cimatrix Incorporated (OTCMKTS: CMXX), Tollgrade Communications Inc. (NASDAQ: TLGD), and Paradyne Networks Inc. (NASDAQ: PDYN). He has been determined to be an audit committee financial expert under applicable rules of the Securities and Exchange Commission, or the SEC. Mr. Chandler's extensive audit and SEC reporting experience will give him valuable insight into our financial reporting and internal control and risk control procedures. For these reasons, we believe Mr. Chandler is qualified to serve as a director of our company.

**James H. Sinclair, Director.** Mr. Sinclair joined our Board of Directors in May 2016. Mr. Sinclair has over 31 years of experience in exploration, development, acquisitions and divestitures in the oil and gas industry. Since joining our board, Mr. Sinclair has served as a consultant to PEC E&P, LLC, which is the managing member of Providence, immediately prior to which he served as PEC's Chief Operating Officer, a position he held since April 2014. PEC invests primarily in non-operated oil and gas properties in the United States. In his role as a consultant to PEC, Mr. Sinclair assists with the identification, analysis, and recommendation of oil and gas investment opportunities. In 2010, Mr. Sinclair co-founded Petro Harvester O&G, LLC, an oil and gas production company, where he served as President and Chief Operating Officer until 2012. From 1993 until 2008, Mr. Sinclair served as the Exploration Manager, District Manager of Mississippi, Director of Acquisitions, and Vice President of Exploration and Geosciences of Denbury Resources Inc. (NYSE: DNR), a publicly traded exploration and production company with operations primarily in the Gulf Coast area and offshore Gulf of Mexico. Mr. Sinclair received a B.S. in Geoscience from Northeast Louisiana University. Mr. Sinclair has significant experience in the management and financing of oil and gas companies. For these reasons, we believe Mr. Sinclair is qualified to serve as a director of our company.

**Douglas R. Harris, Director.** Mr. Harris joined our Board of Directors in July 2016. Mr. Harris has over 38 years of experience in the oil and gas industry. In March 2015, he founded and currently serves as the Chief Operating Officer of Axia Energy II, LLC, a company that identifies and develops oil and gas prospects throughout the United States. From 2009 to 2015, Mr. Harris served as co-founder and Chief Operating Officer of Axia Energy I, LLC, also a company that identifies and develops oil and gas prospects throughout the United States. Prior to that, he served as the co-founder and Vice President of Operations for Orion Energy Partners, Inc., a position he held from 2004 to 2009, and the Vice President and General Manager of the Denver Division of Tom Brown Inc., a position he held from 2001 to 2004. From 1986 to 2001, Mr. Harris served in numerous positions for Burlington Resources Inc., culminating as the Vice President of Production Operations in its Calgary, Alberta offices. He serves on the board of directors of a number of privately-held companies. Mr. Harris holds a B.S. in Civil Engineering from New Mexico State University. For these reasons, we believe Mr. Harris is qualified to serve as a director of our company.

#### **Code of Ethics**

On March 1, 2016, our Board of Directors adopted a code of ethics, a copy of which is available on our website at [www.petrosharecorp.com](http://www.petrosharecorp.com). We believe that the code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

#### **Director Independence**

Our Board of Directors has determined that Bill M. Conrad, Scott C. Chandler, James H. Sinclair, and Douglas R. Harris each qualify as “independent” in accordance with Section 803(A) of the NYSE American Company Guide. During the review, our Board of Directors considered relationships and transactions during 2018 and during the past three fiscal years between each director or any member of his immediate family, on the one hand, and our company and our affiliates, on the other hand. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent. The only compensation or remuneration that we provide to Messrs. Conrad, Chandler, Sinclair, or Harris during their tenures as a director is compensation as a non-employee director. None of Messrs. Conrad, Chandler, Sinclair, or Harris, nor any members of their families, has participated in any transaction with us that would disqualify him as an “independent” director under the standard described above. Stephen J. Foley and Frederick J. Witsell do not qualify as “independent” because they are executive officers. Mr. Drysdale, Mr. Allen and Mr. Schaar do not qualify as “independent” because of their affiliation with Providence Energy Operators and or Providence Wattenberg LP.

#### **Board Committees**

*Audit Committee.* Messrs. Conrad, Chandler, and Harris serve as members of our audit committee and Mr. Chandler serves as the Chairman of the audit committee. The Board has determined that Messrs. Conrad, Chandler, and Harris are each “independent” in accordance with the NYSE American definition of independence, that Mr. Chandler is a “financial expert,” as defined by SEC regulations, and each has the related financial management expertise within the meaning of the NYSE American rules.

The primary purpose of the audit committee is to act on behalf of our Board of Directors in its oversight of all material aspects of our accounting and financial reporting processes, internal controls, and audit function, including our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Pursuant to its charter, our audit committee reviews on an on-going basis for potential conflicts of interest, and approves if appropriate, all of our related party transactions. For purposes of the audit committee charter, related party transactions mean those transaction required to be disclosed pursuant to SEC regulations. In addition, the audit committee reviews, acts on, and reports to our Board of Directors with respect to various auditing and accounting matters, including the selection of our independent registered public accounting firm, the scope of annual audits, fees to be paid to our independent registered public accounting firm, the performance of our independent registered public accounting firm, our accounting practices, and our internal controls and legal compliance functions. The audit committee also reviews, prior to publication, our reports to the SEC on Forms 10-K and 10-Q. The audit committee operates pursuant to a written charter, which is available on our website, [www.petrosharecorp.com](http://www.petrosharecorp.com). The charter describes the nature and scope of responsibilities of the audit committee.

The Audit Committee’s policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The independent auditors are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with such pre-approval.

*Compensation Committee.* We do not currently have a compensation committee. Under a policy adopted by our Board, the compensation of our Chief Executive Officer and all other executive officers will be determined by a majority of our independent directors. Executive officers who also serve on our Board of Directors do not vote on matters pertaining to their own personal compensation. Although we may form a compensation committee in the future, there is no assurance as to when or whether we will do so.

*Nominating and Corporate Governance Committee.* We do not currently have a nominating and corporate governance committee. Board of Directors nominations are selected by a majority of our independent directors.

### Section 16(a) Beneficial Ownership Reporting Compliance

Since we do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and have never registered a class of securities under the Exchange Act, none of our officers, directors or beneficial owners of our common stock are required to file reports under Section 16 of the Exchange Act.

## ITEM 11. EXECUTIVE COMPENSATION

### Compensation to Officers of the Company

Our "named executive officers" include our chief executive officer, our chief financial officer and the two most highly compensated executive officers during 2018 other than the CEO and CFO. The following table contains compensation data for our named executive officers for the fiscal years ended December 31, 2018 and 2017:

**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	All Other Compensation	Total
Stephen J. Foley <i>Chief Executive Officer</i>	2018	\$ 156,000	\$ 5,000	—	—	—	\$ 161,000
	2017	\$ 156,000	\$ 50,000	—	—	—	\$ 206,000
Frederick J. Witsell <i>President</i>	2018	\$ 156,000	\$ 5,000	—	—	—	\$ 161,000
	2017	\$ 156,000	\$ 50,000	—	—	—	\$ 206,000
Paul D. Maniscalco <i>Chief Financial Officer</i>	2018	\$ 150,000	\$ 25,000	\$ 47,251	\$ 130,059	—	\$ 352,310
	2017	\$ 161,733	\$ 25,000	\$ 27,573	—	—	\$ 214,306
William B. Lloyd <i>Chief Operating Officer</i>	2018	\$ 156,000	\$ 5,000	\$ 10,738	\$ 57,209	—	\$ 228,947
	2017	\$ 156,000	\$ 50,000	—	—	—	\$ 206,000

(1) Calculated in accordance with the Black-Scholes option pricing model. Please see Note 8 to the consolidated financial statements included in this report for a description of certain assumptions made in conjunction with the valuation of these awards.

(2) Calculated in accordance with the Black-Scholes option pricing model. Please see Note 8 to the consolidated financial statements included in this report for a description of certain assumptions made in conjunction with the valuation of these awards.

Effective March 1, 2016, we entered into an amended and restated employment agreement with each Stephen J. Foley and Fredrick J. Witsell. Pursuant to the amended and restated employment agreements, Messrs. Foley and Witsell are each compensated by us at the rate of \$13,000 per month, or \$156,000 per year. We entered into an executive employment agreement with William B. Lloyd, Chief Operating Officer, effective January 1, 2016 and amended on March 1, 2016 pursuant to which Mr. Lloyd is compensated at the rate of \$13,000 per month, or \$156,000 per year. For each of the foregoing executives, the employment agreements provide for an initial term expiring on December 31, 2018 with an automatic renewal for successive one-year periods unless terminated in accordance with its terms. The employment agreements with Messrs. Foley, Witsell and Lloyd provide for the payment of severance to the employee in the amount of 12 months of the executive's then-current base salary, payable monthly in accordance with our then-current payroll practice, unless such termination is within six months before or at any time following a change in control as defined in the agreements, in which case the payments must be paid in full within 60 days of the date of termination.

On June 1, 2017, we entered into an executive employment agreement with our Chief Financial Officer Paul D. Maniscalco. The agreement provides for a base salary of \$150,000 per year, an initial term expiring on December 31, 2018 with an automatic renewal for successive one-year periods unless terminated in accordance with its terms. The employment agreement with Mr. Maniscalco provides for the payment of severance in a manner and for the same reasons as those for Messrs. Foley, Witsell and Lloyd described above, except that the severance for Mr. Maniscalco provide for four months of the executive's then-current base salary.

## Grants of Plan Based Awards

The grants of plan-based awards under our Equity Incentive Plan to each named executive officer during the year ended December 31, 2018 are as follows:

Name	Grant Date (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stocks or	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value Of Stock And Option Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum	Units	Options	(\$/sh)	(\$)(2)
Paul D. Maniscalco	03/01/2018	—	—	—	—	—	—	—	100,000	\$ 1.03	\$ 63,286
Paul D. Maniscalco	11/28/2018	—	—	—	—	—	—	—	250,000	\$ 0.63	\$ 77,323
William B. Lloyd	07/24/2018	—	—	—	—	—	—	—	90,000	\$ 1.30	\$ 57,209
William B. Lloyd	07/24/2018	—	—	—	—	—	45,000	—	—	\$ 1.30	\$ 58,500

(1) The options are subject to a vesting schedule which requires that the named executive remain an employee of or consultant to the Company in order to exercise such options on the respective vesting date. The target amounts shown in the table represent the maximum number that may be earned if the vesting schedule is satisfied.

(2) Calculated using the Black-Scholes option pricing model. Please see Note 8 to the consolidated financial statements filed with our annual report on Form 10-K for the year ended December 31, 2018 for a description of certain assumptions made in connection with the valuation of these option awards.

## Outstanding Equity Awards at Year End

The following table sets forth outstanding stock option awards held by our named executive officers as of December 31, 2018:

Name	Option awards			Option exercise price (\$)	Option expiration date
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Number of securities underlying unexercised unearned options (#)		
Stephen J. Foley	500,000	—	—	0.25	12/15/2022
Frederick J. Witsell	1,000,000	—	—	0.25	12/15/2022
Paul D. Maniscalco	250,000	—	—	0.63	12/31/2022
Paul D. Maniscalco	100,000	—	—	1.03	03/01/2023
William B. Lloyd	90,000	—	—	1.30	12/31/2022
William B. Lloyd	875,000	—	—	1.00	12/31/2022

## Director Compensation

Bill M. Conrad, the Chairman of our Board of Directors, is paid a director's fee in the amount of \$10,000 per month. Scott C. Chandler, as the chair of the audit committee, is paid a director's fee in the amount of \$9,000 per quarter. James H. Sinclair and Douglas R. Harris are each are paid a director's fee in the amount of \$6,000 per quarter. Messrs. Foley and Witsell are not compensated in their capacities as directors. We do, however, reimburse all of our directors for reasonable and necessary expenses incurred by them in that capacity.

We will review our compensation arrangements periodically in the future and may change our compensation policies as our business needs dictate and our resources permit.

The following table sets forth with respect to the directors, compensation information inclusive of equity awards and payments made during the year ended December 31, 2018 in the director's capacity as such:

Name	Year	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation	Total
Bill M. Conrad	2018	120,000	—	—	5,000	125,000
Stephen J. Foley	2018	—	—	—	—	—
Frederick J. Witsell	2018	—	—	—	—	—
Scott C. Chandler	2018	36,000	—	—	—	36,000
Douglas R. Harris	2018	24,000	—	—	—	24,000
James H. Sinclair	2018	24,000	—	—	—	24,000
Joseph Drysdale	2018	12,000	—	—	—	12,000
Michael Allen	2018	12,000	—	—	—	12,000
Cullen Schaar	2018	12,000	—	—	—	12,000

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Beneficial Ownership

As of April 2, 2019, there were a total of 28,077,337 shares of our common stock outstanding, our only class of voting securities currently outstanding. The following table describes the ownership of our voting securities as of April 2, 2018 by: (i) each of our named executive officers and directors; (ii) all of our officers and directors as a group; and (iii) each shareholder known to us to own beneficially more than 5% of our common stock. Unless otherwise stated, the address of each of the individuals is our address, 9635 Maroon Circle, Suite 400, Englewood, Colorado 80112.

In calculating the percentage ownership for each shareholder, we assumed that any options, warrants, or convertible promissory notes owned by an individual and exercisable or convertible within 60 days are exercised or converted, but not the options, warrants, or convertible promissory notes owned by any other individual.

Name and Address of Beneficial Owner	Number		Percentage (%)
Bill M. Conrad(1)	2,318,907	(2)	8.1
Stephen J. Foley(1)	2,301,307	(2)	8.0
Frederick J. Witsell(1)	3,883,485	(3)	13.3
Paul D. Maniscalco(1)	471,259	(4)	1.7
William B. Lloyd(1)	1,303,573	(5)	4.5
William R. Givan(1)	450,120	(6)	1.6
Jon B. Kruljac(1)	1,297,673	(7)	4.4
Scott C. Chandler(1)	228,394	(8)	*
James H. Sinclair(1)(9)	276,907	(10)	1.0
Douglas R. Harris(1)	243,573	(1)	*
Providence Energy Operators, LLC (12)16400 Dallas Parkway, Dallas, Texas 75248	3,250,000		11.6
Providence Wattenberg, LP (13)16400 Dallas Parkway, Dallas, Texas 75248	9,375,526	(14)	25.0
5NR Wattenberg, LLC (15)16400 Dallas Parkway, Dallas, Texas 75248	9,375,526	(14)	25.0
All officers and directors as a group (10 persons)	12,762,770	(16)	37.8

● Less than one percent.

(1) Officer or director of PetroShare.

(2) Includes (i) 500,000 shares of common stock underlying options which are currently exercisable, (ii) 66,666 shares underlying warrants that are currently exercisable and (iii) 66,667 shares of common stock which may be currently issued upon conversion of notes.

(3) Includes (i) 1,000,000 shares of common stock underlying options which are presently exercisable, (ii) 56,666 shares underlying warrants that are currently exercisable and (iii) 45,001 shares of common stock which may be currently issued upon conversion of notes.

(4) Includes (i) 250,000 shares of common stock underlying options which are presently exercisable, (ii) 100,000 shares underlying options that vest within 60 days, (iii) 33,333 shares underlying warrants that are currently exercisable, (iv) 26,667 shares of common stock which may be currently issued upon conversion of notes.

(5) Includes (i) 965,000 shares of common stock underlying options which are presently exercisable, (ii) 66,666 shares underlying warrants that are currently exercisable and (iii) 33,333 shares of common stock which may be currently issued upon conversion of notes.

(6) Includes (i) 250,000 shares of common stock underlying options which are presently exercisable, (ii) 100,000 underlying options that vest within 60 days, (iii) 33,333 shares underlying warrants that are currently exercisable and (iv) 20,000 shares of common stock which may be currently issued upon conversion of notes.

(7) Includes (i) 800,000 shares of common stock underlying options which are presently exercisable, (ii) 227,691 shares underlying warrants that are currently exercisable, and (iii) 66,667 shares which may be currently issued upon conversion of notes.

(8) Includes (i) 25,000 shares of common stock underlying options which are presently exercisable, (ii) 16,667 shares underlying warrants that are currently exercisable and (iii) 8,333 shares of common stock which may be currently issued upon conversion of notes.

(9) James H. Sinclair disclaims any beneficial ownership of shares of common stock owned by Providence Energy Operators, LLC, or Providence.

(10) Includes (i) 25,000 shares of common stock underlying options which are presently exercisable, (ii) 66,666 shares underlying warrants that are currently exercisable and (iii) 66,667 shares of common stock which may be currently issued upon conversion of notes.

- (11) Includes (i) 25,000 shares of common stock underlying options which are presently exercisable, (ii) 66,666 shares underlying warrants that are currently exercisable and (iii) 33,333 shares of common stock which may be currently issued upon conversion of notes.
- (12) PEC E&P, LLC, a Texas limited liability company whose address is 16400 Dallas Parkway, Dallas, Texas, 75248, (i) is the managing member of Providence, (ii) has voting and investment control of the securities owned by Providence, and (iii) should be considered a beneficial owner of the shares of common stock owned by Providence.
- (13) Providence Wattenberg GP, LLC, a Texas limited liability company, whose address is 16400 Dallas Parkway, Dallas, Texas, 75248, (i) is the general partner of Providence Wattenberg, LP, (ii) has management and investment control of the securities owned by Providence Wattenberg, LP, and (iii) should be considered a beneficial owner of any securities owned or held by Providence Wattenberg, LP.
- (14) Includes (i) 750,000 shares underlying warrants which are currently exercisable and (ii) 8,625,526 shares which may be currently issued upon conversion of outstanding notes.
- (15) 5NR Wattenberg LLC is a Texas limited liability company with an address at 16400 Dallas Parkway, Dallas, Texas, 75248. Joseph Drysdale as the manager of the reporting person, exercises voting and investment control over these securities.
- (16) Includes (i) 4,415,000 shares of common stock underlying options which are presently exercisable, (ii) 200,000 shares underlying options that vest within 60 days, (iii) 701,020 shares underlying warrants that are currently exercisable, and (iv) 433,335 shares of common stock which may be currently issued upon conversion of notes.

#### **Changes in Control**

If Providence Wattenberg, LP and 5NR Wattenberg, LLC, our Secured Lenders and the beneficial owners of more than 5% of our common stock, converted their debt in accordance with the provisions of the Secured Credit Facility, we may experience a change in control. That conversion would result in those two entities owning in the aggregate 40% of our outstanding common stock. At present, neither of those entities has expressed any intent to convert their debt.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The following includes a summary of transactions, during our last two fiscal years, to which we have been a party, in which the amount involved in the transaction exceeded \$120,000 or one percent of the average of our total assets at fiscal year-end for the last two fiscal years, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements which are described under "Director Compensation" and "Executive Compensation."

#### **Providence Energy Operators, LLC**

##### *Initial Line of Credit*

- At December 31, 2018 and 2017, the Initial Line of Credit from Providence Energy Operators, LLC ("PEO"), the beneficial owner of more than 5% of our common stock, was \$0 and \$5.0 million and had accrued interest in the amount of \$0.0 million and \$0.5 million, respectively at those dates.
- On September 23, 2017, we issued 250,000 shares of common stock valued at \$1.55 to PEO in connection with the extension of that loan.

On February 1, 2018, in connection with the closing of our Secured Credit Facility, the Initial Line of Credit was paid in full.

PEO was paid interest of \$0.6 million and \$0.2 million for the years ended December 31, 2018 and 2017, respectively.

##### *Secured Credit Facility*

On February 1, 2018, we closed on a \$25.0 million Secured Credit Facility with Providence Wattenberg, LP and 5NR Wattenberg, LLC ("Secured Lenders"). Each of Providence and 5NR are affiliates of the beneficial owners of more than 5% of our outstanding stock and of the Lenders under a Letter Agreement entered into by us on December 21, 2017, under which we borrowed \$5.0 million. The closing on February 1, 2018 fully incorporates the 2017 Letter Agreement and represents additional borrowings of \$20.0 million. We paid the Secured Lenders \$3.8 million and \$nil in interest for the years ended December 31, 2018 and 2017, respectively. On April 2, 2019, the Secured Lenders delivered their formal Notice of Default under the terms of the Secured Credit Facility. The Notice declared that all amounts outstanding were immediately due and payable.

##### *Operations*

On May 13, 2015, we entered into the participation agreement with PEO. Under the terms of the participation agreement, we assigned an undivided 50% to our right, title and interest in and to our then existing leases and Providence agreed to pay its pro rata share of lease acquisition expenses and the expenses necessary to maintain the leases in full force and effect. In addition, the participation agreement designated an area of mutual interest, or AMI, pursuant to which if either party acquires any lease in the AMI territory, then the non-acquiring party would have the right to acquire its proportionate 50% interest in and to such AMI leases. To date, PEO has exercised its option to participate in all of our acreage acquisitions. The payments made to us by Providence were based on the pro rata share of our acquisition costs, which in turn were determined by negotiations with independent third parties.

During the year ended December 31, 2018, we billed PEO \$22.7 million in connection with drilling activity on the leases in which PEO participates. This amount relates to amounts billed to PEO in connection with its participation in our operated Shook drilling program and PEO's ownership interest in the vertical wells that we operate.

## Convertible Notes

During December 2016 and January 2017, we completed a private placement of 200 units at an offering price of \$50,000 per unit. Certain of the units were purchased by our directors and officers in the following amounts and on the following dates on the same terms and conditions as independent third parties:

Name of Beneficial Owner	Number of Unit	
	Purchased	Issuance Date
Bill M. Conrad	2.0	December 30, 2016
Stephen J. Foley	2.0	December 30, 2016
Frederick J. Witsell	1.7	January 20, 2017
Paul D. Maniscalco	1.0	December 30, 2016
William B. Lloyd	2.0	December 30, 2016
William R. Givan	1.0	December 30, 2016
Jon B. Kruljac	2.2	January 20, 2017
Scott C. Chandler	0.5	January 20, 2017
Douglas R. Harris	2.0	December 30, 2016
James H. Sinclair	2.0	December 30, 2016

On October 16, 2017, all of the officers and directors listed above converted Series A Notes in the aggregate principal amount of \$0.7 million and accrued interest of \$20,670 into 691,516 shares of common stock at a conversion rate of \$1.10 per share.

### Series B Convertible Notes

In September and October 2017, we sold Series B Notes to the same officers and directors who collectively purchased \$0.6 million in aggregate principal amount, on the same terms and conditions as the other purchasers, with the exception that we did not pay commissions on these sales.

Those same officers and directors received cash interest payments for interest of \$0.1 million and \$0.1 million related to Series A and Series B notes during the years ended December 31, 2018 and 2017.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

### Audit Fees and Services

For the fiscal years ended December 31, 2018 and 2017, professional services were performed by Eide Bailly LLP. The aggregate fees for the fiscal years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Audit Fees	\$ 198,108	\$ 68,987
Audit-Related Fees	—	—
Tax Fees	9,787	4,500
All Other Fees	—	—
Total	\$ 207,895	\$ 73,397

The Audit Committee's policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The independent auditors are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with such pre-approval.

During the year ended December 31, 2018, the Audit Committee approved, in advance, all audit and non-audit services to be provided by Eide Bailly LLP. The Audit Committee has determined that the non-audit services rendered by Eide Bailly LLP during fiscal years 2018 and 2017 were compatible with maintaining the independence of the respective independent registered public accounting firms.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

#### (a)(1) Consolidated Financial Statements:

See Item 8 of this report for a list of consolidated financial statements filed with this report.

#### (a)(3) Exhibits required by Item 601 of Regulation S-K

The following exhibits are filed or incorporated by reference in this report:

## EXHIBIT INDEX

	Exhibit Description	Form	Incorporated by Reference		Filing Date	Filed Herewith
			File No.	Exhibit		
3.1	<a href="#">Articles of Incorporation as filed with the Colorado Secretary of State on September 4, 2012</a>	S-1	333198881	3.1	September 22, 2014	
3.2	Articles of Amendment to Articles of Incorporation as filed with the Colorado Secretary of State on October 10, 2017					X
3.3	<a href="#">Articles of Amendment to Articles of Incorporation as filed with the Colorado Secretary of State on March 20, 2019</a>					X
3.4	<a href="#">Bylaws of the Company dated November 30, 2012</a>	S-1	333198881	3.2	September 22, 2014	
4.1	<a href="#">Specimen stock certificate</a>	S-1	333198881	4.1	November 5, 2014	
4.2	<a href="#">Form of Representatives Warrant Agreement</a>	S-1	333198881	4.2	August 27, 2015	
4.3	<a href="#">Form of Warrant to purchase common stock</a>	8-K	00137943	4.1	February 3, 2017	
4.4	<a href="#">Form of Placement Agent Warrant</a>	8-K	00137943	4.2	February 3, 2017	
10.1	<a href="#">Amended and Restated PetroShare Corp. Equity Incentive Plan dated August 18, 2016</a>	8-K	333198881	10.1	September 13, 2016	
10.2	<a href="#">Form of Option Agreement</a>	S-1	333198881	10.2	September 22, 2014	
10.3	<a href="#">Form of Amended and Restated Employment Agreement</a>	8-K	333198881	10.2	March 1, 2016	
10.4	<a href="#">Amended and Restated Executive Employment Agreement between the Company and Stephen J. Foley, effective March 1, 2016</a>	S-1	333-218096	10.4	May 19, 2017	
10.5	<a href="#">Amended and Restated Executive Employment Agreement between the Company and Frederick J. Witsell, effective March 1, 2016</a>	S-1	333-218096	10.5	May 19, 2017	
10.6	<a href="#">Executive Employment Agreement between the Company and Paul D. Maniscalco effective June 1, 2017</a>	8-K	001-37943	10.1	June 2, 2017	
10.7	<a href="#">Executive Employment Agreement between the Company and William B. Lloyd, effective January 1, 2016</a>	8-K	333198881	10.3	March 1, 2016	
10.8	<a href="#">Form of Joint Operating Agreement</a>	S-1	333198881	10.9	September 22, 2014	

10.12	<a href="#">Participation Agreement dated May 13, 2015</a>	10-Q	333198881	10.4	May 15, 2015
10.23	<a href="#">Form of Restricted Stock Agreement</a>	S-1	333-218096	10.26	May 19, 2017
10.26	<a href="#">Form of 10% Convertible Promissory Note</a>	8-K	001-37943	10.1	February 2, 2017
10.27	<a href="#">Form of Series B Unsecured Convertible Promissory Note</a>	10-Q	001-37943	10.3	November 14, 2017
10.28	<a href="#">Placement Agent Agreement between the Company and GVC Capital LLC dated September 11, 2017</a>	10-Q	001-37943	10.4	November 14, 2017

10.30	<a href="#">Secured Term Credit Agreement among the Company, Providence Wattenberg, LP and 5NR Wattenberg, LLC, dated February 1, 2018</a>	8-K	001-37943	10.1	February 7, 2018	
10.31	<a href="#">Form of Deed of Trust, Mortgage, Assignment of Production, Security Agreement and Financing Statement</a>	8-K	001-37943	10.2	February 7, 2018	
10.32	<a href="#">First Amendment to Amended and Restated Participation Agreement, dated February 1, 2018</a>	8-K	001-37943	10.3	February 7, 2018	
10.33	<a href="#">Registration Rights Agreement between the Company, Providence Wattenberg, LP, 5NR Wattenberg, LLC and Providence Energy Operators, LLC dated February 1, 2018</a>	8-K	001-37943	10.4	February 7, 2018	
10.34	<a href="#">Purchase and Sale Agreement Between PetroShare Corp and Grizzley Petroleum Company, LLC dated January 15, 2019</a>					X
14.1	<a href="#">Code of Ethics, dated March 1, 2016</a>	8-K	333198881	14.1	March 1, 2016	
23.1	<a href="#">Consent of Independent Petroleum Engineer</a>					X
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					X
32.1	<a href="#">Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer</a>					X
99.1	<a href="#">Report of Cawley, Gillespie &amp; Associates, Inc., Independent Petroleum Engineers relating to Proved Reserves, March 4, 2019</a>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Schema Document					X
101.CAL	XBRL Calculation Linkbase Document					X
101.DEF	XBRL Definition Linkbase Document					X
101.LAB	XBRL Label Linkbase Document					X
101.PRE	XBRL Presentation Linkbase Document					X

**ITEM 16. FORM 10-K SUMMARY**

None.



**PETROSHARE CORP.**  
**ARTICLES OF AMENDMENT**  
**TO**  
**ARTICLES OF INCORPORATION**

Pursuant to the provisions of the Colorado Business Corporation Act, Section 7-110-106 of the Colorado Revised Statutes, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the Corporation is **PetroShare Corp.** (the "Corporation")
  2. The Board of Directors and shareholders of the Corporation have approved and duly adopted the following amendment to the Articles of Incorporation ("Articles").
  3. ARTICLE V, Section A of the Articles is hereby amended to read in its entirety as follows:

"The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock."  
The total number of shares of all classes of stock which the Corporation shall have authority to issue is 210,000,000 shares. Of that amount, 200,000,000 shares shall be Common Stock, par value \$0.001 per share, and 10,000,000 shares shall be Preferred Stock, par value \$0.01 per share. The consideration for the issuance of the shares shall be paid to or received by the Corporation in full before their issuance."
  4. With the foregoing exception, no other changes are made to the Articles.
-

*Execution Version*

**PURCHASE AND SALE AGREEMENT**

**BETWEEN**

**PetroShare Corp**

**as Seller**

**and**

**Grizzly Petroleum Company, LLC**

**as Buyer**

**DATED**

**January 15, 2019**

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THIS PURCHASE AND SALE AGREEMENT (this "*Agreement*") is made as of January 15, 2019 (the "*Execution Date*") between PetroShare Corp, a Colorado C- Corporation ("*Seller*") and Grizzly Petroleum Company, LLC, a Colorado limited liability company ("*Buyer*"). Seller and Buyer shall sometimes be referred to herein together as the "*Parties*," and each individually as a "*Party*".

#### RECITALS

WHEREAS, Seller owns certain oil and gas leases located in the State of Colorado and associated Assets as more fully described and defined below; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase from Seller, all of Seller's right, title and interest in and to the Assets (as defined below) upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual agreements herein contained, the Parties hereby agree as follows:

#### ARTICLE I DEFINITIONS; INTERPRETATION

**1.1 Definitions.** Capitalized terms used in this Agreement shall have the meanings given such terms in Annex I, or in the body of this Agreement.

**1.2 Interpretation.** All references in this Agreement to Exhibits, Appendices, Annexes, Articles, Sections, subsections and other subdivisions refer to the corresponding Exhibits, Appendices, Annexes, Articles, Sections, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. All references to Exhibit B in this Agreement shall be construed to mean Exhibit B – Part 1 and/or Exhibit B – Part 2 as the context requires. Titles appearing at the beginning of any Articles, Sections, subsections and other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement, and shall be disregarded in construing the language hereof. The words "this Agreement," "herein," "hereby," "hereunder" and "hereof," and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited. The words "this Article," "this Section" and "this subsection," and words of similar import, refer only to Article, Section or subsection hereof in which such words occur. The word "including" (in its various forms) means "including without limitation." All references to "\$" or "dollars" shall be deemed references to United States Dollars. Each accounting term not defined herein will have the meaning given to it under GAAP, as in effect on the Execution Date. Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Appendices, Annexes and Exhibits referred to herein are attached to and made a part of this Agreement. Unless expressly stated otherwise, references to any Law or contract shall mean such Law or contract as it may be amended from time to time.

**ARTICLE II  
PURCHASE AND SALE**

**2.1 Purchase and Sale.**

(a) Subject to the terms and conditions of this Agreement, Buyer agrees to purchase from Seller, and Seller agrees to sell, assign and deliver to Buyer, the Assets under the terms and conditions herein and for the consideration specified in this *Article II*.

(b) Seller shall reserve and retain all of the Excluded Assets.

**2.2 Purchase Price.** Subject to the other terms and conditions of this Agreement, the purchase price for the Assets shall be SIXTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$16,500,000.00) (the "**Purchase Price**"). At Closing, Buyer shall pay Seller the Closing Amount (defined below) by wire transfer in immediately available funds.

**2.3 INTENTIONALLY OMITTED.**

**2.4 Adjustments to Purchase Price.**

(a) For purposes of determining the amounts of the adjustments to the Purchase Price provided for in this *Section 2.4*, the principles set forth in this *Section 2.4(a)* shall apply. Buyer shall be entitled to all production of Hydrocarbons from or attributable to the Units, Leases, and Wells at and after the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets at or after the Effective Time, and shall be responsible for (and entitled to any refunds with respect to) all Operating Expenses incurred at and after the Effective Time. Seller shall be entitled to all Hydrocarbon production from or attributable to Units, Leases and Wells prior to the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets prior to the Effective Time, and shall be responsible for (and entitled to any refunds with respect to) all Operating Expenses incurred prior to the Effective Time. "Earned" and "incurred", as used in the Agreement shall be interpreted in accordance with GAAP and Council of Petroleum Accountants Societies standards, except as otherwise specified herein. For purposes of allocating production (and proceeds and accounts receivable with respect thereto), under this *Section 2.4*, (i) liquid Hydrocarbons shall be deemed to be "**from or attributable to**" the Units, Leases and Wells when produced and (ii) gaseous Hydrocarbons shall be deemed to be "**from or attributable to**" the Units, Leases and Wells when they pass through the royalty measurement meters, delivery point sales meters or custody transfer meters on the gathering lines or pipelines through which they are transported (whichever meter is closest to the well). Seller shall utilize reasonable interpolative procedures, consistent with industry practice, to arrive at an allocation of production when exact meter readings are not available.

(b) The Purchase Price shall be adjusted upward by the following amounts (without duplication):

(i) an amount equal to the value of all Hydrocarbons produced from or attributable to the Assets in pipelines, storage and/or plants (including inventory) as of

the Effective Time, the value to be based upon the contract price in effect as of the Effective Time (or if there is no contract price, then the market price in effect as of the Effective Time in the field in which such Hydrocarbons were produced or if actually sold prior to the date of determination, the proceeds actually recovered by Seller attributable to such sale), net of amounts payable as royalties, overriding royalties, post-production costs and other burdens upon such Hydrocarbons, measured by or payable out of such production;

(ii) an amount equal to the amount of all Operating Expenses, including without limitation, cash calls and other costs and expenses, which are incurred in the ownership and operation of the Assets on or after the Effective Time but paid by or on behalf of Seller;

(iii) (A) the total sales proceeds of all Hydrocarbons, net of royalties, post-production costs and Asset Taxes paid by Buyer to third parties, attributable to the Assets produced prior to the Effective Time and collected by Buyer, and not remitted or paid to Seller (other than any such Hydrocarbons subject to the adjustments in *Section 2.4(b)(i)*) and (B) any other monies collected by Buyer with respect to the ownership or operation of the Assets and attributable to periods prior to the Effective Time and not remitted or paid to Seller, including insurance proceeds collected with respect to losses and events that occurred prior to the Effective Time;

(iv) the amount, as of the Closing Date, of all funds held in suspense by Buyer in respect of proceeds recovered from the sale of Hydrocarbons attributable to Seller's Working Interest in the Assets and Seller's working interest in certain other oil and gas properties (such amount, the "*Security Suspended Funds*");

(v) the amount of all Asset Taxes allocated to Buyer in accordance with *Section 10.1* but paid or payable by Seller; and

(vi) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

(c) The Purchase Price shall be adjusted downward by the following amounts (without duplication):

(i) an amount equal to all proceeds actually received by Seller attributable to the sale of Hydrocarbons produced from or attributable to the Assets from and after the Effective Time;

(ii) if Buyer makes the election under *Section 6.2(c)(i)* with respect to a Title Defect, the Title Defect Amount with respect to such Title Defect if the Title Defect Amount has been determined prior to Closing, less Title Benefits, if any, pursuant to *Section 6.2*;

(iii) if Buyer makes the election under *Section 7.1(b)(i)* with respect to an Environmental Defect, the Remediation Amount with respect to such Environmental Defect if the Remediation Amount has been determined prior to Closing;

(iv) an amount equal to the amount of all Operating Expenses, including, without limitation, cash calls and other costs and expenses, which are incurred in the ownership and operation of the Assets prior to the Effective Time but paid by or on behalf of Buyer;

(v) the amount of all Asset Taxes prorated to Seller in accordance with *Section 10.1(a)* but paid or payable by Buyer;

(vi) an amount determined pursuant to *Section 7.1(b)(ii)*, *Section 6.2(c)(ii)*, *Section 6.4(c)(ii)* or *Section 6.4(d)(i)*, as applicable, for any Asset excluded from the transaction contemplated hereby pursuant to such Sections;

(vii) the value of any Casualty Loss pursuant to *Section 6.3(b)(ii)(B)*;

(viii) an amount equal to the outstanding balance (plus all interest owed) from Seller or its Affiliates to Buyer or its Affiliates pursuant to the Subject Loan;

(ix) an amount equal to the sum of all Interests Held in Suspense at Closing by Seller; and

(x) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

**2.5 Allocated Value.** Seller and Buyer have agreed upon an allocation of the unadjusted Purchase Price among each of the Current Wells and Future Wells, and such allocations are set forth on Exhibit B-1 (the "*Allocated Value*"). Seller and Buyer agree that the Allocated Values shall be used in calculating adjustments to the Purchase Price as provided herein. Any adjustments to the Purchase Price, other than the adjustments provided for in *Section 2.4*, shall be applied on a pro rata basis to the amounts set forth on Exhibit B-1 for all Assets. After all such adjustments are made, any adjustments to the Purchase Price that were made pursuant to *Section 2.4* shall be applied to the amounts set forth on Exhibit B-1 for the particular affected Assets. Seller and Buyer also agree (a) that the Allocated Values, as adjusted, shall be used by Seller and Buyer as the basis for reporting asset values and other items for purposes of this *Section 2.5*, and (b) that neither they nor their Affiliates will take positions inconsistent with such Allocated Values in notices to Governmental Authorities, in notices to Preferential Right holders or in other documents or notices relating to the transactions contemplated by this Agreement.

**2.6 Tax Allocation.** Seller and Buyer shall use commercially reasonable efforts to agree to an allocation of the Purchase Price and any other items properly treated as consideration for U.S. federal income Tax purposes among the Assets in accordance with Section 1060 of the Code and, to the extent allowed by applicable Law, in a manner consistent with the Allocated Values, within 30 days after the delivery of the Final Settlement Statement pursuant to *Section 2.7(b)*. If the Parties reach an agreement with respect to such allocation (as agreed, the "*Tax Allocation*"), (a) the Parties shall update the Tax Allocation in a manner consistent with Section 1060 of the Code following any adjustment to the Purchase Price pursuant to this Agreement, and (b) Seller and Buyer shall, and shall cause their Affiliates to, report consistently with the Tax Allocation on all Tax Returns (including Internal Revenue Service Form 8594 (Asset Acquisition

Statement under Section 1060), which Form will be timely filed, if applicable, separately by Seller and Buyer with the Internal Revenue Service pursuant to the requirements of Section 1060(b) of the Code), and neither Seller nor Buyer shall take any position in any Tax Return that is inconsistent with the Tax Allocation unless otherwise required by applicable Law; provided, however, that neither Party shall be unreasonably impeded in its ability and discretion to negotiate, compromise and/or settle any Tax audit, claim or similar proceedings in connection with such allocation.

#### **2.7 Settlement; Disputes.**

(a) Not less than five Business Days prior to the Scheduled Closing Date, Seller shall prepare and submit to Buyer for review a draft settlement statement using the best information available to Seller (the "**Preliminary Settlement Statement**") that shall set forth the adjusted Purchase Price reflecting each adjustment made in good faith in accordance with this Agreement as of the date of preparation of such Preliminary Settlement Statement and the itemized calculation and reasonable supporting documentation with regard to the adjustments used to determine such amount, using reasonable estimates if actual numbers are not available. Within three Business Days of receipt of the Preliminary Settlement Statement, Buyer has the right, but not the obligation, to deliver to Seller a written report containing all changes with the explanation therefor that Buyer proposes to be made to the Preliminary Settlement Statement. The Preliminary Settlement Statement, as agreed upon by the Parties, will be used to adjust the Purchase Price at Closing (such adjusted price, the "**Preliminary Purchase Price**"). If the Parties cannot agree on the Preliminary Settlement Statement prior to the Closing, the Preliminary Settlement Statement as presented by Seller will be used to adjust the Purchase Price at Closing.

(b) On or before 90 days after the Closing, a final settlement statement (the "**Final Settlement Statement**") will be prepared by Seller (i) setting forth all final adjustments made to the Purchase Price based on actual income and expenses, and (ii) showing the calculation of such adjustment and the final purchase price (the "**Final Purchase Price**"). Seller shall supply reasonable documentation in its possession available to support the actual revenue, expenses and other items for which adjustments are made. The Final Settlement Statement shall set forth the actual proration of the amounts required by this Agreement. As soon as practicable, and in any event within 45 days, after receipt of the Final Settlement Statement, Buyer has the right, but not the obligation, to return a written report containing any proposed changes to the Final Settlement Statement and an explanation of any such changes and the reasons therefor (the "**Dispute Notice**"). If the Final Purchase Price set forth in the Final Settlement Statement is mutually agreed upon by Seller and Buyer, the Final Settlement Statement and the Final Purchase Price shall be final and binding on the Parties. Once the Final Purchase Price has been agreed upon by the Parties pursuant to this *Section 2.7(b)* or determined by the Accounting Arbitrator pursuant to *Section 2.7(c)*, as applicable, the Parties shall execute a certificate setting forth such agreed or determined, as applicable, Final Purchase Price, which shall be binding on the Parties for all purposes of this Agreement.

(c) If the Parties are unable to resolve the matters addressed in the Dispute Notice, each of Buyer and Seller shall, within 14 Business Days following the delivery of such Dispute Notice, summarize its position with regard to such dispute in a written document and submit such summaries to the Denver, Colorado office of a reputable public accounting firm or

such other Person as the Parties may mutually select (the "*Accounting Arbitrator*"), together with the Dispute Notice, the Final Settlement Statement and any other documentation such Party may desire to submit. Within 20 Business Days after receiving the Parties' respective submissions, the Accounting Arbitrator shall render a decision choosing either Seller's position or Buyer's position with respect to each matter addressed in any Dispute Notice, based on the materials described above. Any decision rendered by the Accounting Arbitrator pursuant hereto shall be final, conclusive and binding on the Parties and will be enforceable against any of the Parties in any court of competent jurisdiction. The costs of such Accounting Arbitrator shall be borne one-half by Buyer and one-half by Seller.

**2.8 Release and Waiver.**

(a) Effective as of Closing, Seller acknowledges that the adjustments to the Purchase Price set forth in *Section 2.4(b)(iv)* shall constitute full and total payment by Buyer of the Security Suspended Funds and from and after Closing Seller hereby fully and irrevocably releases and waives any and all rights, claims and interest in and to the Security Suspended Funds or against Buyer or its Affiliates with respect thereto.

(b) Effective as of Closing, Buyer acknowledges that the adjustments to the Purchase Price set forth in *Section 2.4(c)(viii)* shall constitute full and total repayment by Seller of the Subject Loan and from and after Closing Buyer hereby fully and irrevocably releases and waives any and all rights, claims and interest in and to the Subject Loan or against Seller or its Affiliates with respect thereto.

**ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer as of the Execution Date and as of the Closing Date as follows:

**3.1 Organization, Existence.** Seller is a C-Corporation duly formed and validly existing under the Laws of the State of Colorado. Seller has all requisite power and authority to own and operate its property (including, without limitation, the Assets) and to carry on its business as now conducted. Seller is duly licensed or qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which such qualification is required by Law.

**3.2 Authorization.** Seller has full power and authority to enter into and perform this Agreement and the transactions contemplated herein. The execution, delivery and performance by Seller of this Agreement has been, and the execution, delivery and performance by Seller of all other documents delivered pursuant to this Agreement will be when delivered, duly and validly authorized and approved by all necessary owners, directors and/or shareholder actions on the part of Seller. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement constitutes, and the other documents delivered pursuant to this Agreement to which Seller is a party will constitute when delivered, Seller's legal, valid and binding obligations, enforceable against Seller in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium

and similar Laws relating to or affecting creditors' rights, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

**3.3 No Conflicts.** Assuming the receipt of all Customary Post-Closing Consents and the waiver of all Preferential Rights as set forth on *Schedule 3.12*, the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby does not and will not (a) conflict with or result in a breach of any provisions of the organizational documents or other governing documents of Seller, (b) except for Permitted Encumbrances, result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, Applicable Contract or other material agreement to which Seller is a party or by which Seller or the Assets may be bound or (c) violate any Law applicable to Seller or any of the Assets, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not adversely affect the ability of Seller to consummate the transactions contemplated by this Agreement.

**3.4 Bankruptcy.** There are no bankruptcy, reorganization or receivership proceedings pending or, to Seller's Knowledge, threatened in writing against Seller or any of its Affiliates.

**3.5 Foreign Person.** Seller is not a "disregarded entity" or a "foreign person" within the meaning of Section 1445 of the Code and its implementing Treasury Regulations.

**3.6 Litigation.** Except as set forth in *Schedule 3.6*, there are no investigations, suits, actions or litigation by any Person by or before any Governmental Authority, and no legal, administrative or arbitration proceedings, pending or, to Seller's Knowledge, threatened in writing against Seller with respect to its ownership or operation of the Assets.

**3.7 Material Contracts.**

(a) *Schedule 3.7* sets forth all Material Contracts.

(b) There exist no material defaults under the Material Contracts by Seller or, to Seller's Knowledge, by any other Person that is a party to such Material Contracts. No written notice of default or breach has been received or delivered by Seller under any Material Contract, and, each Material Contract is the legal, valid, and binding obligation of Seller and, to Seller's Knowledge, each other party thereto (subject to bankruptcy and the principles of equity).

(c) Prior to the Execution Date, and except for Contracts to which both Buyer and Seller are parties, Seller has provided to Buyer true, correct and complete copies of each of all Material Contracts and all Contracts to which Buyer will receive assignment or which are applicable or binding upon the Assets or Buyer following the Closing.

**3.8 No Violation of Laws.** Except as set forth on *Schedule 3.8*, Seller is not in violation of any applicable Laws with respect to the ownership and operation (where applicable) by Seller of the Assets. This *Section 3.8* does not include any matters with respect to Environmental Laws, such matters being addressed exclusively in *Section 3.13*.

**3.9 Royalties, Etc.** Except as set forth on *Schedule 3.9(a)*, and except for Interests Held in Suspense by Seller as permitted pursuant to applicable Law, Seller has paid all Burdens due by Seller with respect to the Assets, or, if Seller has not paid any such Burdens, is contesting such unpaid Burdens in good faith in accordance with applicable Law as reflected on *Schedule 3.9(a)*. Except as forth on *Schedule 3.9(b)* or for Interests Held in Suspense by Buyer and its Affiliates, there are no Interests Held in Suspense attributable to production of Hydrocarbons from the Assets.

**3.10 Imbalances.** Except as set forth on *Schedule 3.10*, there are no material Imbalances associated with the Assets as of the Effective Time.

**3.11 Current Commitments.**

(a) Except as set forth on *Schedule 3.11(a)(i)*, as of the Execution Date there are no outstanding authorizations for expenditure or similar request or invoice for funding or participation under any Contract, or otherwise, which are binding on Seller or the Assets (each, an "AFE") and which Seller reasonably anticipates will individually require expenditures by the owner of the Assets in excess of Seventy Five Thousand Dollars (\$75,000) (net to Seller's interest) and, other than set forth on *Schedule 3.11(a)(ii)*, Seller has incurred no other expenses, and has made no proposals or commitments to make expenditures in connection with the ownership or operation of the Assets after the Effective Time that could reasonably be expected to require an expenditure by Buyer in excess of Seventy Five Thousand Dollars (\$75,000) (net to Seller's interest).

(b) A complete and accurate list of outstanding AFEs for funding or participation under any Contract, or otherwise, which are binding on Seller or the Assets and for which Seller has validly elected to participate with 100% of its interest are set forth on *Schedule 3.11(b)*. To Seller's Knowledge, no Well relating to an AFE described on *Schedules 3.11(c)* or *(d)* has commenced production of Hydrocarbons prior to the Execution Date or relating to periods prior to the Effective Time.

(c) Seller has timely elected and funded its commitment pursuant to each outstanding AFE set forth on *Schedule 3.11(c)* for 100% of its share of 100% of its corresponding interest set forth on **Exhibit B**, and has not failed to consent with respect to the same or be deemed to have failed to consent thereto. Seller has made available to Buyer true and correct copies of each election with respect to the AFEs set forth on *Schedule 3.11(c)*.

(d) Seller has timely elected but has not yet funded its commitment pursuant to each of outstanding AFE set forth on *Schedule 3.11(d)*, and has not rejected, failed to consent with respect to the same or be deemed to have failed to consent thereto, and the funding deadline with respect thereto is set forth on *Schedule 3.11(d)* and has not passed as of the Execution Date. Seller has made available to Buyer true and correct copies of each election with respect to the AFEs set forth on *Schedule 3.11(d)*.

(e) A complete and accurate list of any AFEs or similar request or invoice for funding or participation under any Contract, or otherwise, which are binding on Seller or the Assets and for which Seller has non-consented or Seller or a predecessor-in-interest's actions would have a similar effect to non-consent are set forth on *Schedule 3.11(e)*. No non-consent AFE identified

on *Schedule 3.11(e)* will affect Seller's interest in any well related to an item listed on *Schedules 3.11(c) or (d)*.

(f) Seller has made available to Buyer true and correct copies of (i) evidence of its payment of all amounts contemplated by *Schedule 3.11(c)* and (ii) each drilling plan or correspondence from the Third Party Operator with respect to future permitted development located on the Leases or relating to the Assets.

**3.12 Consents and Preferential Rights.** All (a) consents which are required to be obtained, made or complied with for or in connection with the sale, assignment or transfer of any Asset, or any interest therein by Seller as contemplated by this Agreement (each, a "*Consent*"), and (b) preferential rights to purchase, rights of first refusal, and other similar rights applicable to the sale, assignment or transfer of any Asset, or any interest therein by Seller as contemplated by this Agreement (each, a "*Preferential Right*"), in each case, are identified on *Schedule 3.12*.

**3.13 Environmental.**

(a) With respect to the Assets, Seller has not entered into, and is not subject to, any agreement, consent, order, decree, judgment, license or permit condition or other directive of any Governmental Authority that (i) is in existence as of the Execution Date, (ii) is based on any Environmental Laws and (iii) requires any change in the present conditions of any of the Assets.

(b) Except as set forth in *Schedule 3.13*, Seller has not received written notice from any Person of any release, disposal, event, condition, circumstance, activity, practice or incident concerning any land, facility, asset or property included in the Assets (or adjacent to the Assets) that: (i) interferes with or prevents material compliance by Seller or the Assets with any Environmental Law or the terms of any license or permit issued pursuant thereto or (ii) gives rise to or results in any material common Law or other liability of Seller to any Person.

(c) Prior to the Execution Date, Seller has provided Buyer with copies of all environmental reports and environmental test results related to the Assets and in the possession of Seller.

**3.14 Material Defaults; Liabilities.** Seller has not received any written notice of material defaults with respect to Seller's obligations under any Lease and each Lease is in full force and effect. Other than as set forth on *Schedule 3.10* or *Schedule 3.13*, and other than with respect to Buyer Operated Assets, there are no Liabilities for which Buyer will be held liable that are in existence, or, to Seller's Knowledge, for which the circumstances or facts giving rise to such Liabilities are in existence, in an amount greater than \$50,000 individually.

**3.15 Asset Taxes.** All tax returns relating to or in connection with Seller's acquisition, ownership, or operation of the Assets required to be filed have been timely filed and all such tax returns are correct and complete in all material respects. All taxes relating or applicable to Seller's acquisition, ownership or operation of the Assets (including Asset Taxes) that are or have become due have been timely paid in full, and Seller is not delinquent in the payment of any such taxes. There is not currently in effect any extension or waiver of any statute of limitations of any jurisdiction regarding the assessment or collection of any tax of Seller relating to Seller's acquisition, ownership or operation of the Assets. There are no administrative or judicial

proceedings pending against the Assets or against Seller relating to or in connection with the Assets by any taxing authority with respect to taxes. All tax withholding and deposit requirements imposed by applicable Law with respect to any of the Assets or the business of Seller have been satisfied in full in all respects. There are no Encumbrances on any of the Assets for Taxes (other than for current Taxes not yet due and payable). No Asset is subject to any tax partnership agreement or provisions requiring a partnership income tax return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute.

**3.16 Brokers' Fees.** Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer or any Affiliate of Buyer shall have any responsibility.

**3.17 Permits.** Except as set forth in *Schedule 3.17*, (a) Seller has all licenses, orders, franchises, registrations, permits, bonds, exemptions, variances, waivers, authorizations, certificates, consents, rights, privileges and applications of all Governmental Authorities that are required to own and/or operate the Assets (the "**Permits**") and (b) to Seller's Knowledge, each Permit is in full force and effect and there are no material defaults thereunder. Seller has not, and to Seller's Knowledge, no Third Party operator of the Assets has, received any written notice of any material violations of any Permit.

**3.18 Operations.** To Seller's Knowledge, and except for Buyer Operated Assets, (a) all Wells have been drilled and completed in accordance with and within the limits permitted by all applicable Leases, Applicable Contracts and Laws; (b) no such Well is subject to penalties after the Effective Time because of any overproduction or any other violation of applicable Laws to which Buyer or its Affiliates may be responsible and (c) there are no such Wells that (i) Seller or the relevant operator thereof is obligated by any applicable Applicable Contracts or Laws to currently plug, dismantle and/or abandon, or (ii) have been plugged, dismantled or abandoned in a manner that does not comply with all applicable Laws (including Environmental Laws). To Seller's Knowledge, and except for Buyer Operated Assets, all currently producing Wells are in an operable state of repair, do not contain junk or other obstructions which could reasonably be expected to materially interfere with drilling, completion, recompletion, reworking, stimulation or other operations on, with respect to, or otherwise affecting the Assets.

**3.19 Advance Payments.** Seller is not obligated by virtue of any take-or-pay payment, advance payment or other similar payment (other than royalties, overriding royalties and similar arrangements reflected with respect to the Net Revenue Interests set forth in **Exhibit B** and gas balancing arrangements), to deliver Hydrocarbons attributable to the Assets, or proceeds from the sale thereof, at some future time without receiving payment therefore at or after the time of delivery.

**3.20 Payout Balance.** To Seller's Knowledge, and except for Buyer Operated Assets, *Schedule 3.20* contains a list of the status of the Payout Balance, if applicable, as of the date specified in such schedule, for each of the Wells. "**Payout Balance**" means the status, as of the date of the calculations, of the recovery by Seller or a third party of a cost amount specified in the contract relating to a well out of the revenue from such well where the Net Revenue Interest of

Seller therein will be reduced or Seller's Working Interest therein will be increased when such amount has been recovered.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as of the Execution Date and as of the Closing Date, the following:

**4.1 Organization; Existence.** Buyer is a limited liability company duly formed and validly existing under the Laws of Colorado. Buyer has all requisite power and authority to own and operate its property (including, at Closing, the Assets) and to carry on its business as now conducted. By Closing, Buyer will be duly licensed or qualified to do business as a foreign limited liability company and is in good standing in all jurisdictions in which such qualification is required by Law.

**4.2 Authorization.** Buyer has full power and authority to enter into and perform this Agreement and the transactions contemplated herein. The execution, delivery and performance by Buyer of this Agreement has been, and the execution, delivery and performance by Buyer of all other documents delivered pursuant to this Agreement will be, when delivered, duly and validly authorized and approved by all necessary limited liability company action on the part of Buyer. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement constitutes, and the other documents delivered pursuant to this Agreement to which Buyer is a party will constitute when delivered, Buyer's legal, valid and binding obligations, enforceable against Buyer in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar Laws relating to or affecting creditors' rights, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

**4.3 No Conflicts.** The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated herein will not (a) conflict with or result in a breach of any provisions of the organizational or other governing documents of Buyer, (b) result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or other agreement to which Buyer is a party or by which Buyer or any of its property may be bound or (c) violate any Law applicable to Buyer or any of its property, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not adversely affect the ability of Buyer to consummate the transactions contemplated by this Agreement.

**4.4 Bankruptcy.** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to Buyer's Knowledge, threatened in writing against Buyer or any of its Affiliates.

**4.5 Litigation.** There is no investigation, suit, action or litigation by any Person or by or before any Governmental Authority, and no legal, administrative or arbitration proceedings pending, or to Buyer's Knowledge, threatened against Buyer, or to which Buyer is a party, that

would adversely affect the ability of Buyer to consummate the transactions contemplated by this Agreement.

**4.6 No Financing.** Buyer shall have as of the Closing Date sufficient funds with which to pay the Closing Amount and consummate the transactions contemplated by this Agreement and, following Closing, Buyer will have sufficient funds to pay any adjustments to the Purchase Price and meet its other payment obligations under this Agreement.

**4.7 Independent Evaluation.** Buyer is sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities. In making its decision to enter into this Agreement and to consummate the transaction contemplated herein, Buyer (a) has relied or shall rely solely on its own independent investigation and evaluation of the Assets and the advice of its own legal, tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by any representatives or consultants or advisors engaged by Seller, and (b) has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Assets.

**4.8 Brokers' Fees.** Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller or any Affiliate of Seller shall have any responsibility.

**4.9 Environmental Defects.** To Buyer's Knowledge, there are no unremediated Environmental Defects with respect to the Buyer Operated Assets.

#### ARTICLE V ACCESS / DISCLAIMERS

**5.1 Access.**

(a) From and after the Execution Date and up to and including the Closing Date (or earlier termination of this Agreement), but subject to the other provisions of this Agreement (including this *Section 5.1*) and obtaining any required consents of third parties (with respect to which consents Seller shall use its commercially reasonable efforts to obtain), Seller shall afford to Buyer, its Affiliates and its and their officers, employees, agents, accountants, attorneys, investment bankers, consultants and other authorized representatives (collectively, "**Buyer's Representatives**") reasonable access, during normal business hours, to the Assets and all Records in Seller's or any of its Affiliates' possession. Seller shall also make available to Buyer and Buyer's Representatives, upon reasonable notice during normal business hours, Seller's personnel knowledgeable with respect to the Assets in order that Buyer may make such diligence investigation as Buyer considers necessary or appropriate. All investigations and due diligence conducted by Buyer or any Buyer's Representative shall be conducted at Buyer's sole cost, risk and expense; and any conclusions made from any examination done by Buyer or any Buyer's Representative shall result from Buyer's own independent review and judgment. Buyer shall coordinate its access rights and physical inspections of the Assets with Seller and any third party that serves as an Operator (each a "**Third Party Operator**") to reasonably minimize any

inconvenience to or interruption of the conduct of business by Seller or any Third Party Operator, and Seller shall use its commercially reasonable efforts to facilitate all such physical inspections. Buyer shall give Seller reasonable prior written notice before entering onto any of the Assets and Seller shall have the right to have its representatives present at any time any Buyer's Representative is present on the Assets. Buyer shall, and shall cause all of the Buyer's Representatives to, abide by Seller's and any Third Party Operator's safety rules, regulations and operating policies while conducting its due diligence evaluation of the Assets including any environmental or other inspection or assessment of the Assets of which Buyer is made aware in writing.

(b) Buyer shall not conduct any sampling, boring, drilling or other invasive investigation activities ("*Invasive Activities*") on or with respect to any of the Assets without (i) Seller's prior written consent, which consent may not be unreasonably withheld, and (ii) any required prior written consent from any third party, including any Third Party Operator. Seller shall, with the reasonable cooperation of Buyer and in reasonable consultation with Buyer, use its commercially reasonable efforts to obtain any such required third party consent.

(c) Buyer agrees to defend, indemnify and hold harmless each of the Operators of the Assets and the Seller Indemnified Parties from and against any and all Liabilities arising out of, resulting from or relating to any field visit, environmental property assessment or other due diligence activity conducted by Buyer or any Buyer's Representative (including an Invasive Activity, if any) with respect to the Assets, EVEN IF SUCH LIABILITIES 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 A MEMBER OF THE SELLER INDEMNIFIED PARTIES, EXCEPTING ONLY (I) LIABILITIES ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE SELLER INDEMNIFIED PARTIES AND (II) ANY LIABILITIES UNCOVERED OR DISCOVERED IN THE COURSE OF BUYER'S DUE DILIGENCE WITH REGARD TO THE ASSETS.

(d) In the event that such reports form the basis of a claim of breach of this Agreement or either Party's failure to consummate the transactions contemplated to occur at the Closing, Buyer agrees to promptly provide Seller with copies, but in any event within 48 hours after the claim of such breach or failure is made, of all final reports and test results prepared by Buyer, any of Buyer's Representatives or any third party consultants and which contain data collected or generated from Buyer's due diligence with respect to the Assets (including an Invasive Activity, if any). Seller shall not be deemed by its receipt of said documents or otherwise to have made any representation or warranty, expressed, implied or statutory as to the condition of the Assets or to the accuracy of said documents or the information contained therein.

(e) Upon completion of Buyer's due diligence, Buyer shall, at its sole cost and expense and without any cost or expense to Seller or its Affiliates (i) repair all damage done to the Assets in connection with Buyer's due diligence, (ii) restore the Assets to the approximate same or better condition in existence prior to commencement of Buyer's due diligence and (iii) remove all equipment, tools or other property brought onto the Assets in connection with Buyer's due diligence. Any disturbance to the Assets (including, without limitation, the real property

associated with such Assets) resulting from Buyer's due diligence will be promptly corrected by Buyer.

(f) During all periods that Buyer and/or any of Buyer's Representatives are present on the Assets, Buyer shall maintain, at its sole expense and with insurers reasonably satisfactory to Seller, policies of insurance of the types and in the amounts set forth in *Schedule 5.1(f)*. Upon request by Seller, Buyer shall provide evidence of such insurance to Seller prior to entering the Assets.

**5.2 Confidentiality.** Buyer acknowledges that, pursuant to its right of access to the Records and the Assets, Buyer will become privy to confidential and other information of Seller and that such confidential information shall be held confidential by Buyer and Buyer's Representatives in accordance with the terms of the Confidentiality Agreement. If Closing should occur, the foregoing confidentiality restriction on Buyer, including the Confidentiality Agreement, shall terminate (except as to (a) any Assets that are excluded from the transactions contemplated hereby pursuant to the provisions of this Agreement, (b) the Excluded Assets, and (c) information related to assets other than the Assets).

**5.3 Disclaimers.**

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN *ARTICLE III*, THE CERTIFICATE DELIVERED BY SELLER AT CLOSING PURSUANT TO *SECTION 11.3(H)* AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN THE ASSIGNMENT, (I) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) SELLER EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO BUYER OR ANY BUYER'S REPRESENTATIVE (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO BUYER BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLER OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS EXPRESSLY SET FORTH IN *ARTICLE III*, THE CERTIFICATE DELIVERED BY SELLER AT CLOSING PURSUANT TO *SECTION 11.3(H)* AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN THE ASSIGNMENT, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VII) THE CONTENT,

CHARACTER OR NATURE OF ANY INFORMATION, MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY SELLER OR THIRD PARTIES WITH RESPECT TO THE ASSETS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO BUYER OR ANY BUYER'S REPRESENTATIVE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT. EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN *ARTICLE III*, THE CERTIFICATE DELIVERED BY SELLER AT CLOSING PURSUANT TO *SECTION 11.3(H)* AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN THE ASSIGNMENT, SELLER FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT BUYER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT BUYER HAS MADE OR WILL CAUSE TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. THE DISCLOSURE OF ANY MATTER OR ITEM IN THE SCHEDULES SHALL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGEMENT BY SELLER THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED OR IS MATERIAL OR THAT SUCH MATTER WOULD OR WOULD REASONABLY BE EXPECTED TO RESULT IN A MATERIAL ADVERSE EFFECT.

(c) OTHER THAN THOSE REPRESENTATIONS SET FORTH IN *SECTION 3.13*, THE CERTIFICATE DELIVERED BY SELLER AT CLOSING PURSUANT TO *SECTION 11.3(H)*, SELLER HAS NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND SUBJECT TO BUYER'S LIMITED RIGHTS UNDER *SECTION 7.1* AND BUYER'S RIGHTS IN *SECTION 13.2*, BUYER SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT BUYER HAS MADE OR WILL CAUSE TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS BUYER DEEMS APPROPRIATE.

(d) SELLER AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS *SECTION 5.3* ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

**ARTICLE VI  
TITLE MATTERS; CASUALTIES**

**6.1 Seller's Title.** Without limiting Buyer's (a) remedies for Title Defects set forth in this *Article VI*, (b) Buyer's rights under *Section 13.2* and (c) the special warranty of Defensible Title contained in the Assignment, Seller makes no warranty or representation, express, implied, statutory or otherwise with respect to its title to any of the Assets. Buyer hereby acknowledges and agrees that Buyer's sole remedy for any defect of title, including any Title Defect, with respect to any of the Assets (a) before Closing, shall be as set forth in *Section 6.2* and (b) after Closing, shall be pursuant to *Section 13.2* and the special warranty of Defensible Title contained in the Assignments.

**6.2 Notice of Title Defects; Defect Adjustments.**

(a) Title Defect Notices. On or before 5:00 p.m. (Mountain Time) on February 14, 2019 (the "**Defect Claim Date**"), Buyer shall have the right, but not the obligation, to deliver notices to Seller meeting the requirements of this *Section 6.2(a)* (each, a "**Title Defect Notice**") setting forth any matters which, in Buyer's reasonable opinion, constitute Title Defects and which Buyer asserts as a Title Defect pursuant to this *Section 6.2*. For all purposes of this Agreement and notwithstanding anything herein to the contrary, except for Buyer's rights under *Section 13.2* and the special warranty of Defensible Title contained in the Assignment, Buyer shall be deemed to have waived, and Seller shall have no liability for, any Title Defect that Buyer fails to assert as a Title Defect pursuant to a Title Defect Notice delivered in compliance with this *Section 6.2(a)* and received by Seller on or before the Defect Claim Date. Each Title Defect Notice shall be in writing and shall include (i) a description of the alleged Title Defect and the Assets affected by such Title Defect (each a "**Title Defect Property**"), (ii) the Allocated Value of each Title Defect Property, (iii) to the extent such documents exist and are in the possession of Buyer, supporting documents reasonably necessary for Seller to verify the existence of the alleged Title Defect(s), (iv) the amount by which Buyer reasonably believes the Allocated Value of each Title Defect Property is reduced by the alleged Title Defect(s), and (v) the computations upon which Buyer's belief is based. To give Seller an opportunity to commence reviewing and curing Title Defects, Buyer agrees to use reasonable efforts to give Seller, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Title Defects discovered by Buyer during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the expiration of the applicable Defect Claim Date; provided that the failure to give any such preliminary notice(s) shall not effect a waiver of or otherwise limit any claims, rights, or remedies of Buyer under this Agreement.

(b) Title Benefit Notices. Seller shall have the right, but not the obligation, to deliver to Buyer on or before the Defect Claim Date, a notice setting forth any matters that, in Seller's reasonable opinion, constitute Title Benefits and that Seller asserts as a Title Benefit pursuant to this *Section 6.2* (each, a "**Title Benefit Notice**") including (i) a description of the Title Benefit and the Assets affected by the Title Benefit (the "**Title Benefit Property**"), (ii) the amount by which Seller reasonably believes the Allocated Value of the Title Benefit Property is increased by the Title Benefit, (iii) to the extent such documents exist and are in the possession of Buyer, supporting documents reasonably necessary for Seller to verify the existence of the Title Benefits(s), and (iv) the computations upon which Seller's belief is based. Seller shall be deemed

to have waived all Title Benefits of which it, or Buyer pursuant to *Section 6.2(a)*, has not given notice on or before the Defect Claim Date.

(c) Remedies for Title Defects. Subject to Seller's continuing right to dispute the existence of a Title Defect or the Title Defect Amount asserted with respect thereto and subject to the Individual Title Defect Threshold and the Aggregate Threshold and Deductible and the right of the Parties pursuant to *Section 12.1(c)*, in the event that any Title Defect properly asserted by Buyer in accordance with *Section 6.2(a)* is not waived in writing by Buyer or cured on or before Closing, Buyer shall, at its sole option, elect to:

(i) receive the entirety of the Title Defect Property that is subject to such Title Defect, together with all associated Assets, from Seller at Closing, and reduce the Purchase Price by the Title Defect Amount; or

(ii) cause Seller to retain the affected Title Defect Property and adjust the Purchase Price by that Property's Allocated Value.

(d) Seller's Right to Cure. Seller shall have the right, for a period of 60 days following the Closing Date (such period, the "*Cure Period*"), to attempt to cure any Title Defect raised by Buyer. Seller shall deliver notice of its election to attempt to cure any such Title Defect prior to Closing. If Seller elects to cure any Title Defect during the Cure Period, then (i) Buyer shall withhold from the Purchase Price the applicable Allocated Value of such Title Defect Property, (ii) Seller shall remove from the Assignment any Asset or portions thereof subject to such Title Defect, as applicable, which Seller has elected to cure (the "*Cure Assets*"), (iii) if the applicable Title Defect is cured to Buyer's reasonable satisfaction as provided herein or determined to have been cured as provided herein within the Cure Period, within five Business Days after the earlier of the (A) expiration of Cure Period or (B) agreement or determination of the effectiveness of such curative efforts, Seller shall convey the applicable Cure Assets to Buyer and Buyer shall pay to Seller the applicable Allocated Value of such Title Defect Property, on the same terms as the Assets conveyed at Closing, and (iv) in the event that Seller fails to cure any Title Defect to Buyer's reasonable satisfaction during the Cure Period, Buyer shall, after the expiration of the Cure Period, make an election pursuant to the terms of *Section 6.2(c)* with regard to such Title Defect Property.

(e) Remedies for Title Benefits. With respect to each Well or Lease affected by Title Benefits reported under this *Section 6.2*, the aggregate Title Defect Amounts shall be decreased by an amount equal to the increase in the Allocated Value for such Asset caused by such Title Benefits, as determined pursuant to *Section 6.2(h)* (the "*Title Benefit Amount*").

(f) Exclusive Remedy. Except as set forth in *Section 6.1*, the provisions set forth in *Section 6.2(c)* and *Section 6.2(j)* shall be the exclusive right and remedy of Buyer with respect to Seller's failure to have Defensible Title with respect to any Asset.

(g) Title Defect Amount. The amount by which the Allocated Value of the affected Title Defect Property is reduced as a result of the existence of such Title Defect shall be the "*Title Defect Amount*" and shall be determined in accordance with the following terms and conditions:

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

(ii) if the Title Defect is an Encumbrance that is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the Title Defect Property;

(iii) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in Exhibit B, and the Working Interest attributable to such Title Defect Property has been reduced proportionately, then the Title Defect Amount shall be the product of the Allocated Value of such Title Defect Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Defect Property stated in Exhibit B;

(iv) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in Exhibit B, and the Working Interest attributable to such Title Defect Property has not been reduced proportionately, then the Title Defect Amount shall be an amount equal to the product of (1) the Allocated Value of such Title Defect Property, multiplied by (2) an amount equal to (x) four, multiplied by (y) a fraction, the (I) numerator of which is an amount equal to (aa) Seller's Net Revenue Interest for such Title Defect Property stated in Exhibit B, minus (bb) Seller's actual Net Revenue Interest for such Title Defect Property, and (II) the denominator of which is Seller's Net Revenue Interest for such Title Defect Property stated in Exhibit B;

(v) if the Title Defect represents an obligation or Encumbrance upon or other defect in title to the Title Defect Property of a type not described above, the applicable Title Defect Amount shall be determined by taking into account the Allocated Value of the Title Defect Property, the portion of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Buyer and Seller and such other reasonable factors as are necessary to make a proper evaluation;

(vi) the Title Defect Amount with respect to a Title Defect Property shall be determined without duplication of any costs or losses included in any other Title Defect Amount hereunder; and

(vii) notwithstanding anything to the contrary in this *Article VI*, the aggregate Title Defect Amounts attributable to the effects of all Title Defects upon any single Title Defect Property shall not exceed the Allocated Value of such Title Defect Property.

Notwithstanding anything in this *Article VI* to the contrary, if the Parties are unable to agree on the Title Defect Amount with respect to any Title Defect for which Buyer has delivered a Title

Defect Notice as of the Closing Date, subject to Seller's ongoing rights to dispute the existence or valuation of the alleged Title Defect, for the purposes of calculating the Preliminary Purchase Price payable in the Closing Date, the value of any such Title Defect contained in the Title Defect Notice delivered by Buyer shall be the basis for adjustments to the Purchase Price in accordance with Section 2.4.

(h) Title Benefit Amount. The Title Benefit Amount resulting from a Title Benefit shall be determined in accordance with the following methodology, terms and conditions:

(i) if Buyer and Seller agree on the Title Benefit Amount, then that amount shall be the Title Benefit Amount;

(ii) if the Title Benefit represents an increase between (A) the Net Revenue Interest for any Title Benefit Property and (B) the Net Revenue Interest for such Title Benefit Property stated in Exhibit B, and the Working Interest has increased proportionately, then the Title Benefit Amount shall be the product of the Allocated Value of such Title Benefit Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Benefit Property stated in Exhibit B, provided that if the Net Revenue Interest increase does not affect the Title Benefit Property throughout its entire life, the Title Benefit Amount determined under this Section 6.2(h) shall be reduced to take into account the applicable time period only;

(iii) if the Title Benefit is of a type not described above, then the applicable Title Benefit Amount shall be determined by taking into account the Allocated Value of the Title Benefit Property, the portion of the Title Benefit Property affected by such Title Benefit, the legal effect of the Title Benefit, the potential economic effect of the Title Benefit over the life of such Title Benefit Property, the values placed upon the Title Benefit by Buyer and Seller and such other reasonable factors as are necessary to make a proper evaluation; and

(iv) the Title Benefit Amount with respect to a Title Benefit Property shall be determined without duplication of any items or amounts included in any other Title Benefit Amount hereunder.

(i) Title Threshold. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller hereunder: (i) for any individual Title Defect for which the Title Defect Amount does not exceed the Individual Title Defect Threshold or (ii) for any Title Defect for which the Title Defect Amount exceeds the Individual Title Defect Threshold unless the sum of (A) the aggregate Title Defect Amounts of all such Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to Title Defects actually cured by Seller), plus (B) the aggregate Remediation Amounts of all Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to (1) Environmental Defects actually cured by Seller or (2) Environmental Defect Properties retained by Seller pursuant to Section 7.1(b)(ii)), exceeds 1% of the unadjusted Purchase Price (the "Aggregate Threshold and Deductible"), after which point Buyer shall be entitled to adjustments to the Purchase Price only to the extent the total

Title Defect Amounts of all valid Title Defects are in excess of the Aggregate Threshold and Deductible.

(j) Title Dispute Resolution. The Parties agree to resolve disputes concerning the following matters pursuant to this *Section 6.2(j)*: (1) the existence and scope of a Title Defect or Title Defect Amount, (2) the adequacy of Seller's Title Defect curative materials and Buyer's reasonable satisfaction thereof, and (3) the existence and scope of a Title Benefit or Title Benefit Amount (the "*Title Disputed Matters*"). The Parties agree to attempt to initially resolve all disputes through good faith negotiations. If the Parties cannot resolve disputes regarding items (1), (2) and (3) on or before Closing, the Closing shall be delayed as to only the Assets subject to the Title Disputed Matters until the Parties finally resolve the dispute pursuant to this *Section 6.2(j)*; provided, however, if either Party asserts that the condition in *Section 9.1(d)* or *Section 9.2(d)* has not been satisfied due, in whole or in part, to Title Defects, then the Parties will resolve all Title Disputed Matters pursuant to this *Section 6.2(j)* prior to Closing. In the event that neither Party asserts that the condition in *Section 9.1(d)* or *Section 9.2(d)* has not been satisfied, it is understood and agreed that the Parties shall proceed to Closing as contemplated herein as to all Assets not covered by a Title Disputed Matter and all Assets covered by a Title Disputed Matter shall be excluded from Closing and the Purchase Price payable at Closing shall be reduced by the Allocated Value of all Assets covered by a Title Disputed Matter. The Title Disputed Matters will be finally determined pursuant to this *Section 6.2(j)*. There shall be a single arbitrator, who shall be an attorney licensed in the state of Colorado with at least 15 years' experience in oil and gas title and transaction matters, as selected by mutual agreement of Buyer and Seller within 15 days after any Party invokes the provisions of this *Section 6.2(j)* to resolve such Title Disputed Matter (the "*Title Expert*"). If the Parties are unable to agree upon the Title Expert, the Title Expert shall be appointed by the International Institute for Conflict Prevention & Resolution, Inc. The expert determination proceeding shall be held in Denver, Colorado. The Title Expert's determination shall be made within 20 days after submission by the Parties of the matters in Title Disputed Matter and shall be final and binding upon both Parties, without right of appeal. In making his determination, the Title Expert shall be bound by the rules set forth in *Section 6.2(g)* and *Section 6.2(h)* and, subject to the foregoing, may consider such other matters as in the opinion of the Title Expert are necessary to make a proper determination. The Title Expert, however, may not award (a) Buyer a greater Title Defect Amount than the Title Defect Amount claimed by Buyer in the applicable Title Defect Notice (which such Title Defect Amount shall not exceed the Allocated Value of the applicable Title Defect Property) or (b) Seller a greater Title Benefit Amount than the Title Benefit Amount claimed by Seller in the applicable Title Benefit Notice. The Title Expert shall act as an expert for the limited purpose of determining the specific disputed Title Defect, Title Benefit, Title Defect Amount or Title Benefit Amount submitted by either Party and may not award damages, interest or penalties to either Party with respect to any Title Disputed Matter. Seller and Buyer shall each bear its own legal fees and other costs of presenting its case to the Title Expert. Each of Seller and Buyer shall bear one-half of the costs and expenses of the Title Expert. If, following the award of the Title Expert, any Title Disputed Matter is determined to be a Title Defect, then, subject to *Section 6.2(i)*, Buyer shall, within 10 days after the Title Expert delivers written notice to Buyer and Seller of its award with respect to such Title Defect, elect a remedy per *Section 6.2(c)*, and, if Buyer elects the remedy in *Section 6.2(c)(i)*, then, within five days of the delivery of such determination (i) Seller shall transfer, convey and assign such Title Defect Property to Buyer on a form of conveyance substantially similar to the Assignment, and (ii) simultaneously therewith, Buyer shall pay to Seller an amount equal to (A) the Allocated

Value of such Title Defect Property, *minus* (B) the Title Defect Amount related thereto that was determined by the Title Expert. To the extent that the award of the Title Expert with respect to any Title Defect Amount was not taken into account as an adjustment to the Purchase Price, or the aggregate Title Defect Amounts, as applicable at Closing pursuant to *Section 2.4* and an adjustment would otherwise be required under the provisions of *Section 6.2(c)* or *Section 6.2(d)*, as applicable, then, within 10 days after the Title Expert delivers written notice to Buyer and Seller of its award with respect to such Title Defect Amount or a Title Benefit Amount and subject to *Section 6.2(i)*, the Purchase Price will be adjusted pursuant to *Section 2.4* by the amount so awarded by the Title Expert. The Title Expert shall not have worked as an employee or outside counsel for either Party or any Affiliate of either Party during the five year period preceding the arbitration, or have any financial interest in the dispute.

### **6.3 Casualty or Condemnation Loss.**

(a) Notwithstanding anything herein to the contrary, from and after the Effective Time, if Closing occurs, Buyer shall assume all risk of loss with respect to (i) production of Hydrocarbons from the Assets through normal depletion (including watering out of any well, collapsed casing or sand infiltration of any well) and (ii) the depreciation of personal property due to ordinary wear and tear and, in each case, Buyer shall not assert such matters as Casualty Losses or Title Defects hereunder.

(b) If, from and after the Effective Time but prior to the Closing Date, any portion of the Assets is damaged or destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain (a "*Casualty Loss*"), (i) Buyer shall nevertheless be required to close the transactions contemplated by this Agreement and (ii) Buyer shall elect by written notice to Seller prior to Closing to either (A) cause Seller, at Seller's sole cost and as promptly as reasonably practicable (which work may extend after the Closing Date), to repair or restore each Asset affected by such Casualty Loss to at least its condition prior to such casualty or taking, or (B) reduce the Purchase Price by value of such Casualty Loss. In each case, Seller shall retain all rights to insurance, condemnation awards and other claims against third parties with respect to the casualty or taking except to the extent the Parties otherwise agree in writing.

### **6.4 Preferential Rights and Consents to Assign.**

(a) The remedies set forth in this *Section 6.4* and the provisions of *Section 13.2(b)* and *Section 13.2(c)* with regard to any breaches of this *Section 6.4* are the exclusive remedies under this Agreement related to the Consents and Preferential Rights.

(b) Pre-Closing Efforts. From and after the Execution Date up to Closing, Seller and Buyer shall use their commercially reasonable efforts to obtain all Consents and waivers of all Preferential Rights (excluding any Customary Post-Closing Consents); provided, however, that neither Party shall be required to incur any Liability or pay any money in order to obtain such Consents or waivers.

(c) Preferential Rights. Seller shall, within five days after the Execution Date, send to each holder of a Preferential Right a notice requesting the election or waiver by each such holder of its applicable Preferential Right, in each case in material compliance with the contractual

provisions applicable to such Preferential Right, requesting a waiver of such right. Any Preferential Right must be exercised subject to all terms and conditions set forth in this Agreement, including the successful closing of this Agreement pursuant to *Article XI*. The consideration payable under this Agreement for any particular Asset for purposes of Preferential Right notices shall be the Allocated Value of such Asset.

(i) All Assets burdened by Preferential Rights for which (A) the applicable Preferential Right has been waived, or (B) the period to exercise such Preferential Right has expired prior to the Closing without the applicable holder of such Preferential Right electing to enforce its Preferential Right, shall, in each case, be assigned to Buyer at the Closing pursuant to the provisions of this Agreement.

(ii) If, (A) prior to the Closing any holder of a Preferential Right notifies Seller that it intends to consummate the purchase of the portion of the Assets to which its Preferential Right applies, or (B) the period to exercise such Preferential Right has not expired and the holder of such Preferential Right has not waived such Preferential Right, then, in each case, such portion of the Assets affected by such Preferential Right shall be excluded from the Assets to be conveyed to Buyer at Closing and the Purchase Price shall be reduced by the Allocated Value of such excluded portion of the Assets. Seller shall be entitled to all proceeds paid by a Person exercising a Preferential Right prior to the Closing. If, after Closing (1) such holder of such Preferential Right thereafter fails to consummate the purchase of the portion of the Assets covered by such Preferential Right, or (2) the period to exercise such Preferential Right expires without the holder of such Preferential Right sending notification of such holder's election to purchase the portion of the Assets covered by such Preferential Right, then, in each case, Seller shall (x) so notify Buyer and (y) on or before 10 days following delivery of such notice, assign such portion of the Assets to Buyer pursuant to an assignment in substantially the form of the Assignment and the Purchase Price shall be increased by an amount equal to the Allocated Value of the such portion of the Assets.

(d) Consents. Seller, within five days after the Execution Date, shall send to each holder of a Consent a notice seeking such holder's consent to the transactions contemplated hereby.

(i) If Seller fails to obtain a Consent prior to Closing and the failure to obtain such Consent would cause (1) the assignment to Buyer of any portion of the Assets to be void or voidable, (2) the termination or give rise to a right of termination of a Lease or any Applicable Contract under the express terms thereof, (3) a material diminution in the value of the Asset affected by such Consent, or (4) if such Consent has been denied in writing by the holder of such right ("*Required Consent*"), then, in each case, that portion of the Assets affected by such Required Consent shall be excluded from the Assets to be conveyed to Buyer at Closing and the Purchase Price shall be reduced by the Allocated Value of such portion of the Assets. In the event that a Required Consent that was not obtained prior to Closing is obtained following Closing but prior to end of the Cure Period or the requirement to obtain such Required Consent is waived by Buyer then, within 10 days after such Required Consent is obtained or the requirement to obtain such Required Consent is waived by Buyer, (x) Seller shall assign such excluded portion

of the Assets to Buyer pursuant to an assignment in substantially the form of the Assignment (and if the requirement to obtain a Required Consent is waived by Buyer, Buyer shall have no claim against, and Seller shall have no Liability for, the failure to obtain such Required Consent), and (y) Buyer shall pay to Seller by wire transfer of immediately available funds an amount equal to the amount by the Allocated Value of such portion of the Assets so assigned.

(ii) If Seller fails to obtain a Consent prior to Closing and such Consent is not a Required Consent, then that portion of the Assets subject to such Consent shall be assigned by Seller to Buyer at Closing pursuant to the Assignment and Buyer shall have no claim against, and Seller shall have no Liability for, the failure to obtain such Consent.

## ARTICLE VII ENVIRONMENTAL MATTERS

### 7.1 *Environmental Defects.*

(a) Environmental Defects Notice. On or before the Defect Claim Date, Buyer shall have the right, but not the obligation, to deliver notices to Seller meeting the requirements of this Section 7.1(a) (each, an "*Environmental Defect Notice*") setting forth any matters that, in Buyer's reasonable opinion, constitute Environmental Defects and that Buyer asserts as Environmental Defects pursuant to this Section 7.1. For all purposes of this Agreement, without limiting Buyer's rights under Section 13.2, Buyer shall be deemed to have waived any Environmental Defect that Buyer fails to properly assert as an Environmental Defect pursuant to an Environmental Defect Notice delivered in accordance with this Section 7.1(a) and received by Seller on or before the Defect Claim Date. Each Environmental Defect Notice shall be in writing and shall include: (i) a description of the Environmental Condition constituting the alleged Environmental Defect, (ii) each Asset (or portion thereof) affected by the alleged Environmental Defect (the "*Environmental Defect Property*"), (iii) the Allocated Value of each Environmental Defect Property, (iv) to the extent such documents exist and are in Buyer's possession, supporting documents reasonably necessary for Seller to verify the existence of the alleged Environmental Defect, and (v) a calculation of the Remediation Amount (itemized in reasonable detail) that Buyer asserts is attributable to such alleged Environmental Defect; provided that, for purposes of clarity, Buyer's general description of each of the foregoing shall be sufficient to meet the notice requirements of this Section 7.1(a). Buyer's calculation of the Remediation Amount included in the Environmental Defect Notice must describe in reasonable detail the Remediation proposed for the Environmental Condition that gives rise to the asserted Environmental Defect and identify all assumptions used by Buyer in calculating the Remediation Amount, including the standards that Buyer asserts must be met to comply with Environmental Laws. Seller shall have the right, but not the obligation, to cure any claimed Environmental Defect on or before Closing. To give Seller an opportunity to commence reviewing and curing Environmental Defects, Buyer agrees to use reasonable efforts to give Seller, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Environmental Defects discovered by Buyer during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the expiration of the applicable Defect Claim Date; provided that the failure to give any such

preliminary notice(s) shall not effect a waiver of or otherwise limit any claims, rights, or remedies of Buyer under this Agreement.

(b) Remedies for Environmental Defects. Subject to Seller's continuing right to dispute the existence of an Environmental Defect or the Remediation Amount asserted with respect thereto and subject to the Individual Environmental Threshold and the Aggregate Threshold and the Parties' rights under *Section 12.1(c)*, in the event that any Environmental Defect timely asserted by Buyer in accordance with *Section 7.1(a)* is not waived in writing by Buyer or cured on or before Closing, Buyer shall, at its sole option, elect to:

(i) receive the entirety of the Environmental Defect Property that is subject to such Environmental Defect, together with all associated Assets, from Seller at Closing, and reduce the Purchase Price by the Remediation Amount for such Environmental Defect Property, but not in excess of the Allocated Value of such Environmental Defect Property; or

(ii) cause Seller to retain the entirety of the Environmental Defect Property subject to such Environmental Defect, together with all associated Assets, and reduce the Purchase Price by an amount equal to the Allocated Value of the Environmental Defect Property and associated Assets.

If Buyer elects the option set forth in clause (ii) above, Buyer shall be deemed to have assumed responsibility for all costs and expenses attributable to the Remediation of the applicable Environmental Defect (net to the Assets) and all Liabilities (net to the Assets) with respect thereto, and Buyer's obligations with respect to the foregoing shall be deemed to constitute part of the Assumed Obligations.

(c) Exclusive Remedy. Subject to Buyer's rights under *Section 13.2*, *Section 7.1(b)* shall be the exclusive right and remedy of Buyer with respect to any Environmental Defect.

(d) Environmental Thresholds. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for (i) any individual Environmental Defect for which the Remediation Amount does not exceed the Individual Environmental Threshold, or (ii) any Environmental Defect for which the Remediation Amount exceeds the Individual Environmental Threshold, unless the sum of (A) the aggregate Remediation Amounts of all such Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to (1) Environmental Defects actually cured by Seller or (2) Environmental Defect Properties that Seller elects to retain pursuant to *Section 7.1(b)(ii)*), plus (B) the aggregate Title Defect Amounts of all Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to Title Defects actually cured by Seller), exceeds the Aggregate Threshold, after which point Buyer shall be entitled to all such Remediation Amounts only to the extent the total Remediation Amounts of all valid Environmental Defects are in excess of the Aggregate Threshold and Deductible.

(e) Environmental Dispute Resolution. The Parties agree to resolve disputes concerning the existence and scope of an Environmental Defect or Remediation Amount pursuant to this Section 7.1(e) (the "**Environmental Disputed Matters**"). The Parties agree to attempt to initially resolve all disputes through good faith negotiations. If the Parties cannot resolve disputes regarding Environmental Disputed Matters on or before Closing, the Closing shall be delayed as to only the Assets subject to the Environmental Disputed Matters until the Parties finally resolve the dispute pursuant to this Section 7.1(e); provided, however, if either Party asserts that the condition in Section 9.1(d) or Section 9.2(d) has not been satisfied due, in whole or in part, to Environmental Defects, then the Parties will resolve all Environmental Disputed Matters pursuant to this Section 7.1(e) prior to Closing. In the event that neither Party asserts that the condition in Section 9.1(d) or Section 9.2(d) has not been satisfied, it is understood and agreed that the Parties shall proceed to Closing as contemplated herein as to all Assets not covered by an Environmental Disputed Matter and all Assets covered by an Environmental Disputed Matter shall be excluded from Closing and the Purchase Price payable at Closing shall be reduced by the Allocated Value of all Assets covered by an Environmental Disputed Matter. The Environmental Disputed Matters will be finally determined pursuant to this Section 7.1(e). Environmental Disputed Matters will be submitted to an independent environmental consulting firm with expertise in Colorado mutually acceptable to both Parties within 15 days after any Party invokes the provisions of this Section 7.1(d) to resolve such Dispute (the "**Environmental Expert**"). If the Parties are unable to agree upon the Environmental Expert, the Environmental Expert shall be appointed by the International Institute for Conflict Prevention & Resolution, Inc. The expert determination proceeding will be held in Denver, Colorado. The Environmental Expert's determination must be made within 20 days after submission of the matters in Dispute and shall be final and binding upon both Parties, without right of appeal. In making its determination, the Environmental Expert shall be bound by the rules set forth in this Section 7.1 and, subject to the foregoing, may consider such other matters as in the opinion of the Environmental Expert are necessary or helpful to make a proper determination. The Environmental Expert, however, may not award Buyer a greater Remediation Amount than the Remediation Amount claimed by Buyer in the applicable Environmental Defect Notice (which such award shall not exceed the Allocated Value of the applicable Environmental Defect Property). The Environmental Expert will act as an expert for the limited purpose of determining the specific disputed Environmental Defects and/or Remediation Amounts submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. Seller and Buyer will each bear its own legal fees and other costs of presenting its case. Each Party will bear one-half of the costs and expenses of the Environmental Expert. Following the award of the Environmental Expert, any Environmental Disputed Matter is determined to be an Environmental Defect, then, subject to Section 7.1(d), Buyer shall, within 10 days after the Environmental Expert delivers written notice to Buyer and Seller of its award with respect to such Environmental Defect, elect a remedy per Section 7.1(b), and if Buyer elects the remedy in Section 7.1(b)(i), then, within five days of the delivery of such determination (i) Seller shall transfer, convey and assign such Environmental Defect Property to Buyer on a form of conveyance substantially similar to the Assignment, and (ii) simultaneously therewith, Buyer shall pay to Seller an amount equal to (A) the Allocated Value of such Environmental Defect Property, *minus* the Remediation Amount related thereto that was determined by the Environmental Expert. To the extent that the award of the Environmental Expert with respect to any Remediation Amount is not taken into account as an adjustment to the Purchase Price at Closing pursuant to Section 2.4 and Buyer would otherwise be entitled to an adjustment

under the provisions of *Section 7.1(d)*, then, within 10 days after the Environmental Expert delivers written notice to Buyer and Seller of such award and subject to *Section 7.1(d)*, the Purchase Price will be adjusted pursuant to *Section 2.4* by such Remediation Amount. The Environmental Expert shall not have worked as an employee or outside consultant for either Party or any Affiliate of either Party during the five year period preceding the arbitration, or have any financial interest in the dispute.

**7.2 NORM, Wastes and Other Substances.** Buyer acknowledges that the Assets have been used for exploration, development and production of oil and gas and that there may be petroleum, produced water, wastes or other substances or materials located in, on or under or associated with the Assets. Equipment and sites included in the Assets may contain asbestos, NORM or other Hazardous Substances. NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms. The wells, materials and equipment located on the Assets or included in the Assets may contain NORM and other wastes or Hazardous Substances. NORM containing material or other wastes or Hazardous Substances may have come in contact with various environmental media, including without limitation, water, soils or sediment. Special procedures may be required for the assessment, remediation, removal, transportation or disposal of environmental media, wastes, asbestos, NORM and other Hazardous Substances from the Assets.

#### ARTICLE VIII CERTAIN AGREEMENTS

**8.1 Conduct of Business.** Except (x) as set forth in *Schedule 8.1*, (y) as expressly contemplated by this Agreement or (z) as expressly consented to in writing by Buyer, Seller agrees that from and after the Execution Date up to Closing:

(a) Seller will, and will cause its Affiliates to:

(i) maintain, and if Seller is the Operator thereof, operate, the Assets in the usual, regular and ordinary manner consistent with its past practice;

(ii) comply with the terms of the Leases and all Material Contracts;

(iii) comply with all Laws and orders of any Governmental Authority applicable to or having jurisdiction over the Assets;

(iv) pay or cause to be paid Asset Taxes, Burdens and other payments incurred with respect to the Assets;

(v) maintain the books of account and records relating to the Assets in the usual, regular and ordinary manner, in accordance with its usual accounting practices; and

(vi) give written notice to Buyer as soon as is practicable of any written notice received or given by Seller with respect to any alleged material breach by Seller of any Lease or Material Contract;

(b) Seller will not, and will cause its Affiliates not to:

(i) except for emergency operations or those intended to save a lease or drillsite from expiring or being rendered undrillable, agree to, propose or commence any operation on the Assets anticipated to cost (net to Seller's interest in the Assets) in excess of \$75,000. With respect to emergency operations or those intended to save a lease or drillsite from expiring or being rendered undrillable, Seller shall notify Buyer of such emergency or urgency as soon as reasonably practicable. If during the Interim Period, Seller receives an additional or supplemental third party AFE for any new proposed well in an amount in excess of \$75,000 net to Seller's interest, Seller will forward the same to Buyer as soon as reasonably practicable (including by e-mail) following receipt by Seller. Buyer shall review and respond within five days of its receipt thereof to Seller in writing with respect to whether it desires for Seller to consent such well operation covered by the AFE; provided that if Buyer does not timely respond with its proposal to consent the operation in writing with respect to any such AFE within such five day period, then Buyer shall be deemed to have responded in the same manner as Seller elects to vote with respect to such operation. If Buyer's proposal differs from that of Seller, the parties shall negotiate in good faith to determine the election to be made with respect to such well operation. If the parties cannot agree, then Buyer's election shall control.

(ii) enter into an Applicable Contract that, if entered into prior to the Execution Date, would be a Material Contract;

(iii) terminate (unless such Material Contract terminates pursuant to its stated terms) or amend the terms of any Material Contract;

(iv) settle any suit or litigation or waive any claims or rights of value in each case attributable to the Assets and affecting the period after the Effective Time;

(v) grant or create any Consent or Preferential Right with respect to the Assets;

(vi) transfer, sell, mortgage, pledge or dispose of any portion of the Assets other than the sale or disposal of Hydrocarbons in the ordinary course of business and sales of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment of equal or greater value has been obtained;

(vii) make, change or revoke any Tax election; change an annual accounting period; adopt or change any accounting method with respect to Taxes; file any amended Tax Return; enter into any closing agreement; settle or compromise any Tax claim or assessment; or consent to any extension or waiver of the limitation period applicable to any claim or assessment with respect to Taxes; in each case to the extent such action would adversely affect the Assets; or

(viii) commit to do any of the foregoing.

Buyer acknowledges that Seller owns undivided interests in certain of the Assets with respect to which it is not the Operator, and Buyer agrees that the acts or omissions of the other Working

Interests owners (including the Third Party Operators) who are not Seller, its lenders or their respective Affiliates, shall not constitute a breach of the provisions of this *Section 8.1*, and no action required pursuant to a vote of Working Interest owners shall constitute a breach of the provisions of this *Section 8.1* so long as Seller voted its interest in such a manner that complies with the provisions of this *Section 8.1*.

**8.2 Governmental Bonds.** Buyer understands and acknowledges that none of the bonds, letters of credit and guarantees, if any, posted by Seller or its Affiliates with Governmental Authorities and relating to the Assets are transferable to Buyer.

**8.3 Financial Cooperation.** Seller acknowledges that Buyer or its Affiliates may be required to include (a) audited and unaudited financial statements, balance sheets and statements of cash flow, and (b) other financial information, in each case, relating to the Assets and/or Seller for up to three years ending on the Closing Date, in documents filed by Buyer or its Affiliates or assignees with the Securities and Exchange Commission pursuant to the Securities Act, or in other materials (including offering materials for securities offered and sold as eligible for resale under Rule 144A of the Securities Act) (all of the foregoing, together with any related supplementary oil and gas information required by Accounting Series Codification 932-235, the "*Requisite Financial Statement Information*") and that any such Requisite Financial Statement Information may be required to be independently audited. At Buyer's request, from and after the Closing Date and for up to three years thereafter, Seller shall, at Buyer's sole cost and expense, provide Buyer (or its applicable Affiliate or assignee) and its auditor reasonable access during normal business hours to such records (to the extent that such information is available) and personnel of Seller and its Affiliates (the "*Seller Group*") and use reasonable efforts to, at Buyer's sole cost and expense, provide reasonable access during normal business hours to the Seller Group's accounting firm, in each case, as Buyer (or its applicable Affiliate or assignee) may reasonably request to enable Buyer (or its applicable Affiliate or assignee) and its auditor, and its representatives, for the sole purpose of creating and auditing the Requisite Financial Statement Information.

**8.4 Notifications.** If either Party develops or possesses information that leads it to believe the other Party may have breached a representation, warranty, covenant or other agreement contained in this Agreement, such non-breaching Party shall promptly inform the other Party of such potential breach so that the potentially breaching Party may attempt to remedy or cure such breach prior to Closing. The provisions of this Agreement relating to representations, warranties, indemnities and agreements of the Parties shall not be altered or modified by Buyer's Knowledge or Seller's Knowledge, as applicable, of any event or Buyer's or Seller's review of any documents or other matters except as expressly provided herein to the contrary.

#### ARTICLE IX CONDITIONS TO CLOSING

**9.1 Buyer's Conditions to Closing.** The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by Buyer) on or prior to the Closing of each of the following conditions:

(a) **Representations.** The representations and warranties of Seller set forth in *Article III* shall be true and correct in all material respects (other than those representations and

warranties of Seller that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date).

(b) Performance. Seller shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Seller is required prior to or at the Closing Date.

(c) No Legal Proceedings. No material suit, action or other proceeding instituted by a third party shall be pending before any Governmental Authority seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in connection with, the transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) Title Defects; Environmental Defects; Preferential Rights and Consents. The sum of (i) all (A) Title Defect Amounts plus (B) all potential adjustments to the Purchase Price pursuant to Section 6.2(d)(ii), less (C) all Title Benefit Amounts, plus (ii) all (A) Remediation Amounts for Environmental Defects, plus (B) all adjustments to the Purchase Price pursuant to Section 7.1(b)(ii), plus (iii) all adjustments to the Purchase Price made pursuant to Section 6.4(c)(ii) as a result of un-waived or unexpired Preferential Rights and Section 6.4(d)(i) in respect of unobtained or denied Consents, plus (iv) the amount of all Casualty Losses shall, in the aggregate, be less than 15% of the unadjusted aggregate Purchase Price.

(e) Closing Deliverables. Seller shall have delivered (or be ready, willing and able to deliver at Closing) to Buyer the documents and other items required to be delivered by Seller under Section 11.3.

**9.2 Seller's Conditions to Closing.** The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by Seller) on or prior to the Closing of each of the following conditions:

(a) Representations. The representations and warranties of Buyer set forth in Article IV shall be true and correct in all material respects (other than those representations and warranties of Buyer that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date).

(b) Performance. Buyer shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Buyer is required prior to or at the Closing Date.

(c) No Legal Proceedings. No material suit, action or other proceeding instituted by a third party shall be pending before any Governmental Authority seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in connection with, the

transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) Title Defects; Environmental Defects; Preferential Rights and Consents. The sum of (i) all (A) Title Defect Amounts plus (B) all potential adjustments to the Purchase Price pursuant to *Section 6.2(d)(ii)*, less (C) all Title Benefit Amounts, plus (ii) all (A) Remediation Amounts for Environmental Defects, plus (B) all adjustments to the Purchase Price pursuant to *Section 7.1(b)(ii)*, plus (iii) all adjustments to the Purchase Price made pursuant to *Section 6.4(c)(ii)* as a result of un-waived or unexpired Preferential Rights and *Section 6.4(d)(i)* in respect of unobtained or denied Consents, plus (iv) the amount of all Casualty Losses shall, in the aggregate, be less than 15% of the unadjusted aggregate Purchase Price.

(e) Closing Deliverables. Buyer shall have delivered (or be ready, willing and able to deliver at Closing) to Seller the documents and other items required to be delivered by Buyer under *Section 11.3*.

## ARTICLE X TAX MATTERS

### *10.1 Asset Tax Liability.*

(a) Seller shall be allocated and bear all Asset Taxes attributable to (i) any Tax period ending prior to the Effective Time and (ii) the portion of any Straddle Period ending immediately prior to the Effective Time. Buyer shall be allocated and bear all Asset Taxes attributable to (x) any Tax period beginning at or after the Effective Time and (y) the portion of any Straddle Period beginning at the Effective Time.

(b) For purposes of determining the allocations described in *Section 10.1(a)*, (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons (other than such Asset Taxes described in *clause (iii)*, below) shall be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred, (ii) Asset Taxes that are based upon or related to sales or receipts or imposed on a transactional basis (other than such Asset Taxes described in *clause (i)* or *(iii)*), shall be allocated to the period in which the transaction giving rise to such Asset Taxes occurred, and (iii) Asset Taxes that are ad valorem, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated between the portion of such Straddle Period ending immediately prior to the Effective Time and the portion of such Straddle Period beginning at the Effective Time by prorating each such Asset Tax based on the number of days in the applicable Straddle Period that occur before the date on which the Effective Time occurs, on the one hand, and the number of days in such Straddle Period that occur on or after the date on which the Effective Time occurs, on the other hand. For purposes of *clause (iii)* of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

(c) To the extent the actual amount of an Asset Tax is not known at the time an adjustment is to be made with respect to such Asset Tax pursuant to *Section 2.7(a)* or *Section 2.7(b)*, as applicable, the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment. To the extent the actual amount of an Asset Tax (or the amount thereof paid or economically borne by a Party) is ultimately determined to be different than the amount (if any) that was taken into account in the Final Settlement Statement as finally determined pursuant to *Section 2.7(b)*, timely payments will be made from one Party to the other to the extent necessary to cause each Party to bear the amount of such Asset Tax that is allocable to such Party under this *Section 10.1*.

(d) Seller shall timely file all Tax Returns with respect to Asset Taxes due on or before the Closing Date and, subject to *Section 10.1(c)*, pay all Asset Taxes shown as due thereon. Buyer shall timely file all Tax Returns with respect to Asset Taxes with respect to the Straddle Period and all tax periods that begin on or after the Effective Time, in each case, to the extent such Tax Returns are required to be filed after Closing, and, subject to *Section 10.1(c)*, shall pay all Asset Taxes shown as due thereon. Seller shall promptly forward to Buyer any reports or documents received by Seller after the Closing that relate to the Straddle Period, and provide any information in Seller's possession or control that relate to the Straddle Period that is necessary for Buyer to file any Tax Returns relating to Asset Taxes with respect to the Straddle Period in accordance with this *Section 10.1(d)*. Each of Seller or Buyer, as applicable, shall submit each such Tax Return required to be filed by it hereunder to the other Party for such other Party's review and comment reasonably in advance of the due date therefor. The Parties agree that (x) this *Section 10.1(d)* is intended to solely address the timing and manner in which certain Tax Returns relating to Asset Taxes are filed and the Asset Taxes shown thereon are paid to the applicable Taxing Authority, and (y) nothing in this *Section 10.1(d)* shall be interpreted as altering the manner in which Asset Taxes are allocated to and economically borne by the Parties.

**10.2 Transfer Taxes.** All sales, use or other Taxes (other than Taxes on gross income, net income or gross receipts), duties, levies, recording fees or other governmental charges incurred by or imposed with respect to the property transfers undertaken pursuant to this Agreement ("**Subject Transfer Taxes**") shall be the responsibility of, and shall be paid by, Buyer. The Parties shall reasonably cooperate in taking steps that would minimize or eliminate any Subject Transfer Taxes. Seller agrees to file all Subject Transfer Tax Returns relating to such Subject Transfer Taxes.

**10.3 Treatment of Payments.** Any payments made to any party pursuant to *Article XIII* shall constitute an adjustment of the Purchase Price for Tax purposes and shall be treated as such by Buyer and Seller on their Tax Returns to the extent permitted by law.

**10.4 Tax Cooperation.** Buyer and Seller shall cooperate fully as and to the extent reasonably requested by the other party, in connection with the filing of any Tax Returns and any audit, litigation or other proceeding (each, a "**Tax Proceeding**") with respect to Taxes relating to or in connection with the Assets. Such cooperation shall include the retention and (upon the other Party's request) the provision of such records and information which are reasonably relevant to any such Tax Return or Tax Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

**ARTICLE XI  
CLOSING**

**11.1 Date of Closing.** Subject to the conditions stated in this Agreement, the transfer by Seller and the acceptance by Buyer of the Assets (the "**Closing**") shall occur on February 25, 2019 (the "**Scheduled Closing Date**"), or, if all conditions to Closing in *Article IX* (other than those conditions that are only capable of being satisfied at the Closing) have not yet been satisfied or waived by that date, five Business Days after such conditions have been satisfied or waived, or such other date as Buyer and Seller may agree upon in writing. The date when Closing actually occurs shall be the "**Closing Date**."

**11.2 Place of Closing.** Closing shall be held at the offices of PetroShare Corp in Denver, Colorado, or such other location as Buyer and Seller may agree upon in writing.

**11.3 Closing Obligations.** At Closing, the following documents shall be delivered and the following events shall occur, the execution of each document and the occurrence of each event being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

(a) Seller and Buyer shall execute and deliver the Assignment, in sufficient counterparts to facilitate recording in the applicable counties where the Assets are located;

(b) Seller and Buyer shall execute and deliver assignments, on appropriate forms, of state and of federal leases or other assets (easements, permits or other similar governmental grants or permissions) comprising portions of the Assets, if any;

(c) Seller and Buyer shall execute and deliver the Preliminary Settlement Statement pursuant to *Section 2.6(a)*;

(d) Buyer shall deliver to Seller, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in same day funds, the Closing Amount;

(e) Seller shall deliver on forms supplied by Buyer (and reasonably acceptable to Seller) transfer orders or letters in lieu thereof directing all purchasers of production to make payment to Buyer of proceeds attributable to Hydrocarbon production from the Assets from and after the Effective Time, for delivery by Buyer to each purchaser of such Hydrocarbon production;

(f) Seller shall deliver an executed statement described in Treasury Regulation § 1.1445-2(b)(2) certifying that Seller is not a "foreign person" or a "disregarded entity";

(g) Buyer shall execute and deliver a certificate from an authorized officer of Buyer certifying on behalf of Buyer that the conditions set forth in *Section 9.2(a)* and *Section 9.2(b)* have been fulfilled by Buyer;

(h) Seller shall execute and deliver a certificate from an authorized officer of Seller certifying on behalf of Seller that the conditions set forth in *Section 9.1(a)* and *Section 9.1(b)* have been fulfilled by Seller;

(i) Seller and Buyer shall execute and deliver the Wellbore Assignment, in sufficient counterparts to facilitate recording in the applicable counties where the Border Lease Interests are located;

(j) Seller shall deliver a recordable release of any deeds of trust, mortgages, financing statements, fixture filings and security agreements made by Seller or its Affiliates affecting the Assets; and

(k) Seller and Buyer shall execute and deliver any other agreements, instruments and documents that are required by other terms of this Agreement to be executed or delivered at Closing.

**11.4 Records.** In addition to the obligations set forth under *Section 11.3* above, as soon as reasonably practicable following Closing but in any event within 10 days following the Closing Date, Seller shall deliver electronically, and make available to Buyer, during normal business hours at Seller's offices, such copies of the Records, in any format at Buyer's expense, to which Buyer is entitled pursuant to the terms of this Agreement.

## ARTICLE XII ACQUISITION TERMINATION AND REMEDIES

**12.1 Right of Termination.** This Agreement and the transactions contemplated herein may be terminated at any time at or prior to Closing:

(a) by Seller, if any of the conditions set forth in *Section 9.2* (other than the conditions set forth in *Section 9.2(d)*) have not been satisfied by Buyer on or before February 28, 2019 (the "**Outside Termination Date**") unless mutually agreed to otherwise;

(b) by Buyer, if any of the conditions set forth in *Section 9.1* (other than the conditions set forth in *Section 9.1(d)*) have not been satisfied by Seller on or before the Outside Termination Date;

(c) by Seller, if the condition set forth in *Section 9.2(d)* is not satisfied on or before the Closing Date or by Buyer if the condition set forth in *Section 9.1(d)* has not been satisfied on or before the Outside Termination Date; provided, however, that Seller shall not be entitled to terminate this Agreement under this *Section 12.1(c)* if the Closing has failed to occur because Seller failed to perform or observe its covenants or agreements hereunder; provided, further, that Buyer shall not be entitled to terminate this Agreement under this *Section 12.1(c)* if the Closing has failed to occur because Buyer failed to perform or observe its covenants or agreements hereunder; and

(d) by the mutual written agreement of Buyer and Seller;

provided, however, that no Party shall have the right to terminate this Agreement pursuant to *clause (a), (b) or (c)* above or *Section 2.3* if such Party or its Affiliates are at such time in material breach of any provision of this Agreement.

**12.2 Effect of Termination.** If the obligation to close the transactions contemplated by this Agreement is terminated pursuant to any provision of *Section 12.1*, then, except for the provisions of (a) *Sections 5.1(c)* through *5.1(f)*, *Section 5.2*, *Section 5.3*, this *Section 12.2* and *Section 13.9*, and (b) such terms as set forth in this Agreement in order to give context to any of the surviving Sections, this Agreement shall forthwith become void and the Parties shall have no liability or obligation hereunder except and to the extent such termination results from (x) the willful breach by Buyer of any of its covenants or agreements hereunder, in which case Seller's sole remedy shall be, to the extent and only to the extent the Subject Loan (including all applicable interest) is repaid in full to Buyer at such time, the principal amount of the Subject Loan shall be reduced by an amount equal to 5% of the Purchase Price and (y) the willful breach by a Seller of any of its covenants or agreements hereunder, in which case Buyer shall be entitled to all remedies available at Law or in equity, including specific performance, and shall be entitled to recover court costs and reasonable attorneys' fees in addition to any other relief to which such Buyer may be entitled.

**12.3 Return of Documentation and Confidentiality.** Upon termination of this Agreement, Buyer shall return to Seller all title, engineering, geological and geophysical data, environmental assessments or reports, maps and other information furnished by Seller to Buyer or, if not destroyed by Buyer, prepared by or on behalf of Buyer in connection with its due diligence investigation of the Assets, in each case, in accordance with the Confidentiality Agreement, and an officer of Buyer shall certify same to Seller in writing.

### ARTICLE XIII ASSUMPTION; SURVIVAL; INDEMNIFICATION

**13.1 Assumption by Buyer.** Without limiting Buyer's rights to indemnity under this *Article XIII* and subject to Seller's Retained Obligations and any adjustments to the Purchase Price pursuant to *Section 2.4*, from and after Closing, Buyer assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all obligations and Liabilities, known or unknown, with respect to the Assets, regardless of whether such obligations or Liabilities arose prior to, on or after the Effective Time, including, but not limited to, obligations and Liabilities relating in any manner to the use, ownership or operation of the Assets, such as obligations to: (a) furnish makeup gas and/or settle Imbalances attributable to the Assets according to the terms of applicable gas sales, processing, gathering or transportation Contracts, (b) pay working interests, royalties, overriding royalties and other interest owners' revenues or proceeds attributable to sales of Hydrocarbons produced from the Assets, including those held in suspense, (c) pay the proportionate share attributable to the Assets to properly plug and abandon any and all wells, including inactive wells or temporarily abandoned wells, located on the Assets, (d) pay the proportionate share attributable to the Assets to replug any well, wellbore or previously plugged well on the Assets to the extent required or necessary, (e) pay the proportionate share attributable to the Assets to dismantle or decommission and remove any Personal Property and other property of whatever kind related to or associated with operations and activities conducted by whomever on the Assets, (f) pay the proportionate share attributable to the Assets to clean up, restore and/or remediate the Assets in accordance with Applicable Contracts and Laws, and (g) pay the proportionate share attributable to the Assets to perform all obligations applicable to or imposed on the lessee, owner or operator under the Leases and the Applicable Contracts, or as required by any Law, including Environmental Laws (all of said obligations and Liabilities, subject to the

exclusions above and below, herein being referred to as the “*Assumed Obligations*”); provided, Buyer does not assume any obligations or Liabilities of Seller attributable to the Assets to the extent that such obligations or Liabilities consist of any of Seller’s Retained Obligations, as defined below.

For purposes of this Agreement, “*Seller’s Retained Obligations*” is defined as all obligations and Liabilities of Seller relating to (i) the ownership, use or operation of the Excluded Assets; (ii) the litigation described in *Schedule 3.6* or any items which should have been included on *Schedule 3.6*; (iii) personal injury, death and third party property damage (but excluding any environmental property claims) to the extent such injury, death or property damage (A) occurs both prior to the Effective Time and during Seller’s ownership of the Assets, or (B) arises from, results from or relates to events that occurred both prior to the Effective Time and during Seller’s ownership of the Assets; occurring prior to the Closing Date; (iv) the offsite disposal of any Hazardous Substances related to the Assets prior to the Closing Date; (v) failure to properly pay in accordance with the Leases and applicable Laws, all Burdens and other interest owners’ revenues or proceeds, in each case, to the extent attributable to Hydrocarbons produced from the Assets prior to the Effective Time; and (vi) any fines, penalties, and sanctions asserted, imposed, or levied against Seller or the Assets as a result of any violation of applicable Laws or Permits by Seller.

**13.2 Indemnities of Seller.** Effective as of the Closing, subject to the limitations set forth in *Section 13.4* and otherwise contained in this *Article XIII*, Seller is responsible for, shall pay on a current basis and agrees to defend, indemnify and hold harmless Buyer and its Affiliates, and all of its and their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, “*Buyer Indemnified Parties*”) from and against any and all Liabilities, arising from, based upon, related to or associated with, whether or not related to a Third Party Claim:

- (a) any breach by Seller of its representations or warranties contained in *Article III* or the certificate delivered at Closing pursuant to *Section 11.3(h)*;
- (b) any breach by Seller of its covenants and agreements contained in this Agreement; or
- (c) Seller’s Retained Obligations; or
- (d) any Liability of Seller, or otherwise imposed on the Assets or with respect to the business of Seller, in respect of any Tax, including (i) any Liability of Seller for the Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise, and (ii) any Subject Transfer Taxes, but excluding any Asset Taxes to the extent specifically allocated to Buyer pursuant to *Section 10.1*.

**13.3 Indemnities of Buyer.** Effective as of the Closing, Buyer and its successors and assigns shall assume, be responsible for, shall pay on a current basis and agree to defend, indemnify and hold harmless Seller and its Affiliates, and all of their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively,

"*Seller Indemnified Parties*") from and against any and all Liabilities arising from, based upon, related to or associated with, whether or not related to a Third Party Claim:

(a) any breach by Buyer of its representations or warranties contained in *Article IV* or the certificate delivered at Closing pursuant to *Section 11.3(g)***Error! Reference source not found.**;

(b) any breach by Buyer of its covenants and agreements contained in this Agreement; or

(c) the Assumed Obligations.

#### **13.4 Limitation on Liability.**

(a) Seller shall not have any liability for any indemnification under *Section 13.2(a)* unless the aggregate amount of all Liabilities for which Claim Notices are delivered by Buyer to Seller under this *Article XIII* and for which Seller is liable exceeds \$50,000 and the Seller shall be liable only for the amount in excess of such deductible; provided, that this *Section 13.4(a)* shall not apply to claims under *Section 13.2(a)* for breach of the Fundamental Representations.

(b) For purposes of this *Article XIII*, any breach or inaccuracy in any representations or warranties shall be determined without regard to any dollar or materiality qualifiers.

(c) Notwithstanding anything to the contrary contained in this Agreement, Seller shall not be required to indemnify the Buyer Indemnified Parties for aggregate Liabilities under *Section 13.2* in excess of the aggregate unadjusted Purchase Price.

(d) The amount of any Liabilities for which an Indemnified Party is entitled to indemnity under this *Article XIII* shall be reduced by the amount of insurance proceeds actually realized by the Indemnified Party or its Affiliates with respect to such Liabilities (net of any collection costs, and excluding the proceeds of any insurance policy issued or underwritten by the Indemnified Party or its Affiliates).

(e) In no event shall any Indemnified Party be entitled to duplicate compensation with respect to the same amount, Liability, loss, cost, expense, claim, award or judgment under more than one provision of this Agreement and the various documents delivered in connection with the Closing.

**13.5 Express Negligence.** EXCEPT AS OTHERWISE PROVIDED IN *SECTION 5.1(c)*, THE INDEMNIFICATION, RELEASE, ASSUMED OBLIGATIONS, WAIVER AND LIMITATION OF LIABILITY PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES, LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE OR RESULTED SOLELY OR IN PART FROM THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PERSON, PROVIDED, HOWEVER, NO INDEMNIFICATION SHALL BE APPLICABLE TO THE EXTENT OF ANY GROSS NEGLIGENCE, WILLFUL

MISCONDUCT OR FRAUD OF THE INDEMNIFIED PARTY. BUYER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS "CONSPICUOUS".

**13.6 Exclusive Remedy for Agreement.** Notwithstanding anything to the contrary contained in this Agreement, from and after Closing, *Section 5.1(c)*, *Section 13.2* and *Section 13.3* contain the Parties' exclusive remedy against each other with respect to breaches of the representations, warranties, covenants and agreements of the Parties contained in this Agreement and the affirmations of such representations, warranties, covenants and agreements contained in the certificate delivered by each Party at Closing pursuant to *Section 11.3(g)* or *Section 11.3(h)*, as applicable. Except for the remedies contained in this *Article XIII*, and the provisions of *Section 6.2* and *Section 7.1* that extend past Closing, from and after Closing, Seller and Buyer each release, remise and forever discharge the other Party and its Affiliates and all such Persons' stockholders, officers, directors, employees, agents, advisors and representatives from any and all Liabilities in Law or in equity, known or unknown, which such Parties might now or subsequently may have, based on, relating to or arising out of (i) this Agreement or the consummation of the transactions contemplated by this Agreement, (ii) the ownership, use or operation of the Assets prior to the Closing, or the condition, quality, status or nature of the Assets prior to the Closing, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, (iii) breaches of statutory or implied warranties with respect to this Agreement, (iv) nuisance or other tort actions with respect to this Agreement, (v) rights to punitive damages with respect to this Agreement, (vi) common Law rights of contribution with respect to this Agreement, and (vii) rights under insurance maintained by Seller or any of its Affiliates with respect to this Agreement.

**13.7 Indemnification Procedures.** All claims for indemnification under *Section 5.1(c)*, *Section 8.1(b)(i)*, *Section 13.2* and *Section 13.3* shall be asserted and resolved as follows:

(a) For purposes of this *Article XIII*, the term "**Indemnifying Party**", when used in connection with particular Liabilities, shall mean the Party having an obligation to indemnify another Party or Person(s) with respect to such Liabilities pursuant to this *Article XIII*, and the term "**Indemnified Party**", when used in connection with particular Liabilities, shall mean the Party or Person(s) having the right to be indemnified with respect to such Liabilities by another Party pursuant to this *Article XIII*.

(b) To make claim for indemnification under *Section 5.1(c)*, *Section 13.2* or *Section 13.3*, an Indemnified Party shall notify the Indemnifying Party of its claim under this *Section 13.7*, including the specific details of and specific basis under this Agreement for its claim (the "**Claim Notice**"). In the event that the claim for indemnification is based upon a claim by a third party against the Indemnified Party (a "**Third Party Claim**"), the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of the Third Party Claim and shall enclose a copy of all papers (if any) served with respect to the Third Party Claim; provided that the failure of any Indemnified Party to give notice of a Third Party Claim as provided in this *Section 13.7* shall not relieve the Indemnifying Party of its obligations under *Section 5.1(c)*, *Section 13.2* or *Section 13.3* (as applicable) except to the extent such failure results in insufficient time being available to permit the Indemnifying Party to effectively defend against the Third Party Claim or otherwise materially prejudices the Indemnifying Party's ability to defend

against the claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Claim Notice shall specify the representation, warranty, covenant or agreement that was inaccurate or breached.

(c) In the case of a claim for indemnification based upon a Third Party Claim, the Indemnifying Party shall have 30 days from its receipt of the Claim Notice to notify the Indemnified Party whether it admits or denies its liability to defend the Indemnified Party against such Third Party Claim at the sole cost and expense of the Indemnifying Party. The Indemnified Party is authorized, prior to and during such 30 day period, at the expense of the Indemnifying Party, to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and that is not prejudicial to the Indemnifying Party.

(d) If the Indemnifying Party admits its obligation to indemnify a Third Party Claim, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Third Party Claim provided that, where the Third Party Claim consists of a civil, criminal or regulatory proceeding, action, indictment or investigation against the Indemnified Party by any Governmental Authority, the Indemnified Party shall at its option have the right to control the defense and proceedings. Except as provided in the preceding sentence, the Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate in contesting any Third Party Claim that the Indemnifying Party elects to contest (provided, however, that the Indemnified Party shall not be required to bring any counterclaim or cross-complaint against any Person). The Indemnified Party may participate in, but not control, at its own expense, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this *Section 13.7(d)*. An Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle any Third Party Claim or consent to the entry of any judgment with respect thereto which does not result in a final resolution of the Indemnified Party's Liability in respect of such Third Party Claim (including in the case of a settlement an unconditional written release of the Indemnified Party from all Liability in respect of such Third Party Claim) or (ii) settle any Third Party Claim or consent to the entry of any judgment with respect thereto in any manner that may materially and adversely affect the Indemnified Party (other than as a result of money damages covered by the indemnity).

(e) If the Indemnifying Party does not admit its obligation to indemnify and bear all expenses associated with a Third Party Claim or admits its obligation to indemnify and bear all expenses associated with a Third Party Claim but fails to diligently prosecute or settle the Third Party Claim, then the Indemnified Party shall have the right to defend against the Third Party Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its obligation to indemnify and bear all expenses associated with a Third Party Claim and assume the defense of the Third Party Claim at any time prior to settlement or final determination thereof. If the Indemnifying Party has not yet admitted its obligation to indemnify and bear all expenses associated with a Third Party Claim, the Indemnified Party shall send written notice to the Indemnifying Party of any proposed settlement and the Indemnifying Party shall have the option for 10 Business Days following receipt of such notice to (i) admit in writing its obligation to indemnify and bear all

expenses associated with a Third Party Claim and (ii) if such obligation is so admitted, reject, in its reasonable judgment, the proposed settlement.

(f) In the case of a claim for indemnification not based upon a Third Party Claim, the Indemnifying Party shall have 30 days from its receipt of the Claim Notice to (i) cure the Liabilities complained of, (ii) admit its obligation to indemnify for and bear all expenses associated with such Liability or (iii) dispute the claim for such Liabilities. If the Indemnifying Party does not notify the Indemnified Party within such 30 day period that it has cured the Liabilities or that it disputes the claim for such Liabilities, the amount of such Liabilities shall conclusively be deemed a liability of the Indemnifying Party hereunder.

### **13.8 Survival.**

(a) The Fundamental Representations shall, in each case, survive the Closing indefinitely. All other representations and warranties of Seller shall survive the Closing for a period of twelve (12) Months. The representations and warranties of Buyer contained in *Article IV* shall survive the Closing indefinitely. Subject to *Section 13.8(b)*, the covenants and agreements of Seller and Buyer contained in this Agreement shall, in each case, survive indefinitely. Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration; provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant or agreement prior to its expiration date.

(b) The indemnities in *Section 13.2(a)* and *Section 13.2(b)* shall terminate as of the termination date of each respective representation, warranty, covenant or agreement that is subject to indemnification as set forth in *Section 13.8(a)*. The indemnities for the items covered by subparts (iii), (v) and (vi) of the definition of Seller's Retained Obligations shall survive the Closing for a period of twenty-four (24) Months and the indemnities for the items covered by subparts (i), (ii) and (iv) of the definition of Seller's Retained Obligations shall survive indefinitely. The indemnity contained in *Section 13.2(d)* shall survive the Closing until the applicable statute of limitations closes the taxable year to which the Taxes relate. Buyer's indemnities contained herein shall survive Closing without time limit. Notwithstanding the foregoing, there shall be no termination of any bona fide claim asserted pursuant to the indemnities in *Section 13.2* prior to the date of termination for such indemnity.

**13.9 Non-Compensatory Damages.** None of the Buyer Indemnified Parties or Seller Indemnified Parties shall be entitled to recover from Seller or Buyer, as applicable, or their respective Affiliates, any indirect, consequential, punitive or exemplary damages or damages for lost profits (except to the extent such lost profits are proven to be actual damages of such Indemnified Party) of any kind arising under or in connection with this Agreement or the transactions contemplated by this Agreement, except to the extent any such Party suffers such damages (including costs of defense and reasonable attorney's fees incurred in connection with defending of such damages) to a third party, which damages (including costs of defense and reasonable attorney's fees incurred in connection with defending against such damages) shall not be excluded by this provision as to recovery hereunder. Subject to the preceding sentence, Buyer, on behalf of each of the Buyer Indemnified Parties, and Seller, on behalf of each of Seller Indemnified Parties, each waive any right to recover punitive, special, exemplary and

consequential damages, including damages for lost profits (except to the extent such lost profits are proven to be actual damages of such Indemnified Party) of any kind, arising in connection with this Agreement or the transactions contemplated by this Agreement. This *Section 13.9* shall not restrict any Party's right to obtain specific performance or other equitable remedies (other than rescission) pursuant to *Section 12.2*.

**ARTICLE XIV  
MISCELLANEOUS**

**14.1 Counterparts.** This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. Any signature hereto delivered by a Party by electronic transmission shall be deemed an original signature hereto.

**14.2 Notices.** All notices and communications required or permitted to be given hereunder shall be sufficient in all respects if given in writing and delivered personally, or sent by bonded overnight courier, or mailed by U.S. Express Mail or by certified or registered United States Mail with all postage fully prepaid, or sent by facsimile transmission or electronic mail (provided any such facsimile transmission or electronic mail is confirmed either orally or by written confirmation, and provided further that any notice of any breach or default of this Agreement may not be delivered by electronic mail), addressed to the appropriate Party at the address for such Party shown below or at such other address as such Party shall have theretofore designated by written notice delivered to the Party giving such notice:

If to Seller:

PetroShare Corp  
9635 Maroon Circle, Suite 400  
Englewood, CO 80112  
Attention: Frederick J. Witsell, President  
Email: fwitsell@petrosharecorp.com  
Telephone: 303-500-1160

If to Buyer:

Grizzly Petroleum Company, LLC  
1001 17th Street, Suite 2000  
Denver, CO 80202  
Attention: Steve R. Stacy  
Email: sstacy@gwogco.com  
Telephone: 720-595-2116

Any notice given in accordance herewith shall be deemed to have been given when (a) delivered to the addressee in person or by courier with written receipt confirmation, (b) transmitted by facsimile transmission during normal business hours with written receipt confirmation, (c) sent by electronic mail during normal business hours, or (d) upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be. The Parties may change the address and facsimile numbers or electronic mail

address to which such communications are to be addressed by giving written notice to the other Parties in the manner provided in this *Section 14.2*.

**14.3 Expenses.** Except as otherwise specifically provided, all fees, costs and expenses incurred by the Parties in negotiating this Agreement shall be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.

**14.4 Waivers; Rights Cumulative.** Any of the terms, covenants or conditions hereof may be waived only by a written instrument executed by or on behalf of the Party waiving compliance. No course of dealing on the part of any Party or its respective officers, employees, agents or representatives, and no failure by a Party to exercise any of its rights under this Agreement shall, in either case, operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party of any condition, or any breach of any term or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term or covenant. The rights of the Parties under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

**14.5 Relationship of the Parties.** The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, and this Agreement shall not be deemed or construed to create, a mining or other partnership, joint venture or association or a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries.

**14.6 Entire Agreement; Conflicts.** THIS AGREEMENT, THE EXHIBITS, SCHEDULES AND APPENDICES HERETO COLLECTIVELY CONSTITUTE THE ENTIRE AGREEMENT AMONG THE PARTIES PERTAINING TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ALL PRIOR AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, WHETHER ORAL OR WRITTEN, OF THE PARTIES PERTAINING TO THE SUBJECT MATTER OF THIS AGREEMENT. THERE ARE NO WARRANTIES, REPRESENTATIONS OR OTHER AGREEMENTS AMONG THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, AND NO PARTY SHALL BE BOUND BY OR LIABLE FOR ANY ALLEGED REPRESENTATION, PROMISE, INDUCEMENT OR STATEMENTS OF INTENTION NOT SO SET FORTH. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY EXHIBIT HERETO; THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL GOVERN AND CONTROL; PROVIDED, HOWEVER, THAT THE INCLUSION IN ANY OF THE EXHIBITS HERETO OF TERMS AND PROVISIONS NOT ADDRESSED IN THIS AGREEMENT SHALL NOT BE DEEMED A CONFLICT, AND ALL SUCH ADDITIONAL PROVISIONS SHALL BE GIVEN FULL FORCE AND EFFECT.

**14.7 Governing Law.**

(a) THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. ALL OF THE PARTIES CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE COURTS OF THE STATE OF COLORADO FOR ANY DISPUTE. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

(b) THE ASSIGNMENT TO BE DELIVERED TO BUYER AT CLOSING, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED THEREIN, SHALL ALSO BE SUBJECT TO THE LAWS OF THE STATE OF COLORADO AS SET FORTH IN *SECTION 14.7(a)* ABOVE, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE OR LAW OF THE SITUS GOVERNING TRANSFERS OF THE ASSETS THAT MIGHT REFER CONSTRUCTION OF SUCH CONVEYANCE PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION.

**14.8 Filings, Notices and Certain Governmental Approvals.** Promptly after Closing, Buyer shall (a) record the Assignments and all state/federal assignments executed at Closing in all applicable real property records and/or, if applicable, all state or federal agencies, (b) send notices to vendors supplying goods and services for the Assets of the assignment of the Assets to Buyer, (c) actively pursue the approval of all applicable Governmental Authorities of the assignment of the Assets to Buyer and (d) actively pursue all other consents and approvals that may be required in connection with the (i) assignment of the Assets to Buyer and (ii) assumption of the Assumed Obligations by Buyer hereunder, in each case, that shall not have been obtained prior to Closing. Buyer obligates itself to take any and all action required by any Governmental Authority in order to obtain such unconditional approval, including but not limited to, the posting of any and all bonds or other security that may be required in excess of any existing bond.

**14.9 Amendment.** This Agreement may be amended only by an instrument in writing executed by all of the Parties and expressly identified as an amendment or modification hereof.

**14.10 Parties in Interest.** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than Seller and Buyer and their respective successors and permitted assigns, or the Parties' respective related Indemnified Parties hereunder, any rights, remedies, obligations or liabilities under or by reason of this Agreement; provided that only a Party and its respective successors and permitted assigns will have the right to enforce the provisions of this Agreement on its own behalf or on behalf of any of its related Indemnified Parties (but shall not be obligated to do so).

**14.11 Assignment.** This Agreement may not be assigned by Buyer or Seller without the prior written consent of the non-assigning Party. In the event the non-assigning Party consents to

any such assignment, such assignment shall not relieve the assigning Party of any obligations and responsibilities hereunder. Any assignment made in contravention of the terms of this *Section 14.11* shall be void *ab initio*.

**14.12 Publicity.**

(a) Without reasonable prior notice and consent from the other Parties, no Party will issue, or permit any of its agents or Affiliates to issue, any press releases or otherwise make, or cause any of its agents or Affiliates to make, any public statements with respect to this Agreement or the activities contemplated hereby, except where such release or statement is deemed in good faith by the releasing Party to be required by Law or under the rules and regulations of a recognized stock exchange on which shares of such Party or any of its Affiliates are listed. If either Party desires to make a public announcement, it shall first give the other Party 24 hours written notification of its intention to make a public announcement. The written notification shall include (i) a request for consent to make the announcement (if applicable), and (ii) a written draft of the text of such public announcement. Notwithstanding the foregoing, neither Party shall identify the other Party in any such disclosure without such other Party's express written consent.

(b) Notwithstanding anything to the contrary in this *Section 14.12*, any Party or Affiliate of a Party may disclose information regarding the Assets in investor presentations, industry conference presentations or similar disclosures; provided neither Party shall identify the other Party in any such disclosure without such other Party's express written consent.

**14.13 Preparation of Agreement.** Both Seller and Buyer and their respective counsel participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption shall arise based on the identity of the draftsman of this Agreement.

**14.14 Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

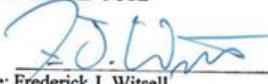
**14.15 Further Cooperation.** After the Closing, Seller and Buyer shall execute and deliver, or shall cause to be executed and delivered, from time to time such further instruments of conveyance and transfer, and shall take such other actions as Seller or Buyer may reasonably request, to convey and deliver the Assets to Buyer, to perfect Buyer's title thereto and to accomplish the orderly transfer of the Assets to, and assumption of liabilities by, Buyer in the manner contemplated by this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives on and as of the Execution Date.

**SELLER:**

**PETROSHARE CORP**

By:   
Name: Frederick J. Witsell  
Title: President

SIGNATURE PAGE TO PURCHASE AND SALE AGREEMENT

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**BUYER:**

**GRIZZLY PETROLEUM COMPANY, LLC**

By: 

Name: Jay Smith

Title: Manager

SIGNATURE PAGE TO PURCHASE AND SALE AGREEMENT

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## Annex I

### Definitions

"*Accounting Arbitrator*" has the meaning set forth in *Section 2.7(c)*.

"*AFE*" has the meaning set forth in *Section 3.11*.

"*Affiliate*" means, with respect to any Party, a Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such Party.

"*Aggregate Threshold and Deductible*" has the meaning set forth in *Section 6.2(i)*.

"*Agreement*" has the meaning set forth in the preamble to this Agreement.

"*Allocated Value*" has the meaning set forth in *Section 2.5*.

"*Applicable Contracts*" means all Contracts to which Seller is a party that primarily relate to the Assets or that will be binding on the Assets or Buyer after Closing, including, without limitation; farm-in and farm-out agreements; bottomhole agreements; crude oil, condensate and natural gas purchase and sale agreements; gathering, transportation and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements (including, for the avoidance of doubt, Applicable Operating Agreements); balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; crossing agreements and other similar contracts and agreements, but excluding the Leases and any master service agreements or other agreements held by Seller in its capacity as Operator of the Assets.

"*Applicable Operating Agreements*" means, collectively, the joint operating agreements applicable to the Assets, and "*Applicable Operating Agreement*" means any of them.

"*Asset Taxes*" means ad valorem, property, excise, sales, use, severance, production or similar taxes (including any interest, fine, penalty or additions to tax imposed by Governmental Authorities in connection with such taxes) based upon acquisition, operation or ownership of the Assets or the production of Hydrocarbons therefrom, but excluding, for the avoidance of doubt, Subject Transfer Taxes, income, capital gains and franchise taxes.

"*Assets*" means all of Seller's right, title and interest in and to the following: (a) (i) all oil and gas leases and interests described on Exhibit A and any leasehold estates, and other rights and interests to the oil and gas in place covered by such leases (the "*Purchased Leases*") and (ii) to the extent, and only to the extent, necessary to produce Hydrocarbons from the wellbore of a Border Well, all oil and gas leases and interests described on Exhibit A-1 and any leasehold estates, and other rights and interests to the oil and gas in place covered by such leases (specifically taking into account such limits, such interests, the "*Border Lease Interests*", and, together with the Purchased Leases, the "*Leases*") and any pooled acreage, communitized acreage or units arising on account of Leases being pooled, communitized or unitized into such units ("*Units*"); (b) the oil, gas, casinghead gas, coal bed methane, condensate and other gaseous and liquid hydrocarbons or any combination thereof, sulphur extracted from hydrocarbons and all other lease

substances (“**Hydrocarbons**”) under the Leases and that may be produced and saved under or otherwise be allocated or attributed to the Leases on or after the Effective Time; (c) the oil, gas, water or injection wells located on Leases or Units, whether producing, shut-in or temporarily abandoned, including those described on **Exhibit B – Part 1** (which shall include, for purposes of clarity, the wells subject to the AFEs on *Schedules 3.11(b)* and *(c)*, collectively, the “**Current Wells**” and, together with the Future Wells, the “**Wells**”) and including all of the personal property, equipment, fixtures and improvements used in connection therewith; (d) the unitization, pooling and communitization agreements, declarations, orders and the units created thereby relating to the properties and interests described in clauses (a) through (c) or to the production, gathering, treatment, processing, storage, sale, disposal and other handling of Hydrocarbons, if any, attributable to said properties and interests; (e) all equipment, machinery, fixtures and other tangible personal property and improvements located on or used or held for use in connection with the operation of the interests described in clauses (a) through (d) or the production, gathering, treatment, processing, storage, sale, disposal, and other handling of Hydrocarbons attributable thereto, including any wells, tanks, boilers, buildings, fixtures, injection facilities, saltwater disposal facilities, compression facilities, pumping units and engines, platforms, flow lines, pipelines, gathering systems, gas and oil treating facilities, machinery, power lines, telephone and telegraph lines, roads, and other appurtenances, improvements and facilities (all of the foregoing, collectively, the “**Equipment**”); (f) all surface leases, permits, rights-of-way, licenses, easements and other surface rights agreements used in connection with the production, gathering, treatment, processing, storage, sale, disposal and other handling of Hydrocarbons or produced water from the interests described in clauses (a) through (e) (collectively, the “**Surface Contracts**”); (g) all Applicable Contracts; and (h) originals, to the extent available, or copies of all the files, records and data relating to the items described in clauses (a) through (g) above, which records shall include, without limitation: lease records, well records, division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents), engineering records, geological and geophysical data (including seismic data) and all technical evaluations, interpretative data and technical data and information relating to the Assets, correspondence, electronic data files (if any), maps, production records, electric logs, core data, pressure data, decline curves and graphical production curves, reserve reports, appraisals and accounting and Asset Tax records (collectively, the “**Records**”).

“**Assignment**” means the Assignment and Bill of Sale from Seller to Buyer, pertaining to the Assets (except with respect to the Border Lease Interests, which shall be conveyed by the Wellbore Assignment), substantially in the form attached hereto as **Exhibit C**.

“**Assumed Obligations**” has the meaning set forth in *Section 13.1*.

“**Border Lease Interests**” has the meaning set forth in the definition of “Assets” above.

“**Border Wells**” means those Current Wells that are marked as “Border” on **Exhibit B**.

“**Burdens**” means, with respect to any Asset, all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests, any amounts owed to other co-working interest owners and other burdens upon, measured by or payable out of, production therefrom.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks in Denver are generally open for business.

“**Buyer**” has the meaning set forth in the preamble to this Agreement.

“**Buyer Indemnified Parties**” has the meaning set forth in *Section 13.2*.

“**Buyer Operated Assets**” means those Assets operated by Buyer as of or after the Execution Date.

“**Buyer’s Representatives**” has the meaning set forth in *Section 5.1(a)*.

“**Casualty Loss**” has the meaning set forth in *Section 6.3(b)*.

“**Claim Notice**” has the meaning set forth in *Section 13.7(b)*.

“**Closing**” has the meaning set forth in *Section 11.1*.

“**Closing Amount**” means the Preliminary Purchase Price.

“**Closing Date**” has the meaning set forth in *Section 11.1*.

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

“**Codell Formation**” means the geologic formation with the top at a measured depth of 8,083 feet and base at a measured depth of 8,104 feet and the stratigraphic equivalent depths thereof as identified in the triple combo log of the Kortum 1-21 Well (API # 05001094850000), recognizing that the actual depths will vary across the area where the Assets are located.

“**Confidentiality Agreement**” means that certain Confidentiality and Nondisclosure Agreement by and between PetroShare Corp. and Providence Energy Operators, LLC and Great Western Operating Company, LLC dated July 16, 2018.

“**Contract**” means any written contract; agreement; mortgage; license agreement; farmin and/or farmout agreement; participation, exploration or development agreement; crude oil, condensate or natural gas purchase and sale, gathering, processing, transportation, marketing, disposal or injection agreement; operating agreement; balancing agreement; unitization, pooling and communitization agreements; facilities or equipment lease; production handling agreement; or other similar contract.

“**Control**” and its derivatives mean, with respect to any Person, the possession, directly or indirectly, of the power to exercise or determine the voting of more than 50% of the voting rights in a corporation, and, in the case of any other type of entity, the right to exercise or determine the voting of more than 50% of the equity interests having voting rights, or otherwise to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“**Cure Period**” has the meaning set forth in *Section 6.2(d)*.

“**Current Wells**” has the meaning set forth in the definition of “Assets” above.

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

“*Defect Claim Date*” has the meaning set forth in *Section 6.2(a)*.

“*Defensible Title*” means ownership of Seller that is deducible from the applicable county, state and federal records, that, as of the Effective Time and as of the Closing Date, subject to and except for Permitted Encumbrances:

(a) entitles Seller to receive a share of the Hydrocarbons produced, saved and marketed from any Well shown in Exhibit B throughout the duration of the productive life of such Well, after satisfaction of all royalties, overriding royalties, nonparticipating royalties, net profits interests, production payments or other similar burdens on or measured by production of Hydrocarbons, of not less than the Net Revenue Interest shown in Exhibit B for such Well; except for (i) decreases resulting from the establishment or amendment from and after the Execution Date of pools or units in compliance with the terms of this Agreement, (ii) decreases required to allow other Working Interest owners to make up past underproduction or pipelines to make up past under deliveries;

(b) obligates Seller to bear a percentage of the costs and expenses for the maintenance, development, operation and the production relating to any Well throughout the productive life of such Well not greater than the Working Interest shown in Exhibit B for such Well without increase, except increases to the extent that they are accompanied by a proportionate increase in Seller’s Net Revenue Interest and increases associated with non-consent elections by co-owners from and after Effective Time under applicable operating agreements;

(c) with respect to each Lease shown in Exhibit A, entitles Seller to the Net Acres set forth in Exhibit A, with respect to such Lease;

(d) is free and clear of Encumbrances, obligations or other defects; and

(e) covers all depths in each of the Codell Formation and Niobrara Formation with regard to each of the metrics discussed above in (a) through (d).

“*Dispute*” means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation or otherwise) arising out of, relating to or connected with this Agreement or the transactions contemplated hereby, including but not limited to any dispute, controversy or claim concerning the existence, validity, interpretation, performance, breach or termination of this Agreement, the relationship of the Parties arising out of this Agreement or the transactions contemplated hereby.

“*Dispute Notice*” has the meaning set forth in *Section 2.7(b)*.

“*Effective Time*” means 7:00 a.m. local time at the location of the Assets on January 1, 2019.

“*Encumbrance*” means a mortgage, lien, security interest, pledge, charge or other encumbrance, and “*Encumber*” and other similar derivatives shall be construed accordingly.

“*Environmental Expert*” has the meaning set forth in *Section 7.1(e)*.

“*Environmental Condition*” means (a) a condition existing on the Defect Claim Date with respect to the air, soil, subsurface, surface waters, ground waters and/or sediments that causes any Asset (or Seller with respect to any Asset) not to be in compliance with any Environmental Law or (b) the existence as of the Defect Claim Date with respect to any Asset or the operation thereof of any environmental pollution, contamination, degradation, damage or injury caused by, related to such Asset for which remedial or corrective action is presently required (or if known, would be presently required) under Environmental Laws.

“*Environmental Defect*” means an Environmental Condition with respect to an Asset that is not set forth in *Schedule 3.13*.

“*Environmental Defect Notice*” has the meaning set forth in *Section 7.1(a)*.

“*Environmental Defect Property*” has the meaning set forth in *Section 7.1(a)*.

“*Environmental Laws*” means all applicable federal, state and local Laws in effect as of the Execution Date, including common Law, relating to the protection of the public health, welfare, safety and the environment, including, without limitation, those Laws relating to the generation, storage, handling, use, processing, treatment, transportation, disposal or other management of chemicals and other 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 any Governmental Authority.

“*Equipment*” has the meaning set forth in the definition of “*Assets*” above.

“*Execution Date*” has the meaning set forth in the preamble to this Agreement.

“*Excluded Assets*” means (a) all of Seller’s corporate minute books, financial records and other business records that relate to Seller’s business generally (including the ownership and operation of the Assets); (b) unless related to an Assumed Obligation, all trade credits, all accounts receivable, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time; (c) subject to *Section 6.3*, all rights and interests relating to the Assets (i) under any existing policy or agreement of insurance, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property; (d) subject to the adjustment in *Section 2.4(b)(i)* all Hydrocarbons produced and sold from the Assets with respect to all periods prior to the Effective Time; (e) unless related to an Assumed Obligation, all claims of Seller or its Affiliates for refunds of or loss carry forwards with respect to (i) production or any other Taxes paid by Seller or its Affiliates attributable to any period prior to the Effective Time, (ii) income Taxes paid by Seller or its Affiliates or (iii) any Taxes attributable to the other Excluded Assets; (f) all personal computers and associated peripherals and all radio and telephone equipment; (g) all of Seller’s proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property; (h) all documents and instruments of Seller that may be

protected by an attorney-client privilege; (i) all data that cannot be disclosed to Buyer as a result of confidentiality arrangements under agreements with third parties (provided that Seller has used its commercially reasonable efforts to have such confidentiality restrictions waived); (j) unless related to an Assumed Obligation, all audit rights arising under any of the (i) Applicable Contracts or otherwise with respect to any period prior to the Effective Time or (ii) other Excluded Assets, except for any Imbalances; (k) all geophysical and other seismic and related technical data and information relating to the Assets to the extent that such geophysical and other seismic and related technical data and information is not transferable without payment of a fee or other penalty to any third party under any Contract and which Buyer has not separately agreed in writing to pay; (l) documents prepared or received by Seller or its Affiliates with respect to (i) lists of prospective purchasers for the Assets, (ii) bids submitted by other prospective purchasers of the Assets, (iii) analyses by Seller or its Affiliates of any bids submitted by any prospective purchaser, (iv) correspondence between or among Seller, its representatives and any prospective purchaser other than Buyer, and (v) correspondence between Seller or any of its representatives with respect to any of the bids, the prospective purchasers or the transactions contemplated by this Agreement; (m) a copy of all Records; (n) any offices, office leases and any office furniture or office supplies located in or on such offices or office leases; (o) any Records that are solely related to Assets that are excluded pursuant to the provisions of *Section 6.2(d)(ii)*, *Section 6.4(c)(ii)*, *Section 6.4(d)(i)* or *Section 7.1(b)(ii)*; (p) any Contracts that constitute master services agreements or similar contracts; (q) any fee simple mineral interests; (r) all of Seller's right, title and interest in and to all oil and gas leases described on **Exhibit A-1** and any leasehold estates, and other rights and interests to the oil and gas in place covered by such oil and gas leases or lands pooled, communitized or unitized therewith, except such interests characterized as Border Lease Interests hereunder; (s) all vertical oil and gas wells located on Leases or Units or on lands pooled, communitized or unitized therewith, whether producing, shut-in or abandoned, including those described on **Exhibit E** (the "Retained Vertical Wells"); and (t) to the extent, and only to the extent, necessary to produce Hydrocarbons from the wellbore of a Retained Vertical Well, an interest in the Purchased Leases.

"**Final Purchase Price**" has the meaning set forth in *Section 2.7(b)*.

"**Final Settlement Statement**" has the meaning set forth in *Section 2.7(b)*.

"**Fundamental Representations**" means the representations and warranties of Seller contained in *Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.15, 3.16 and 3.18*

"**Future Wells**" means each potential oil and gas well described on **Exhibit B – Part 2**.

"**GAAP**" means the generally accepted accounting principles in the United States of America.

"**Governmental Authority**" means any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

**"Hazardous Substances"** means any pollutants, contaminants, toxics or hazardous or extremely hazardous substances, materials, wastes, constituents, compounds or chemicals that are regulated by, or may form the basis of any liability under, any Environmental Laws, including NORM and other substances referenced in *Section 7.2*.

**"Hydrocarbons"** has the meaning set forth in the definition of "Assets" above.

**"Imbalance"** means any imbalances at the (a) wellhead between the amount of Hydrocarbons produced from a Well and allocable to the interests of Seller therein and the shares of production from the relevant Well which Seller received or (b) pipeline flange between the amount of Hydrocarbons nominated by or allocated to Seller and the Hydrocarbons actually delivered on behalf of Seller at that point.

**"Indemnified Party"** has the meaning set forth in *Section 13.7(a)*.

**"Indemnifying Party"** has the meaning set forth in *Section 13.7(a)*.

**"Individual Environmental Threshold"** means \$25,000.

**"Individual Title Defect Threshold"** means \$25,000.

**"Interests Held in Suspense"** means funds payable to an interest holder that are held in suspense by the Seller or any Third Party Operator, pending resolution of title questions or other issues regarding such interests.

**"Interim Period"** means that period of time from and after the Execution Date up to Closing.

**"Invasive Activities"** has the meaning set forth in *Section 5.1(b)*.

**"Knowledge"** means with respect to Seller, the actual knowledge of Persons who are directly responsible for managing the Assets and with respect to Buyer, the actual knowledge of Steve R. Stacy (Senior Vice President – Land).

**"Laws"** means any constitution, decree, resolution, law, statute, act, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment or any interpretation of the foregoing, as enacted, issued or promulgated by any Governmental Authority.

**"Leases"** has the meaning set forth in the definition of "Assets" above.

**"Liabilities"** means any and all claims, causes of actions, payments, charges, judgments, assessments, liabilities, losses, damages, penalties, fines, costs and expenses, including any attorneys' fees and legal or other expenses incurred in connection therewith and including liabilities, costs, losses and damages for personal injury or death or property damage.

**"Material Contracts"** means:

(i) any Applicable Contract that can reasonably be expected to result in aggregate payments of more than \$50,000 during the current or any subsequent fiscal year (based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(ii) any Applicable Contract that can reasonably be expected to result in aggregate revenues of more than \$50,000 during the current or any subsequent fiscal year (based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(iii) any Applicable Contract that is a Hydrocarbon purchase and sale, transportation, processing, gathering, marketing, drilling disposal, injection or similar Applicable Contract and that is not terminable without penalty upon 30 days or less notice;

(iv) any Applicable Contract that is an indenture, mortgage, loan, credit or sale-leaseback or similar Applicable Contract;

(v) any Applicable Contract that constitutes a lease under which Seller is the lessor or the lessee of real or Personal Property which lease (A) cannot be terminated by Seller without penalty upon 30 days or less notice and (B) involves an annual base rental of more than \$50,000;

(vi) any Applicable Operating Agreement and any Applicable Contract that is a farmout agreement, participation agreement, exploration agreement, development agreement, joint operating agreement, or similar Applicable Contract;

(vii) any Applicable Contract between Seller and any Affiliate of Seller;

(viii) any Applicable Contract that (A) contains or constitutes an existing area of mutual interest agreement or an agreement to enter into an area of mutual interest agreement in the future, (B) contains any carry obligation, production payment, net profits interest, call upon or option to purchase production, dedication of acreage or production, or (C) includes non-competition restrictions or other similar restrictions on doing business; and

(ix) any other Contract material to the Assets, their operation and ownership, or any portion thereof, or which could create any material Liability or loss for the owner of the Assets by the terms of such Contract.

“*Month*” means any of the months of the Gregorian calendar.

“*Net Acre*” means, as computed separately with respect to each Lease, (a) the number of gross acres in the lands covered by such Lease, *multiplied by* (b) the interest in oil, gas and other minerals covered by such Lease in such lands, *multiplied by* (c) the Working Interest of Seller in such Lease; provided that if items (b) and/or (c) vary as to different areas of such lands (including depths) covered by such Lease, a separate calculation shall be done for each such area.

“*Net Revenue Interest*” means, with respect to any Unit, Well, or Lease, the interest in and to all Hydrocarbons produced, saved and sold from or allocated to such Unit, Well, or Lease, after giving effect to all Burdens thereon.

“*Niobrara Formation*” means the geologic formation with the top at a measured depth of 7,651 feet and base at a measured depth of 8,083 feet, and the stratigraphic equivalent depths thereof, as identified in the triple combo log of the Kortum 1-21 Well (API # 05001094850000), recognizing that the actual depths will vary across the area where the Assets are located.

“*NORM*” means naturally occurring radioactive material.

“*Operating Expenses*” means all operating expenses (including costs of insurance, extension payments, renewal payments, rentals and other lease maintenance payments shut-in payments, and title examination and curative actions) and capital expenditures (including bonuses, broker fees, and other Lease acquisition costs, costs of drilling and completing wells, and costs of acquiring equipment) incurred in the ownership and operation of the Assets in the ordinary course of business and, where applicable, in accordance with any Applicable Operating Agreement, and overhead costs charged to the Assets under any Applicable Operating Agreement, but excluding (in all cases) Liabilities attributable to (a) personal injury or death, property damage or violation of any Law, (b) the Remediation of any Environmental Condition under applicable Environmental Laws, (c) obligations with respect to Imbalances, (d) obligations to pay Working Interests, royalties, overriding royalties or other interest owners revenues or proceeds attributable to sales of Hydrocarbons relating to the Assets, including those held in suspense, (e) obligations with respect to Taxes, and (f) obligations with respect to any Excluded Asset.

“*Operator*” means the Person serving as operator under any Applicable Operating Agreement.

“*Outside Termination Date*” has the meaning set forth in *Section 12.1(a)*.

“*Party*” and “*Parties*” have the meanings set forth in the preamble to this Agreement.

“*Payout Balance*” has the meaning set forth in *Section 3.20*.

“*Permitted Encumbrances*” means:

(a) lessor’s royalties, non-participating royalties, overriding royalties, reversionary interests and similar burdens upon, measured by or payable out of production if the net cumulative effect of such burdens does not (i) materially impair the use, ownership or operation of the Assets (as currently owned and operated), (ii) reduce the Net Revenue Interest of Seller in any Well to an amount less than the Net Revenue Interest set forth on Exhibit B for such Well, (iii) obligate Seller to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on Exhibit B for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on Exhibit B, in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in Exhibit A or (v) serve to reduce the Net Acres for any Lease to an amount less than that set forth in Exhibit A;

(b) Preferential Rights or similar agreements with respect to which (A) waivers are obtained from the appropriate parties for the transaction contemplated hereby prior to the Closing Date, or (B) required notices have been given for the transaction contemplated hereby to the holders of such rights and the appropriate period for making an election has expired without an exercise of such rights prior to the Closing Date;

(c) required third party consents to assignments or similar agreements with respect to which (A) consents have been obtained from the appropriate parties for the transaction contemplated hereby prior to the Closing Date, or (B) required notices have been given for the transaction contemplated hereby to the holders of such rights and the applicable period (as specified in the contract, agreement or other instrument granting or reserving such rights) for giving notice of objection or withholding of consent has expired without an exercise of such rights or the period within which the failure to respond to such notice is considered under the relevant contract, agreement or other instrument as deemed consent has expired without Seller's receipt of a notice of objection or withholding of consent, in each case, prior to the Closing Date;

(d) liens for Taxes or assessments not yet due or delinquent;

(e) Customary Post-Closing Consents;

(f) other than such rights that have already been triggered, conventional rights of reassignment;

(g) such Title Defects as Buyer has expressly waived, or has been deemed to have waived pursuant to the express terms of this Agreement;

(h) all applicable Laws, and rights reserved to or vested in any Governmental Authority (i) to control or regulate any Asset in any manner; (ii) by the terms of any right, power, franchise, grant, license or permit, or by any provision of Law, to terminate such right, power, franchise grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Assets; (iii) to use such property in a manner which does not materially impair the use of such property for the purposes for which it is currently owned and operated and (iv) to enforce any obligations or duties affecting the Assets to any Governmental Authority, with respect to any franchise, grant, license or permit;

(i) rights of a common owner of any interest in rights-of-way or easements currently held by Seller and such common owner as tenants in common or through common ownership to the extent that the same does not materially impair the use or operation of the Assets as currently used and operated;

(j) easements, conditions, covenants, restrictions, servitudes, permits, rights-of-way, surface leases and other rights in the Assets for the purpose of surface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines and removal of timber, grazing, logging operations, canals, ditches, reservoirs and other like purposes, or for the joint or common use of real estate, rights-of-way, facilities and equipment, (in each case) that do not (i) materially impair the use, ownership or operation of the Assets (as currently owned and operated), (ii) reduce the Net Revenue Interest of Seller in any Well to an amount less than the Net Revenue Interest set forth on **Exhibit B** for such

Well, (iii) obligate Seller to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on Exhibit B for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on Exhibit B, in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in Exhibit A or (v) serve to reduce the Net Acres for any Lease to an amount less than that set forth in Exhibit A;

(k) zoning and planning ordinances and municipal regulations that do not materially impair the use, ownership or operation of the Assets (as currently owned and operated);

(l) vendors, carriers, warehousemen's, repairmen's, mechanics, workmen's, materialmen's, construction or other like Encumbrances arising by operation of Law in the ordinary course of business or incident to the construction or improvement of any property in respect of obligations that are not yet due;

(m) Encumbrances created under Leases and/or Applicable Operating Agreements or by operation of Law in respect of obligations that are not yet due;

(n) any Encumbrance affecting the Assets which is discharged by Seller at or prior to Closing;

(o) the restrictions or exclusions set forth on Exhibit A or Exhibit B, as applicable; and

(p) the Leases and the terms of the Applicable Contracts that (in each case) do not (i) materially impair the use, ownership or operation of the Assets (as currently owned and operated), (ii) reduce the Net Revenue Interest of Seller in any Well to an amount less than the Net Revenue Interest set forth on Exhibit B for such Well, (iii) obligate Seller to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on Exhibit B for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on Exhibit B, in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in Exhibit A or (v) serve to reduce the Net Acres for any Lease to an amount less than that set forth in Exhibit A.

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

"*Personal Property*" means equipment, machinery, fixtures, and other real, immovable, personal, movable and mixed property, including saltwater disposal wells, well equipment, casing, rods, tanks, boilers, buildings, tubing, pumps, motors, fixtures, machinery, compression equipment, flow lines, and separation facilities, structures, materials, and other items used or held for use in the operation thereof and located upstream of the outlet flange of the relevant custody transfer meter (or, in the case of Hydrocarbon liquids, upstream of the outlet flange in the tanks).

"*Preferential Right*" has the meaning set forth in *Section 6.4*.

“**Preliminary Purchase Price**” has the meaning set forth in *Section 2.7(a)*.

“**Preliminary Settlement Statement**” has the meaning set forth in *Section 2.7(a)*.

“**Purchased Leases**” has the meaning set forth in the definition of “Assets” above.

“**Purchase Price**” has the meaning set forth in *Section 2.2*, as such amount may be adjusted from time to time pursuant to *Section 2.4* and *Section 2.7*.

“**Records**” has the meaning set forth in the definition of “Assets” above.

“**Remediation**” means, with respect to an Environmental Condition, and in a manner agreed to by the parties, the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions required under Environmental Laws to correct or remove such Environmental Condition.

“**Remediation Amount**” means, with respect to an Environmental Condition, the present value as of the Closing Date of the cost (net to the Asset) of the most cost effective Remediation of such Environmental Condition as agreed to by the Parties that is reasonably available and would result in a full Remediation of the Environmental Condition.

“**Requisite Financial Statement Information**” has the meaning set forth in *Section 8.3*.

“**Required Consent**” has the meaning set forth in *Section 6.4 (d)(i)*.

“**Retained Vertical Wells**” has the meaning set forth in the definition of “Excluded Assets” above.

“**Scheduled Closing Date**” has the meaning set forth in *Section 11.1*.

“**Schedules**” means the schedule delivered to Buyer prior to the execution of this Agreement setting forth specific exceptions to Seller’s representations and warranties set forth in this Agreement.

“**Security Suspended Funds**” has the meaning set forth in *Section 2.4(b)(iv)*.

“**Seller**” has the meaning set forth in the preamble to this Agreement.

“**Seller Group**” has the meaning set forth in *Section 8.3*.

“**Seller Indemnified Parties**” has the meaning set forth in *Section 13.3*.

“**Seller’s Retained Obligations**” has the meaning set forth in *Section 13.1*.

“**Straddle Period**” means any Tax period beginning before and ending after the Effective Time.

“**Subject Loan**” means (a) all amounts that are owed by Buyer and its Affiliates to Seller and its Affiliates with respect to the Assets or other oil and gas properties of Buyer and its

Affiliates, whether as a result of unpaid or past due JIBs or otherwise, plus (b) interest on such amounts at 10% per annum measured from the date that is 30 days following the original due date of each such amount until the date repaid.

“**Surface Contracts**” has the meaning set forth in the definition of “Assets” above.

“**Tax Allocation**” has the meaning set forth in *Section 2.6*.

“**Tax Allocation**” means any return (including any information return), report, statement, schedule, notice, form, election, estimated Tax filing, claim for refund or other document (including any attachments thereto and amendment thereof) filed with or submitted to, or required to be filed with or submitted to, and Governmental Authority with respect to any Tax.

“**Taxes**” shall mean any and all federal, state, local, foreign and other taxes or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, profit share, license, lease, service, service use, value added, withholding, payroll, employment, excise, estimated severance, stamp, occupation, premium, property, windfall profit or other taxes of any kind whatsoever, together with any interests, penalties, additions to tax, fines or other additional amounts imposed thereon or related thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person and the term “Tax” means any one of the foregoing Taxes.

“**Third Party Claim**” has the meaning set forth in *Section 13.7(b)*.

“**Third Party Operator**” has the meaning set forth in *Section 5.1(a)*.

“**Title Expert**” has the meaning set forth in *Section 6.2(j)*.

“**Title Benefit**” means any right, circumstance or condition that operates to increase the Net Revenue Interest being assigned to Buyer in any Well above that shown for such Well in Exhibit B, to the extent the same does not cause a greater than proportionate increase in the Working Interest being assigned to Buyer therein above that shown in Exhibit B.

“**Title Benefit Amount**” has the meaning set forth in *Section 6.2(e)*.

“**Title Benefit Notice**” has the meaning set forth in *Section 6.2(b)*.

“**Title Benefit Property**” has the meaning set forth in *Section 6.2(b)*.

“**Title Defect**” means any Encumbrance, defect or other matter that causes Seller not to have Defensible Title in and to any Asset, including, without limitation, matters determined after giving effect to both before- and after-payout interests, to the extent applicable; provided that the following shall not be considered Title Defects:

(a) defects in the chain of title consisting of the failure to recite marital status in a document or omissions of successions of heirship or estate proceedings, unless Buyer provides

affirmative evidence that such failure or omission could reasonably be expected to result in another Person's superior claim of title to the relevant Asset;

(b) defects arising out of lack of survey, unless a survey is expressly required by applicable Laws;

(c) liens created under deeds of trust, mortgages and similar instruments by the lessor under a Lease covering the lessor's surface and mineral interests in the land covered thereby that would customarily be accepted in taking oil and gas leases or purchasing undeveloped oil and gas leases and for which the lessee would not customarily seek a subordination of such lien to the oil and gas leasehold estate prior to conducting drilling activities on the Lease;

(d) defects arising out of lack of corporate or other entity authorization unless Buyer provides affirmative evidence that causes Buyer to reasonably believe such corporate or other entity action may not have been authorized and could reasonably be expected to result in another Person's superior claim of title to the relevant Asset;

(e) defects based on a gap in Seller's chain of title in the state's records as to state Leases, or in the county records as to other Leases, unless such gap is affirmatively shown to exist in such records by an abstract of title, title opinion or landman's title chain or runsheet, which documents shall be included in a Title Defect Notice; and

(f) defects that have been cured by possession under applicable Laws of limitations, adverse possession or prescription, waiver, ratification, estoppels or other similar legal or equitable rights;

(g) defects that affect only those depths or formations other than the Codell and Niobrara Formations;

(h) defects affecting any Asset that does not have an Allocated Value; and

(i) defects based on the use of an affidavit of heirship or similar instrument of record filed more than 20 years prior to the Execution Date to provide evidence of the death of an individual in the chain of title and their heirs or successors in interest, in each case, unless Buyer provides affirmative evidence that such defect results in another party's superior claim of title.

*"Title Defect Amount"* has the meaning set forth in *Section 6.2(g)*.

*"Title Defect Notice"* has the meaning set forth in *Section 6.2(a)*.

*"Title Defect Property"* has the meaning set forth in *Section 6.2(a)*.

*"Title Disputed Matters"* has the meaning set forth in *Section 6.2(f)*.

*"Treasury Regulations"* means the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Internal Revenue Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute, proposed or final Treasury Regulations.

*“Unit”* has the meaning set forth in the definition of “Assets” above.

*“Well”* has the meaning set forth in the definition of “Assets” above.

*“Wellbore Assignment”* means the Assignment and Bill of Sale from Seller to Buyer, pertaining to the Border Lease Interests, substantially in the form attached hereto as **Exhibit D**.

*“Working Interest”* means, with respect to any Unit, Well or Lease, the interest in and to such Unit, Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Unit, Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

**Exhibit A**

Attached to and made a part of that certain Purchase and Sale Agreement by and between  
 Crazy Petroleum Company, LLC and Petroleum Corp.,  
 dated January 15, 2019

**Purchased Leases**

Lease	Lessee/Lessee	Eff Date	Gross Acres	Net Acres	PSC Net Acres	Legal Description	Book	Page	Entry
100018H	LR TODD CREEK FARMS LLC LS KINGDOM RESOURCES, LLC	11/26/14	133.6900	133.6900	66.8450	T1S-R67W SEC 15; THOSE PORTIONS OF THE TODD CREEK FARMS SUBDIVISION LYING IN SECTION 15 AS MORE PARTICULARLY DESCRIBED IN THE LEASE			201500002735
100020A	LR 22 ASSOCIATES, LLC LS KINGDOM RESOURCES, LLC	12/01/15	240.0000	179.7163	89.8592	T1S-R67W SEC 22; THAT PORTION OF THE NE AS MORE PARTICULARLY DESCRIBED IN THE LEASE			2016000017023
100003	LR MARGIE A AND SOPHIA S REGENHART, HUSBAND AND WIFE LS ROCKY MOUNTAIN OIL & GAS COMPANY, INC	06/01/70	360.9480	360.9480	163.4266	T1S-R67W SECS 5, NW, NE, PART OF THE SW AND SE AS MORE PARTICULARLY DESCRIBED BY THE LEASE			
100004	LR RALPH J SMITH AND JOHN T LANE LS HUGHT DRILLING CO	03/31/70	16.8920	16.8920	7.6014	T1S-R67W SEC 5, W2S1E5W, EXCLUDING A PARCEL AS MORE PARTICULARLY DESCRIBED BY THE LEASE			
100021	LR MILTON W FONAY AND VIRGINIA M FONAY, HUSBAND AND WIFE LS VESSELS OIL & GAS COMPANY	01/29/90	70.6665	70.6665	7.4906	T1S-R68W SEC 22, S2NW			3644 906 927006 3698 959 957736
100022	LR FRONT RANGE INVESTMENT CORPORATION OF COLORADO LS ROCKY MOUNTAIN OIL AND GAS COMPANY	01/31/71	160.0000	160.0000	60.0000	T1S-R67W SEC 18, W2E1E1W FROM THE TOP OF THE DAKOTA TO THE BASE OF THE DAKOTA SEC 18, W2E1E1W FROM THE TOP OF THE DAKOTA TO THE BASE OF THE DAKOTA LESS AND EXCEPT THE WELLBORES OF THE FRONT RANGE 4 (API #05-001-08750)			1657 61 910296

Lessee	Lessee/Leasee	Eff Date	Gross Acres	Net Acres	P/C	Net Acres	Legal Description	Book	Page	Entry
100023	LR JAMES GUTHRIE AND VIOLET GUTHRIE, HUSBAND AND WIFE LS TOMMYESSES	06/07/70	284.9800	284.9800		142.8900	113-867W R0558A AND ONLY INsofar AS LEASE COVERS SEC 2, 7A  LIMITED TO THE COBELL AND MORBARA FORMATIONS, AS TO THE NW LIMITED FROM THE BASE OF THE SHANNON TO THE BASE OF THE DAKOTA, AS TO THE NE  LESS AND EXCEPT THE WELLBORES OF THE GUTHRIE 12-2 (API R05-001-09544), GUTHRIE 21-2 (API R05-001-09463), GUTHRIE 22-2 (API R05-001-09389), GUTHRIE 31-2 (API R05-001-09543), GUTHRIE 41-2 (API R05-001-09540), GUTHRIE 42-2 (API R05-001-09563), AND GUTHRIE ABERN 1 (API R05-001-06231)	1601	50	
100025	LR MOUNTAIN VIEW WATER USERS ASSOCIATION LS ROCKY MOUNTAIN GAS AND OIL PRODUCERS	02/02/72	0.2290	0.2290		0.1145	113-867W SEC 4, PART OF THE SW AS MORE PARTICULARLY DESCRIBED BY THE LEASE  LESS AND EXCEPT THE WELLBORES OF THE ZARLENGO 14-4 (API R05-001-09384), ZARLENGO 2 (API R05-001-08810), ZARLENGO 21-4 (API R05-001-09468), ZARLENGO 23-4 (API R05-001-09555), AND ZARLENGO 24-4 (API R05-001-09377)	1781	504	950828
100026	LR THE COLORADO NATIONAL BANK OF DENVER, TRUSTEE LS HILIGHT DRILLING CO	08/27/70	219.7910	219.7910		209.8955	113-867W SEC 4, W2, EXCLUDING THE NE OF THE W2 WHEREIN LIES THE SIGNAL RESERVOIR IN SECTION 4  LESS AND EXCEPT THE WELLBORES OF THE ZARLENGO 14-4 (API R05-001-09384), ZARLENGO 2 (API R05-001-08810), ZARLENGO 21-4 (API R05-001-09468), ZARLENGO 23-4 (API R05-001-09555), AND ZARLENGO 24-4 (API R05-001-09377)	1627	131	900605
100027A	LR HOEL AND PAULA HUBERT LS ROCKY MOUNTAIN GAS AND OIL PRODUCERS, INC	01/26/72	10.9190	5.4095		2.7298	113-867W SEC 4, THAT MEETS 8 BOUNDS PARCEL MORE PARTICULARLY DESCRIBED BY THE LEASE, ONLY AS TO THAT PORTION LYING IN THE E/W2  LIMITED TO FORMATIONS BELOW THE BASE OF THE S-SUSSEX AND LIMITED TO GAS RIGHTS ONLY IN THE J SAND  LESS AND EXCEPT THE WELLBORES OF THE EHLER 44-4 (API R05-001-09379), HELTZER G U 2-4 (API R05-001-09025), ZARLENGO 14-4 (API R05-001-09384), ZARLENGO 2 (API R05-001-08810), ZARLENGO 21-4 (API R05-001-09468), ZARLENGO 23-4 (API R05-001-09555), AND ZARLENGO 24-4 (API R05-001-09377)	1779	447	946531

Lessee	Lessee/Leasee	Eff Date	Gross Acres	Net Acres	P/C	Net Acres	Legal Description	Book	Page	Entry
1000278	LR EDITH B MCCURTIGCK AND THE FIRST NATIONAL BANK OF DENVER, CO-SUCCESSOR LS MARTIN J FRIEDMAN	07/15/70	30.7000	15.3500		5.4687	115-8C7W LESSOR AND ONLY ROSFOR AS LEASE COVERS: THAT PORTION OF THE EDWH, HESH, 39HC, AND NWSE AS MORE PARTICULARLY DESCRIBED BY THE LEASE  AS TO THAT PORTION IN THE EDW2, LIMITED TO FORMATIONS BELOW THE BASE OF THE SUSSEX AND LIMITED TO GAS RIGHTS ONLY IN THE J SAND  AS TO THAT PORTION IN THE WZ2Z, LIMITED TO FORMATIONS BELOW THE BASE OF THE SUSSEX, EXCEPT THE WELLBORE OF THE EHLER 44-4 (API #05-001-09379) WHICH IS LIMITED FROM THE SURFACE TO THE BASE OF THE CODELL FORMATION AND EXCEPT THE WELLBORE OF THE SELTZER G U 2-4 (API #05-001-09025) WHICH IS LIMITED FROM THE SURFACE TO THE TOP OF THE J SAND FORMATION  LESS AND EXCEPT THE WELLBORES OF THE EHLER 44-4 (API #05-001-09379), SELTZER G U 2-4 (API #05-001-09025), ZABELNGO 14-4 (API #05-001-09384), ZABELNGO 21-4 (API #05-001-09448), ZABELNGO 23-4 (API #05-001-09488), ZABELNGO 24-4 (API #05-001-09555), AND ZABELNGO 24-4 (API #05-001-09377)	1666	308	
100027C	LR PAUL E AND NORMAL EDWARDS LS ROCKY MOUNTAIN OIL AND GAS CO	06/17/70	10.7000	5.3500		2.6750	115-8C7W SEC 4, THAT PORTION OF THE NEWW AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO FORMATIONS BELOW THE BASE OF THE SUSSEX AND LIMITED TO GAS RIGHTS ONLY IN THE J SAND  LESS AND EXCEPT THE WELLBORES OF THE ZABELNGO 14-4 (API #05-001-09384), ZABELNGO 21-4 (API #05-001-09448), ZABELNGO 23-4 (API #05-001-09488), ZABELNGO 24-4 (API #05-001-09555), AND ZABELNGO 24-4 (API #05-001-09377)	1618	71	887590
100037	LR DAWN EHLER AND / GAYLE EHLER, HUSBAND AND WIFE LS M E THIBAU	05/05/70	68.7600	68.7600		34.3800	115-8C7W LESSOR AND ONLY ROSFOR AS LEASE COVERS: SEC 4, NWSE, SSE  LIMITED TO THE J SAND FORMATION, EXCEPT THE WELLBORE OF THE EHLER 44-4 (API #05-001-09379) WHICH IS LIMITED FROM THE SURFACE TO THE BASE OF THE CODELL FORMATION AND EXCEPT THE WELLBORE OF THE SELTZER G U 2-4 (API #05-001-09025) WHICH IS LIMITED FROM THE SURFACE TO THE TOP OF THE J SAND FORMATION  LESS AND EXCEPT THE WELLBORES OF THE EHLER 44-4 (API #05-001-09379) AND SELTZER G U 2-4 (API #05-001-09025)	1602	240	

Lessee	Lea Lessor/Lessor	Eff Date	Gross Acres	Net Acres	PFC	Net Acres	Legal Description	Book	Page	Entry
100038	LR MULLIN F PORTERFIELD AND PATRICIA ANN PORTERFIELD, HUSBAND AND WIFE LS ENERGY MINERALS CORP	04/08/75	5.0100	5.0100		2.5660	T15-R67W SEC 4, THAT PART OF THE SE AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO THE SAND FORMATION, EXCEPT THE WELLBORE OF THE EHLER 44-4 (API #05-001-09379) WHICH IS LIMITED FROM THE SURFACE TO THE BASE OF THE CODELL FORMATION AND EXCEPT THE WELLBORE OF THE SELTZER G U 2-4 (API #05-001-09023) WHICH IS LIMITED FROM THE SURFACE TO THE TOP OF THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE EHLER 44-4 (API #05-001-09379) AND SELTZER G U 2-4 (API #05-001-09023)	1990	970	
100039	LR ADAMS COUNTY, A POLITICAL SUBDIVISION OF THE STATE OF COLORADO, ACTING BY AND THROUGH ITS DULY AUTHORIZED BOARD OF COUNTY COMMISSIONERS LS ENERGY MINERAL CORPS	04/14/75	1.8300	1.8300		0.9350	T15-R67W SEC 4, A PART OF THE SE AS MORE PARTICULARLY DESCRIBED BY THE LEASE LESS AND EXCEPT THE WELLBORES OF THE EHLER 44-4 (API #05-001-09379) AND SELTZER G U 2-4 (API #05-001-09023)	1995	2	
100040	LR SIGNAL RESERVOIR AND IRRIGATION COMPANY LS HIGHLIGHT DRILLING CO., INC.	06/06/70	81.9510	81.9510		48.9755	T15-R67W SEC 4, THAT PART OF THE NW SURROUNDING AND ENCOMPASSING THE SIGNAL RESERVOIR LESS AND EXCEPT THE WELLBORES OF THE ZARLENGO 34-4 (API #05-001-09384), ZARLENGO 2 (API #05-001-08810), ZARLENGO 21-4 (API #05-001-09468), ZARLENGO 23-4 (API #05-001-09555), AND ZARLENGO 24-4 (API #05-001-09377)	1604	126	
100050	LR ROBERT M WILLEY AND PATRICIA J WILLEY, HUSBAND AND WIFE LS DAN H SEBASTIAN	20/24/70	9.4900	9.4900		0.8897	T15-R67W SEC 18, TWO PARCELS OF LAND IN THE SW AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE JAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1676	69	
100051	LR FRANK VERNON VAN OULSEN AND GERTRUDE M VAN OULSEN, HUSBAND AND WIFE LS DAN H SEBASTIAN	02/18/71	22.4100	22.4100		2.1009	T15-R67W SEC 18, A PARCEL OF LAND IN THE SW AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE JAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1678	107	917015

Lessee	Lea Lessor/Lessor	Eff Date	Gross Acres	Net Acres	PCC	Net Acres	Legal Description	Book	Page	Entry
100063	LR DONALD VAN DEUSEN AND BARBARA L VAN DEUSEN LS DAN H SEBASTIAN	02/18/71	2.5600	2.5600		0.2800	T1S-R67W SEC 18-18-A PARCEL OF LAND IN THE SW AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1878	110	917016
100063	LR BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF ADAMS, STATE OF COLORADO LS THE ANSCHUTZ CORPORATION, INC	09/17/71	5.1200	5.1200		0.4800	T1S-R67W SEC 18-LOT 24, BLOCK 1, LAYTON SUBDIVISION LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1883	357	918821
100064	LR LAUREN C STRASSBURG AND JANICE K STRASSBURG, HUSBAND AND WIFE LS DAN H SEBASTIAN	10/14/70	5.0700	5.0700		0.4706	T1S-R67W SEC 18-LOTS 13, 14, 15 AND 16 OF BLOCK II OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1863	404	
100065	LR MUNIR F IBRAHIM AND ARBELLA N IBRAHIM LS THE ANSCHUTZ CORPORATION, INC	04/07/71	11.0700	11.0700		3.0778	T1S-R67W SEC 18-LOTS 12, 13, 14, 15, 16, 17, 18, 19 OF BLOCK 2, LAYTON SUBDIVISION, BEING A PART OF THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1891	188	921184
100066	LR DONALD J SHELLEY AND PATRICIA JO ANNE SHELLEY, HUSBAND AND WIFE LS DAN H SEBASTIAN	10/14/70	4.8800	4.8800		0.4775	T1S-R67W SEC 18-LOTS 5, 6, 7 AND 8 OF BLOCK I OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1863	414	

Lease	Lessee/Lessee	Eff Date	Gross Acres	Net Acres	PCC	Net Acres	Legal Description	Book	Page	Entry
100057	LR LOUIS A CARICATO AND BETTE JEAN CARICATO, HUSBAND AND WIFE LS DAN H SEBASTIAN	30/14/70	5.0700	5.0700	0.4753	5.0700	T15-867W SEC 18, LOTS 9, 10, 11 AND 12 BLOCK I OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1679	76	912628
100058	LR JOE A HOLEMAN AND IONE S HOLEMAN, HUSBAND AND WIFE LS DAN H SEBASTIAN	30/14/70	5.2300	5.2300	0.4803	5.2300	T15-867W SEC 18, LOTS 1, 2, 3, AND 4 OF BLOCK I OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1663	401	912368
100059	LR SAMUEL L DUNHAM AND GABRIEL J DUNHAM, HUSBAND AND WIFE LS DAN H SEBASTIAN	30/14/70	5.0700	5.0700	0.4753	5.0700	T15-867W SEC 18, LOTS 5, 6, 7 AND 8 OF BLOCK II OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1663	402	912372
100060	LR CHARLES D HOYT AND JEANNETTE L HOYT, HUSBAND AND WIFE LS DAN H SEBASTIAN	31/04/70	5.0300	5.0300	0.4716	5.0300	T15-867W SEC 18, LOTS 1, 2, 3 AND 4 BLOCK II OF THE LAYTON SUBDIVISION IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1663	421	912379
100061	LR TERRY L RICHMAN AND CARLYON J RICHMAN, HUSBAND AND WIFE LS DAN H SEBASTIAN	30/14/70	5.0300	5.0300	0.4716	5.0300	T15-867W SEC 18, LOTS 9, 10 AND 11 OF BLOCK II OF THE LAYTON SUBDIVISION LOCATED IN THE SW LIMITED TO THE J SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1663	421	912379

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100662	LR D GEORGE LAYTON AND EDNA E LAYTON, HUSBAND AND WIFE LS DAN H SEBASTIAN	30/14/70	47.7900	47.7900		47.7900	4.4803 T1S-R67W SEC 18; THAT PORTION OF THE SW AS MORE PARTICULARLY DESCRIBED BY THE LEASE LIMITED TO THE 1 SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1876	63	916322
100663	LR GARY H WEBER AND GAYLA A WEBER, HUSBAND AND WIFE LS CREST OIL AND GAS COMPANY	06/06/72	5.4700	5.4700		5.4700	0.5328 T1S-R67W SEC 18; LOTS 17, 18, 19 AND 20, OF BLOCK 1, THE LAYTON SUB-DIVISION LIMITED TO THE 1 SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1864	162	
100664	LR D GEORGE LAYTON AND EDNA E LAYTON, HUSBAND AND WIFE LS CREST OIL AND GAS COMPANY	06/16/72	0.0000	0.0000		0.0000	0.0000 T1S-R67W SEC 18; IN THE SW, A STRIP OF LAND BEGINNING IN THE SE CORNER OF SAID SW, THENCE 20 FEET WEST, THENCE RUNNING NORTH 750.00 FEET, THENCE EAST 20 FEET TO THE BORDER LINE OF SAID SW, THENCE SOUTH TO THE POINT OF BEGINNING LIMITED TO THE 1 SAND FORMATION LESS AND EXCEPT THE WELLBORES OF THE LAYTON GREEN 1 (API #05-001-06281) AND CARLSON 12-18 (API #05-001-09709)	1864	164	
100730A	LR COBANK FCB, A FEDERALLY CHARTERED INSTRUMENT OF THE UNITED STATES LS MORNING-GUN EXPLORATION LLC	11/13/15	160.0000	80.0000		80.0000	40.0000 T1S-R67W SEC 8; NW LIMITED TO DEPTHS AND FORMATIONS FROM THE SURFACE TO THE BASE OF THE DUSCK FORMATION			2015000005856
100737	LR RODGER RALEY, POA FOR THE/DAN I RALEY LS PETROSHARE CORP	04/10/17	2.5000	2.5000		2.5000	1.2500 T1S-R67W SEC 28; SENE			2017000040438
100775	LR JAMES R VAN METER AND JOYCE L VAN METER, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.2404	0.2404		0.2404	0.1202 T1S-R67W SEC 28; BLOCK 1, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #1			2017000028699
100776	LR JANET E WEAR, A TENANT IN SEVERALTY LS PETROSHARE CORP	02/07/17	0.3076	0.3076		0.3076	0.1538 T1S-R67W SEC 28; BLOCK 3, LOT 24 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029701
100777	LR MARY M FILSINGER, A TENANT IN SEVERALTY LS PETROSHARE CORP	02/15/17	0.3013	0.3013		0.3013	0.1507 T1S-R67W SEC 28; BLOCK 2, LOT 9A OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000029690

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100378	LR ROBERT C HADDEN AND LINDA C HADDEN, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.1970		0.1970	SEC 28: BLOCK 4, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #1			20170000303296
100379	LR ARIC SANCHEZ LS PETROSHARE CORP	02/07/17	0.3091		0.3091	SEC 28: BLOCK 3, LOT 20 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029697
100380	LR RONALD LEE PEARMAN II AND DANIELLE PEARMAN LS PETROSHARE CORP	02/07/17	0.1722		0.1722	SEC 28: BLOCK 6, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029695
100381	LR GUADALUPE BAUTISTA AND CELIA BAUTISTA, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.2911		0.2911	SEC 28: BLOCK 1, LOT 20 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029687
100382	LR DONG S MAUKER AND MICHELLE A MULLIGAN, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.2108		0.2108	SEC 28: BLOCK 2, LOT 7A OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000029692
100383	LR ROBERT WALKER AND ASAKO TSUTSUI, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.1721		0.1721	SEC 28: BLOCK 5, LOT 19 OF THE VILLAGES AT RIVERDALE FILING #2			2017000031980
100384	LR RICHARD P PHILLIPS LS PETROSHARE CORP	02/07/17	0.1721		0.1721	SEC 28: BLOCK 6, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029696
100385	LR ARTHUR L MAGILL LS PETROSHARE CORP	02/07/17	0.1722		0.1722	SEC 28: BLOCK 4, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029691
100386	LR KATIE KAMRIZ, A TENANT IN SEVERALTY LS PETROSHARE CORP	02/07/17	0.1928		0.1928	SEC 28: BLOCK 3, LOT 38 OF THE VILLAGES AT RIVERDALE FILING #1			2017000030301
100387	LR LANTZLA C THAO AND DREE THAO LS PETROSHARE CORP	02/15/17	0.2726		0.2726	SEC 28: BLOCK 6, LOT 15 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029688
100388	LR LAURAL BINGAMAN LS PETROSHARE CORP	02/15/17	0.1722		0.1722	SEC 28: BLOCK 5, LOT 21 OF THE VILLAGES AT RIVERDALE FILING #2			2017000029688
100389	LR PATRICIA NIEHOFF AND JAMES NIEHOFF, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.3083		0.3083	SEC 28: BLOCK 1, LOT 17 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029694
100390	LR BREN SON AND SANA T THACH, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.3199		0.3199	SEC 28: BLOCK 5, LOT 1 OF THE VILLAGES AT RIVERDALE FILING #1			2017000030302

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100191	LR ALEXANDER WELLS AND DAWN WELLS, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #1			2017000029702
100192	LR AMY NAFTOLIN AND DAN WESTER, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.2080	0.2080		0.1040	115.867W SEC 28: BLOCK 3, LOT 3A OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000029693
100193	LR DARRELL DOBSON AND KIMBERLY K DOBSON AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.3022	0.3022		0.1511	115.867W SEC 28: BLOCK 2, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #2			2017000029689
100194	LR ROBERT O KIRKLAND AND CHERYL A KIRKLAND AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.2385	0.2385		0.1192	115.867W SEC 28: BLOCK 1, LOT 18 OF THE VILLAGES AT RIVERDALE FILING #1			2017000030298
100195	LR TROY J BUSTAMANTE LS PETROSHARE CORP	02/15/17	0.2049	0.2049		0.1024	115.867W SEC 28: BLOCK 5, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #2			2017000030294
100196	LR BLANKE L FANNING LS PETROSHARE CORP	02/15/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #2			2017000030295
100197	LR DAVID M HENRICKS AND AMY B HENRICKS AS JOINT TENANT LS PETROSHARE CORP	02/15/17	0.1890	0.1890		0.0945	115.867W SEC 28: BLOCK 5, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #2			2017000030297
100198	LR MICHAEL J LAGE AND BUFFY K LAGE, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.2106	0.2106		0.1053	115.867W SEC 28: BLOCK 2, LOT 3A OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000041897
100199	LR CHARLES B HODGES AND MOLLY M HODGES, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.1903	0.1903		0.0951	115.867W SEC 28: BLOCK 5, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #2			2017000068989
100200	LR NOSH A SHEPARD AND ABBY N SHEPARD, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.2726	0.2726		0.1363	115.867W SEC 28: BLOCK 5, LOT 16 OF THE VILLAGES AT RIVERDALE FILING #1			2017000031728
100201	LR HESTER FAMILY TRUST LS PETROSHARE CORP	04/13/17	0.3517	0.3517		0.1759	115.867W SEC 28: BLOCK 2, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #1			2017000041895
100202	LR ADAM BROOKHART AND ROBIN BROOKHART, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2001	0.2001		0.1001	115.867W SEC 28: BLOCK 4, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #1			2017000031542
100203	LR AMANDA VAN BLARICOM LS PETROSHARE CORP	04/19/17	0.3883	0.3883		0.1941	115.867W SEC 28: BLOCK 1, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #2			2017000031543

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100204	LR ANDREW FALLGREN, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 6, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035414
100205	LR BENJAMIN YOST AND JENNIFER A YOST, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1281	0.1281		0.1441	115.867W SEC 28: BLOCK 9, LOT 10 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035435
100206	LR BRENT W BOWERS AND ELLEN G BOWERS, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2089	0.2089		0.1045	115.867W SEC 28: BLOCK 2, LOT 12A OF THE VILLAGES AT RIVERDALE FILING #3, AMENDMENT #1			2017000035436
100207	LR CONNIE S EREALE LS PETROSHARE CORP	04/19/17	0.2970	0.2970		0.1485	115.867W SEC 28: BLOCK 5, LOT 37 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035437
100208	LR CURT F FENDERSON JR AND FAYE L FENDERSON, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1997	0.1997		0.0998	115.867W SEC 28: BLOCK 7, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035438
100209	LR DANIELLE ROSALES AND NICHOLAS P ROSALES, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2109	0.2109		0.1055	115.867W SEC 28: BLOCK 2, LOT 8A OF THE VILLAGES AT RIVERDALE FILING #1, AMENDMENT #4			2017000035439
100210	LR DARIN K HELGESON AND NICHELE A HELGESON, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1794	0.1794		0.0897	115.867W SEC 28: BLOCK 6, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035440
100211	LR DARRIN SHANK AND CRYSTAL K SHANK, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1945	0.1945		0.0972	115.867W SEC 28: BLOCK 4, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035441
100212	LR DARRIN J KUNSELMAN AND JILL M KUNSELMAN, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2727	0.2727		0.1363	115.867W SEC 28: BLOCK 5, LOT 24 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035442
100213	LR DARIL L LANGRAN AND LINDSAY M LANGRAN, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.3129	0.3129		0.1565	115.867W SEC 28: BLOCK 5, LOT 36 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035443
100214	LR DENISE SWICKATHIN LS PETROSHARE CORP	04/19/17	0.2097	0.2097		0.1048	115.867W SEC 28: BLOCK 9, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035444
100215	LR DOVEMICK WPHACH AND BRENDA C PRENTUP LS PETROSHARE CORP	04/19/17	0.3610	0.3610		0.1805	115.867W SEC 28: BLOCK 11, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035445
100216	LR DONALD CLIFFORD AND DARLENE CLIFFORD, AS A JOINT TENANT LS PETROSHARE CORP	04/19/17	0.1791	0.1791		0.0896	115.867W SEC 28: BLOCK 3, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035446

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100217	DR DOUGLAS STANTON LS PETROSHARE CORP	04/19/17	0.2410	0.2410		0.1205	115.867W SEC 28: BLOCK 1, LOT 24 OF THE VILLAGES AT RIVERDALE FILING #1, AMENDMENT #1			2017000035447
100218	DR ERIC L COX AND TANILA COX, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2903	0.2903		0.1451	115.867W SEC 28: BLOCK 9, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035448
100219	DR GEORGE N MEDINA LS PETROSHARE CORP	04/19/17	0.1726	0.1726		0.0863	115.867W SEC 28: BLOCK 3, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035449
100220	DR HOPE K ANDERSON LS PETROSHARE CORP	04/19/17	0.2726	0.2726		0.1383	115.867W SEC 28: BLOCK 7, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035450
100221	DR HDUA LON AND CHAU VANG, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.3130	0.3130		0.1565	115.867W SEC 28: BLOCK 3, LOT 31 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035451
100222	DR JAMIGON B MARTIN AND COURTNEY A MARTIN, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 6, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035452
100223	DR JARRED M BATZLAFF AND SARAH E BATZLAFF LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 22 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035453
100224	DR JEFFREY DOUPL AND HEATHER A DOUPL, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2708	0.2708		0.1354	115.867W SEC 28: BLOCK 9, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035454
100225	DR JENNIFER D TIERNEY LS PETROSHARE CORP	04/19/17	0.1860	0.1860		0.0930	115.867W SEC 28: BLOCK 5, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035455
100226	DR JOHN M OLIVER II AND MARY T OLIVER, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2224	0.2224		0.1112	115.867W SEC 28: BLOCK 3, LOT 54 OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000035456
100227	DR JOSEPH B HOLSORTH AND EARLY A HOLSORTH, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.3348	0.3348		0.1674	115.867W SEC 28: BLOCK 5, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035457
100228	DR JOYCE M ORR, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.2080	0.2080		0.1040	115.867W SEC 28: BLOCK 3, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035458
100229	DR JUSTIN PYLES LS PETROSHARE CORP	04/19/17	0.2410	0.2410		0.1205	115.867W SEC 28: BLOCK 1, LOT 54 OF THE VILLAGES AT RIVERDALE FILING #3, AMENDMENT #1			2017000035459

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100230	DR KEVIN SCHROEDER AND JULIE M SCHROEDER, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1912	0.1912		0.0596	T15-867W SEC 28- BLOCK 3, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035464
100231	DR WURSTEN J ANDERSON, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	T15-867W SEC 28- BLOCK 4, LOT 18 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035465
100232	DR KRISTINE L ROEHR LS PETROSHARE CORP	04/19/17	0.1865	0.1865		0.0992	T15-867W SEC 28- BLOCK 5, LOT 18 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035466
100233	DR LARRY D DURAN AND RENEE Y DURAN, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2089	0.2089		0.1045	T15-867W SEC 28- BLOCK 6, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035467
100234	DR LESLIE A THORIN, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	T15-867W SEC 28- BLOCK 5, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035468
100235	DR MANUEL J URDUALES LS PETROSHARE CORP	04/19/17	0.1753	0.1753		0.0827	T15-867W SEC 28- BLOCK 4, LOT 27 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035469
100236	DR MARK J ZEBROWSKI AND KENDRA L FRIESEN LS PETROSHARE CORP	04/19/17	0.2906	0.2906		0.1453	T15-867W SEC 28- BLOCK 2, LOT 35 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035470
100237	DR MAROYA AIED AND JAYTED NABIYAR, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2107	0.2107		0.1053	T15-867W SEC 28- BLOCK 2, LOT 4A OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #1			2017000035471
100238	DR MICHAEL ANTHONY BOOCHERT AND DARLENE J BOOCHERT, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2226	0.2226		0.1113	T15-867W SEC 28- BLOCK 3, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035472
100239	DR MICHAEL FLAUSCHER AND RACHALL L MONK, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1826	0.1826		0.0913	T15-867W SEC 28- BLOCK 6, LOT 22 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035473
100240	DR MICHELE M NORDEHL LS PETROSHARE CORP	04/19/17	0.1832	0.1832		0.0916	T15-867W SEC 28- BLOCK 4, LOT 22 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035474
100241	DR NATHAN T DOUGHERTY AND DARCI M DOUGHERTY, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2448	0.2448		0.1224	T15-867W SEC 28- BLOCK 10, LOT 10 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035475
100242	DR NICOLE M SHAYER AND BRANDON J SHAYER, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	T15-867W SEC 28- BLOCK 5, LOT 12 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035476
100243	DR DRE IVAR JOHNSON III AND ELIZABETH ASYA JOHNSON, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1793	0.1793		0.0896	T15-867W SEC 28- BLOCK 6, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035477

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100244	DR PATRICK O BREWER AND KATHIG BREWER, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1933	0.1933		0.0966	115.867W SEC 28: BLOCK 4, LOT 21 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035418
100245	DR RICHARD J KRAMER AND CHRISTINE A KRAMER, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 40 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035419
100246	DR RICHARD P KEIL AND LINDA M KEIL, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 4, LOT 25 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035420
100247	DR ROGER J ANDERSON, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 4, LOT 24 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035421
100248	DR RYAN L FASCO, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/19/17	0.2149	0.2149		0.1075	115.867W SEC 28: BLOCK 2, LOT 64 OF THE VILLAGES AT RIVERDALE FILING #1, AMENDMENT #1			2017000035422
100249	DR RYAN W FURCHON AND HANNAH L FURCHON, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.2344	0.2344		0.1172	115.867W SEC 28: BLOCK 2, LOT 1 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035423
100250	DR SARAH J RODRIGUEZ AND CHRISTOPHER J RODRIGUEZ, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 4, LOT 26 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035424
100251	DR SEAN THOMAS CASSADY AND TAMARA CASSADY LS PETROSHARE CORP	04/19/17	0.3645	0.3645		0.1822	115.867W SEC 28: BLOCK 3, LOT 19 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035425
100252	DR SUE ANN CRUTCHFIELD LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 41 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035426
100253	DR SCOTT FRIEDENDORF LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 6, LOT 23 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035427
100254	DR PAUL LYNN DAVIS JR AND MEGAN E DAVIS, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.3869	0.3869		0.1935	115.867W SEC 28: BLOCK 9, LOT 1 OF THE VILLAGES AT RIVERDALE FILING #2			2017000035428
100255	DR TAMARA L DAVIS AND KEVIN S DAVIS, AS JOINT TENANTS LS PETROSHARE CORP	04/19/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 6, LOT 12 OF THE VILLAGES AT RIVERDALE FILING #1			2017000035429
100256	DR THE JOHN ERIC KRAMER AND REBECCA LYNN KRAMER JOINT LIVING TRUST, DATED 10/15/12 LS PETROSHARE CORP	04/19/17	0.1792	0.1792		0.0896	115.867W SEC 28: BLOCK 6, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #3			2017000035430

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100257	LR THE VILLAGES AT RIVERDALE HOMEOWNERS ASSOCIATION, INC., MAX VILLAGES AT RIVERDALE HOMEOWNERS ASSOCIATION LS PETROSHARE CORP	04/19/17	36.3344		18.1072	115.867W SEC 28: THE VILLAGES AT RIVERDALE FILING #1, TRACTS A, B, C, D, E, F, K, L THE VILLAGES AT RIVERDALE FILING #2, TRACTS B, C, D, E, F, G, H, I, K, L, M, N			2017000041890
100258	LR TIMOTHY P HEWITT LS PETROSHARE CORP	04/19/17	0.2970		0.1485	115.867W SEC 28: BLOCK 9, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041891
100259	LR CHRISTOPHER E DIEGA AND VERONICA DIEGA, AS JOINT TENANTS LS PETROSHARE CORP	04/13/17	0.1723		0.0862	115.867W SEC 28: BLOCK 9, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041892
100260	LR KEITH LUGO AND TAMARA ANN LUGO, AS JOINT TENANTS LS PETROSHARE CORP	04/13/17	0.2769		0.1386	115.867W SEC 28: BLOCK 5, LOT 29 OF THE VILLAGES AT RIVERDALE FILING #1			2017000041893
100261	LR JEFFREY A MESTER AND TERRA M MESTER, AS JOINT TENANTS LS PETROSHARE CORP	02/07/17	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #1			2017000041894
100262	LR CHRISTOPHER A HEFBLURN LS PETROSHARE CORP	04/13/17	0.1793		0.0886	115.867W SEC 28: BLOCK 6, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #3			2017000041895
100263	LR NICOLE CONNER / N/A NICOLE & STAFF AND JUSTIN T CONNER, AS JOINT TENANTS LS PETROSHARE CORP	02/15/17	0.1903		0.0951	115.867W SEC 28: BLOCK 2, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041896
100264	LR GARRY M LUPTON AND SHANA T LUPTON, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.1975		0.0988	115.867W SEC 28: BLOCK 10, LOT 7 OF THE VILLAGES AT RIVERDALE FILING #3			2017000041897
100265	LR JACON A KNIGHT AND MICHELLE R KNIGHT AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.3311		0.1656	115.867W SEC 28: BLOCK 3, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #4			2017000041898
100266	LR CASEY J NELSON LS PETROSHARE CORP	04/28/17	0.3020		0.1510	115.867W SEC 28: BLOCK 4, LOT 1 OF THE VILLAGES AT RIVERDALE FILING #1			2017000041899
100267	LR ROBERT E WINDHOLZ AND CONNIE D WINDHOLZ, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 16 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041900
100268	LR JOHN ALKHATIB AND JACLYN ALKHATIB, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.1791		0.0896	115.867W SEC 28: BLOCK 3, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041901

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100269	LR NICHOLAS ALLEN HOFFMAN AND ALISSA KAY HOFFMAN (VIA ALISSA KAY HOFFMAN, AS JOINT TENANTS) LS PETROSHARE CORP	04/28/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #2			2017000055118
100270	LR RICHARD EDDIE PHILIPS AND BRITTANY MICHELLE PHILIPS, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.1839	0.1839		0.0910	115.867W SEC 28: BLOCK 6, LOT 20 OF THE VILLAGES AT RIVERDALE FILING #1			2017000055119
100271	LR JENNIFER E GARRUS AND MICHAEL A ELIISON, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.4257	0.4257		0.2129	115.867W SEC 28: BLOCK 2, LOT 34 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041897
100272	LR PAUL L HEINCK AND LISA K HEINCK LS PETROSHARE CORP	04/28/17	0.3260	0.3260		0.1630	115.867W SEC 28: BLOCK 7, LOT 10 OF THE VILLAGES AT RIVERDALE FILING #2			2017000041893
100273	LR JACOB G FERRETO AND BRITTANY L FERRETO, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.3294	0.3294		0.1647	115.867W SEC 28: BLOCK 2, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #2			2017000055711
100274	LR GAUNA POROYA LS PETROSHARE CORP	05/02/17	0.1794	0.1794		0.0897	115.867W SEC 28: BLOCK 6, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #1			2017000053195
100275	LR THE SHARON K ALBERS TRUST LS PETROSHARE CORP	04/28/17	0.1727	0.1727		0.0863	115.867W SEC 28: BLOCK 3, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #1			2017000053199
100276	LR AJUDIA L HELGESON AND MICHAEL J HELGESON, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.2109	0.2109		0.1055	115.867W SEC 28: BLOCK 1, LOT 16A OF THE VILLAGES AT RIVERDALE FILING #5, AMENDMENT #1			2017000055134
100277	LR SARAH A GREEN, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/28/17	0.3717	0.3717		0.1858	115.867W SEC 28: BLOCK 1, LOT 15 OF THE VILLAGES AT RIVERDALE FILING #1			2017000053197
100278	LR KANSKANI SAYCOGE AND SHERYL SAYCOGE LS PETROSHARE CORP	04/28/17	0.3441	0.3441		0.1721	115.867W SEC 28: BLOCK 3, LOT 2 OF THE VILLAGES AT RIVERDALE FILING #2			2017000053200
100279	LR SHELLEY RAGLAND, A TENANT IN SEVERALTY LS PETROSHARE CORP	05/22/17	0.3460	0.3460		0.1730	115.867W SEC 28: BLOCK 1, LOT 13 OF THE VILLAGES AT RIVERDALE FILING #1			2017000053198
100280	LR ADAM L NORMAN LS PETROSHARE CORP	05/10/17	0.1992	0.1992		0.0996	115.867W SEC 28: BLOCK 1, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #2			2017000055710
100281	LR ROBERT J COLEMAN AND ASHLEY D COLEMAN, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 6, LOT 25 OF THE VILLAGES AT RIVERDALE FILING #1			2017000055720

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100282	DR MICHAEL F ENGLISH AND SHELLEY ADEL ENGLISH, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.2082	0.2082		0.1041	115.867W SEC 28: BLOCK 5, LOT 16 OF THE VILLAGES AT RIVERDALE FILING #3			2017000055717
100283	DR JAMES J WITT AND LYNEE F WITT AS JOINT TENANTS LS PETROSHARE CORP	05/30/17	0.1791	0.1791		0.0896	115.867W SEC 28: BLOCK 10, LOT 8 OF THE VILLAGES AT RIVERDALE FILING #3			2017000055714
100284	DR HEATHER M LONG LS PETROSHARE CORP	05/30/17	0.2283	0.2283		0.1142	115.867W SEC 28: BLOCK 3, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #2			2017000055712
100285	DR RODNEY A EVANS, A TENANT IN SEVERALTY LS PETROSHARE CORP	05/30/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 5, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #1			2017000055721
100286	DR KENNETH WILLIAMS AND KAREN WILLIAMS, AS JOINT TENANTS LS PETROSHARE CORP	05/30/17	0.1722	0.1722		0.0861	115.867W SEC 28: BLOCK 1, LOT 26 OF THE VILLAGES AT RIVERDALE FILING #1			2017000055716
100287	DR WABLENE ALVAREZ LS PETROSHARE CORP	05/30/17	0.2004	0.2004		0.1002	115.867W SEC 28: BLOCK 10, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #3			2017000055722
100288	DR DWIGHT L EORTSON AND GAIL S EORTSON, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.1860	0.1860		0.0930	115.867W SEC 28: BLOCK 5, LOT 5 OF THE VILLAGES AT RIVERDALE FILING #3			2017000055711
100289	DR KEITH MCMAIL AND KATHRYN M MCMAIL, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.2245	0.2245		0.1123	115.867W SEC 28: BLOCK 10, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #3			2017000055715
100290	DR JOHN P HOGG AND PAULA M HOGG, AS JOINT TENANTS LS PETROSHARE CORP	05/30/17	0.2009	0.2009		0.1004	115.867W SEC 28: BLOCK 10, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #3			2017000057591
100291	DR JASON M WALLACE AND EMILY M WALLACE, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.2531	0.2531		0.1265	115.867W SEC 28: BLOCK 4, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #3			2017000057590
100292	DR CHANG W LEE AND YOUNG S LEE AND KISUN LEE AND UNDA S LEE, AS JOINT TENANTS LS PETROSHARE CORP	05/30/17	0.2914	0.2914		0.1457	115.867W SEC 28: BLOCK 1, LOT 14 OF THE VILLAGES AT RIVERDALE FILING #1			2017000057587
100293	DR SALVATORE DSALLE AND MELITA J DSALLE, AS JOINT TENANTS LS PETROSHARE CORP	07/26/17	0.4229	0.4229		0.2114	115.867W SEC 28: BLOCK 9, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #2			2017000048990
100294	DR DEAN RUSSELL MAGNUSON LS PETROSHARE CORP	06/21/17	0.3992	0.3992		0.1996	115.867W SEC 28: BLOCK 3, LOT 10 OF THE VILLAGES AT RIVERDALE FILING #1			2017000057548

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100295	LR JACON GARNIER AND MELISSA GARNIER, AS JOINT TENANTS LS PETROSHARE CORP	06/20/17	0.1791	0.1791		0.0861	T15-867W SEC 28- BLOCK 3, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #2			2017000057589
100296	LR STEVEN MEZHAN AND BEATRICE L MEZHAN, AS JOINT TENANTS LS PETROSHARE CORP	06/21/17	0.1865	0.1865		0.0932	T15-867W SEC 28- BLOCK 4, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #1			2017000057593
100297	LR BRANNE M HOGUE AND CHRISTOPHER M HOGUE, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.2019	0.2019		0.1009	T15-867W SEC 28- BLOCK 5, LOT 13 OF THE VILLAGES AT RIVERDALE FILING #3			2017000057586
100298	LR MATTHEW DUNSCOMB AND KATHRYN DUNSCOMB, AS JOINT TENANTS LS PETROSHARE CORP	05/02/17	0.2082	0.2082		0.1041	T15-867W SEC 28- BLOCK 5, LOT 15 OF THE VILLAGES AT RIVERDALE FILING #3			2017000057592
100299	LR JASON BESSANO AND JUL BESSANO LS PETROSHARE CORP	02/07/17	0.1815	0.1815		0.0907	T15-867W SEC 28- BLOCK 5, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #1			2017000068138
100300	LR JAMY STANTON LS PETROSHARE CORP	06/20/17	0.4370	0.4370		0.2185	T15-867W SEC 28- BLOCK 2, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #2			2017000068134
100301	LR ANGELA R ALVARADO AND ANDREW ALVARADO LS PETROSHARE CORP	06/21/17	0.2081	0.2081		0.1041	T15-867W SEC 28- BLOCK 1, LOT 11 OF THE VILLAGES AT RIVERDALE FILING #1			2017000068135
100302	LR SARAH SHEPHERD MCCARTNEY AND ANDREW MCCARTNEY LS PETROSHARE CORP	06/21/17	0.1795	0.1795		0.0897	T15-867W SEC 28- BLOCK 6, LOT 1 OF THE VILLAGES AT RIVERDALE FILING #3			2017000068140
100303	LR MADHOUSE LLC LS PETROSHARE CORP	06/21/17	0.2904	0.2904		0.1452	T15-867W SEC 28- BLOCK 5, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #3			2017000068137
100304	LR BRETT HENDERSON LS PETROSHARE CORP	07/26/17	0.1744	0.1744		0.0872	T15-867W SEC 28- BLOCK 3, LOT 4 OF THE VILLAGES AT RIVERDALE FILING #1			2017000068136
100305	LR TANGUY GORE AND OELPHINE GORE LS PETROSHARE CORP	06/26/17	0.1819	0.1819		0.0910	T15-867W SEC 28- BLOCK 1, LOT 27 OF THE VILLAGES AT RIVERDALE FILING #1			2017000068449
100306	LR DANIELA D ROMERO AND ARMAN H FAIRFIELD LS PETROSHARE CORP	07/26/17	0.2114	0.2114		0.1057	T15-867W SEC 28- BLOCK 1, LOT 10A OF THE VILLAGES AT RIVERDALE FILING #3, AMENDMENT #1			2017000068446
100307	LR ERIC ALLEN CARRICO AND PATRICIA LYNN CARRICO, AS JOINT TENANTS LS PETROSHARE CORP	03/26/17	0.6664	0.6664		0.3332	T15-867W SEC 28- GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 3			2017000049832
100308	LR SCOTT STANTON AND DEBBIE STANTON, JOINT TENANTS LS PETROSHARE CORP	04/24/17	1.0863	1.0863		0.5432	T15-867W SEC 28- GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 11, LOT 4			2017000048599

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100309	LR MATTHEW J CARTWRIGHT AND DANIEL CARTWRIGHT, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.0553	1.0553		0.5276	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 13, LOT 9			2017000048602
100310	LR ANDERSON FAMILY TRUST DATED 8/30/96 LS PETROSHARE CORP	04/03/17	1.0812	1.0812		0.5406	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 13, LOT 4			2017000045176
100311	LR DAVID YOUNG AND RENISE YOUNG, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.2707	1.2707		0.6353	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 3, LOT 3			2017000052871
100312	LR CAROL ANNE AHRENS AND SEAN PATRICK AHRENS, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.3224	1.3224		0.6642	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 1			2017000045242
100313	LR DALE R ALGRIM II AND DIANE S ALGRIM, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.1041	1.1041		0.5521	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 4, LOT 3			2017000048589
100314	LR DOUGLAS F WRIGHT AND LUCINDA M FERNANDEZ, AS JOINT TENANTS LS PETROSHARE CORP	04/21/17	1.5576	1.5576		0.7788	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 7, BLOCK 3, LOT 4A			2017000048588
100315	LR DOUGLAS L VINDER AND DORE VINDER, JOINT TENANTS LS PETROSHARE CORP	04/14/17	0.5158	0.5158		0.2679	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 7, BLOCK 6, LOT 22			2017000048612
100316	LR ROGER L GIEP AND LINDA L GIEP, AS JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.2472	1.2472		0.6236	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 11			2017000048603
100317	LR DOUGLAS J SPICER, TRUSTEE OF THE DOUGLAS J SPICER REVOCABLE TRUST AND LOIS JEAN SPICER, TRUSTEE OF THE LOIS JEAN SPICER REVOCABLE TRUST LS PETROSHARE CORP	04/14/17	1.5133	1.5133		0.5756	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 6			2017000048605
100318	LR STEVEN DANIEL WOLFE AND LOBI ELIZABETH WOLFE, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.2780	1.2780		0.6390	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 5, LOT 1			2017000048607
100319	LR ROBERT E CASBY AS TRUSTEE OF THE ROBERT E CASBY REVOCABLE TRUST, UTA 11/06/2015; ROBERT E CASBY AS TRUSTEE OF THE LINDA C CASBY REVOCABLE TRUST, UTA 11/06/2015; LINDA C CASBY AS TRUSTEE OF THE ROBERT E CASBY REVOCABLE TRUST, UTA 11/06/2015; AND LINDA C CASBY AS TRUSTEE OF THE LINDA C CASBY REVOCABLE TRUST, UTA 11/06/2015 LS PETROSHARE CORP	04/21/17	1.1049	1.1049		0.5524	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 7, BLOCK 3, LOT 5A			2017000048594
100320	LR TOM C MOSCHETTI, A SINGLE MAN LS PETROSHARE CORP	04/14/17	0.7890	0.7890		0.3945	115-867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 17			2017000045181

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100321	LR GLENN GLASSER, TRUSTEE OF THE GLENN GLASSER TRUST DATED 10/28/15 AND PAULYN GLASSER, TRUSTEE OF THE PAULYN GLASSER TRUST DATED 10/28/15, AS TENANTS IN COMMON LS PETROSHARE CORP	04/28/17	0.8087	0.8087		0.8083	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 7, LOT 5			2017000045186
100322	LR ENNESTO AVENA AND LAZARO BARROCO, JOINT TENANTS LS PETROSHARE CORP	04/14/17	0.6537	0.6537		0.6537	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 16			2017000046608
100323	LR IDIL SCHWARTZ AND DONIS SCHWARTZ, JOINT TENANTS LS PETROSHARE CORP	04/20/17	1.5002	1.5002		0.7501	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 4, BLOCK 6, LOT 24A			2017000049189
100324	LR MARK A BROSS, AS TRUSTEE OF THE MARK A BROSS TRUST AND PATRICIA ANN BROSS, AS TRUSTEE OF THE PATRICIA ANN BROSS TRUST LS PETROSHARE CORP	04/14/17	1.0739	1.0739		0.5370	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 5			2017000048592
100325	LR SUJANI MCCORMICK, A MARRIED WOMAN LS PETROSHARE CORP	04/14/17	1.3517	1.3517		0.6758	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 3, LOT 8			2017000048601
100326	LR KEITH KOHITZ AND TANJA KOHITZ LS PETROSHARE CORP	04/21/17	1.2422	1.2422		0.6211	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 11, LOT 1			2017000046493
100327	LR BEVERLY OTTEN LS PETROSHARE CORP	04/14/17	1.1070	1.1070		0.5535	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 3, LOT 2			2017000046495
100328	LR CHRIS BUTLER AND TOM BUTLER, JOINT TENANTS LS PETROSHARE CORP	04/21/17	0.5763	0.5763		0.2882	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 8, LOT 5			2017000045180
100329	LR CRAIG W WILHOYTE AND DEBRA K BARR, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.1383	1.1383		0.5692	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 4			2017000045185
100330	LR GEGREY M LEOPOLD AND TARA LEIGH LEOPOLD, JOINT TENANTS LS PETROSHARE CORP	04/27/17	1.2858	1.2858		0.6429	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 11, LOT 3			2017000045173
100331	LR JAMES A BRK AND ERICA A BRK, JOINT TENANTS LS PETROSHARE CORP	04/14/17	0.8223	0.8223		0.4112	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 8			2017000045189
100332	LR JOHN O BALLMAN AND DEBORAH A BALLMAN, JOINT TENANTS LS PETROSHARE CORP	04/21/17	1.2947	1.2947		0.6473	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 9, LOT 1			2017000045177
100333	LR JOHN HOFMANN AND JESSICA HOFMANN, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.0892	1.0892		0.5446	SEC 28- GLENEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 4, LOT 1			2017000045427

Lease	Lessee/Tenant	Eff Date	Gross Acres	Net Acres	PFC	Net Acres	Legal Description	Book	Page	Entry
100314	DR MICHAEL J DEMATTE AND KELLY J DEMATTE, JOINT TENANTS LS PETROSHARE CORP	06/01/17	0.7734	0.7734		0.3867	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 1			2017000045384
100315	DR MOHAMMAD GOKALAKRISHNA AND SUPRIYA UNADEVI, AS JOINT TENANTS LS PETROSHARE CORP	04/24/17	1.0285	1.0285		0.5142	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 8			2017000045398
100316	DR RICHARD D WHITE AND LINDA M WHITE, JOINT TENANTS LS PETROSHARE CORP	05/01/17	0.6365	0.6365		0.3182	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 6, BLOCK 8, LOT 28			2017000045382
100317	DR SEYED H KALANTAR AND MAHASTI KALANTAR, JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.2090	1.2090		0.6045	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 2			2017000045400
100318	DR WAYNE L SJAMMONS LS PETROSHARE CORP	04/28/17	1.1012	1.1012		0.5506	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 3, LOT 7			2017000045396
100319	DR GREGORY D SCHRIENER AND MINDY E SCHRIENER, JOINT TENANTS LS PETROSHARE CORP	04/24/17	1.2452	1.2452		0.6226	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 9, LOT 5			2017000046659
100340	DR DOUGLAS D NEVIED, A TENANT IN SEVERALTY LS PETROSHARE CORP	04/24/17	1.0955	1.0955		0.5477	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 5			2017000045387
100341	DR JAMES R FRITZ AND SHEILA K FRITZ, AS JOINT TENANTS LS PETROSHARE CORP	05/03/17	1.2701	1.2701		0.6351	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 1, LOT 6			2017000045388
100342	DR JACON CURTIS AND STEFANIE CURTIS, AS JOINT TENANTS LS PETROSHARE CORP	04/28/17	1.2449	1.2449		0.6224	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 3			2017000045378
100343	DR JOHN J AND STACY R SILVA, JOINT TENANTS LS PETROSHARE CORP	04/14/17	0.6693	0.6693		0.3347	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 6			2017000045391
100344	DR JUDY E TERABANOVA LS PETROSHARE CORP	05/04/17	0.8022	0.8022		0.4011	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 6, LOT 13			2017000045386
100345	DR WADE BAILLET AND MICHELLE BAILLET, AS JOINT TENANTS LS PETROSHARE CORP	05/04/17	0.9737	0.9737		0.4869	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 4			2017000045392
100346	DR VICTOR A DOMENICO AND MONICA A DOMENICO, JOINT TENANTS LS PETROSHARE CORP	04/26/17	1.8622	1.8622		0.9311	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 5, BLOCK 7, LOT 1A			2017000046611
100347	DR KURT LUDWIG ZUGER, TRUSTEE OF THE KURT AND MARCIA ZUGER FAMILY TRUST DATED 07/15/02 AND MARCIA JEAN ZUGER, TRUSTEE OF THE KURT AND MARCIA ZUGER FAMILY TRUST DATED 07/16/02 LS PETROSHARE CORP	05/08/17	0.6113	0.6113		0.3056	115.867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 11			2017000046660

Lease	Lessee/Tenant	Lease Description	Net Acres	PSC	Net Acres	Legal Description	Book	Page	Entry
100348	LR ALBERT RODRIGUEZ AND JENNIFER RODRIGUEZ, JOINT TENANTS LS PETROSHARE CORP		1.464		1.464	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 9, LOT 2			2017000045395
100349	LR DARRYL RAY WILMOTH AND BARBARA JANEL WILMOTH, JOINT TENANTS LS PETROSHARE CORP		0.8001		0.8002	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 15			2017000045413
100350	LR ARTURO RODRIGUEZ CANO LS PETROSHARE CORP		1.0955		1.0955	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 10, LOT 2			2017000045460
100351	LR JEFFREY W BARR AND PAMELA J BARR, JOINT TENANTS LS PETROSHARE CORP		0.6690		0.6690	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 7			2017000045390
100352	LR JERRY ARAGON AND DANETTE ARAGON, AS JOINT TENANTS LS PETROSHARE CORP		1.2016		1.2016	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 11, LOT 6			2017000045375
100353	LR JOANNE H LEE LS PETROSHARE CORP		1.2934		1.2934	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 9			2017000045397
100354	LR RUSSELL N WATKINSON, TRUSTEE OF THE NINA J WATKINSON DECLARATION OF TRUST, DATED 4/18/05 LS PETROSHARE CORP		1.0637		1.0637	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 4			2017000045401
100355	LR JUAN RODRIGUEZ, TRUSTEE OF THE JUAN AND JOHANN RODRIGUEZ LIVING TRUST DATED 4/24/13 AND JOHANN RODRIGUEZ, TRUSTEE OF THE JUAN AND JOHANN RODRIGUEZ LIVING TRUST DATED 4/24/13 LS PETROSHARE CORP		0.9778		0.9778	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 7, LOT 8			2017000045385
100356	LR MARK CLINTON GUNN AND JENNIFER MARIE GUNN, AS JOINT TENANTS LS PETROSHARE CORP		1.0848		1.0848	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 13			2017000045460
100357	LR P NICOLE NELSON LS PETROSHARE CORP		1.2770		1.2770	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 4, LOT 4			2017000045466
100358	LR MICHAEL C TSOU LS PETROSHARE CORP		0.6900		0.6900	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 2			2017000045393
100359	LR CHIP L BEAN AND SUGAR L BEAN, AS JOINT TENANTS LS PETROSHARE CORP		1.0248		1.0248	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 13, LOT 7			2017000045337

Lease	Lessee/Tenant	Eff Date	Gross Acres	Net Acres	PFC	Net Acres	Legal Description	Book	Page	Entry
100360	DR DOUGLAS ROBERTS AND TINA ROBERTS, JOINT TENANTS LS PETROSHARE CORP	04/24/17	1.2562	1.2562		0.6281	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 10, LOT 3			2017000045426
100361	DR ESSA WICHELY AND SANDRA K WICHELY, JOINT TENANTS LS PETROSHARE CORP	04/21/17	0.7887	0.7887		0.3943	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 8, LOT 8A			2017000045179
100362	DR LAWRENCE L LIGON AND SUSAN J DAVIS, AS JOINT TENANTS LS PETROSHARE CORP	04/14/17	1.3071	1.3071		0.6535	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 2, LOT 7			2017000045399
100363	DR GHAZANFAR KHAN LS PETROSHARE CORP	04/21/17	1.0934	1.0934		0.5467	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 12, LOT 1			2017000045124
100364	DR JOCK LAGUNA AND PALUINA LAGUNA, JOINT TENANTS LS PETROSHARE CORP	04/20/17	0.7620	0.7620		0.3810	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 7, LOT 7			2017000045384
100365	DR WILLIAM A WHITE AND SHERITE D WHITE, JOINT TENANTS LS PETROSHARE CORP	04/24/17	1.2187	1.2187		0.6103	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 13, LOT 10			2017000045171
100366	DR WILLIAM R PESCHETTE JR AND VALERIE PESCHETTE, AS JOINT TENANTS LS PETROSHARE CORP	04/21/17	1.1120	1.1120		0.5560	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 13, LOT 8			2017000045170
100367	DR ROBERT R TEO AND MALINDA M FTIS, JOINT TENANTS LS PETROSHARE CORP	05/01/17	0.7914	0.7914		0.3957	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 3, BLOCK 8, LOT 1A			2017000046486
100368	DR JUDITH A GIANPHERI, TRUSTEE OF THE JUDITH A GIANPHERI TRUST LS PETROSHARE CORP	06/01/17	1.1606	1.1606		0.5803	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 13, LOT 1			2017000050798
100369	DR MOEL PORTILLO LS PETROSHARE CORP	06/09/17	0.6837	0.6837		0.3418	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 14			2017000050797
100370	DR EDWINE OLIVAS AND BRENDA T RODRIGUEZ, JOINT TENANTS LS PETROSHARE CORP	06/12/17	1.0930	1.0930		0.5465	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 6, BLOCK 14, LOT 1A			2017000056980
100371	DR LANCE R TOEPPER AND JUIE A TOEPPER, JOINT TENANTS LS PETROSHARE CORP	04/14/17	0.5601	0.5601		0.2801	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 10			2017000055153
100372	DR COLE H GAUGER AND KIMBERLY J GAUGER, JOINT TENANTS LS PETROSHARE CORP	06/12/17	0.5708	0.5708		0.2854	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 8, LOT 6			2017000055655
100373	DR FERNANDO CORRALES AND LORENA CORRALES, JOINT TENANTS LS PETROSHARE CORP	06/06/17	0.6766	0.6766		0.3383	115.867W SEC 28: GLENLEAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 7, LOT 3			2017000059038

Lease	Lessee/Lessee	Eff Date	Gross Acres	Net Acres	P/C	Net Acres	Legal Description	Book	Page	Entry
100374	LR JIM BARRY AND LEANN BARRY, AS JOINT TENANTS LS PETROSHARE CORP	07/10/17	1.2878	1.2878		0.6439	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 3, LOT 1			2017000064397
100375	LR JORGE ESCALERA AND MARGARITA ESCALERA, JOINT TENANTS LS PETROSHARE CORP	07/06/17	1.1112	1.1112		0.5556	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 1, LOT 8			2017000065000
100376	LR ANDREW GONZALES AND JEAN GONZALES, JOINT TENANTS LS PETROSHARE CORP	06/29/17	0.6579	0.6579		0.3290	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 9			2017000065063
100377	LR STEVEN D NORTON JR AND CRISTAL K NORTON, AS JOINT TENANTS LS PETROSHARE CORP	07/12/17	0.5660	0.5660		0.2830	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 6, LOT 19			2017000068823
100378	LR HOLLY OSGOOD LS PETROSHARE CORP	06/13/17	1.2461	1.2461		0.6230	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 13, LOT 2			2017000068137
100379	LR JEFFREY ALAN STINNETT AND LAURA ERIN STINNETT, JOINT TENANTS LS PETROSHARE CORP	06/20/17	1.0546	1.0546		0.5273	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 11, LOT 2			2017000062362
100380	LR DANIEL S SATRIANA, JR LS PETROSHARE CORP	04/14/17	1.2713	1.2713		0.6367	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 1, BLOCK 5, LOT 2			2017000062476
100400	LR JORGE MARTINEZ AND EDITH MILENDEZ LS PETROSHARE CORP	09/19/17	0.8251	0.8251		0.4125	T1S 867W SEC 28: GLENAGLE ESTATES SUBDIVISION, AMENDMENT 2, BLOCK 7, LOT 6			2017000086714
100402	LR WILLIAM R DALKE LS PETROSHARE CORP	05/02/17	0.1943	0.1943		0.0972	T1S 867W SEC 28: BLOCK 4, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #3			2017000093481
100404	LR RYAN M DANTINO AND KERRI L DANTINO, AS JOINT TENANTS LS PETROSHARE CORP	11/02/17	0.1933	0.1933		0.0966	T1S 867W SEC 28: BLOCK 3, LOT 6 OF THE VILLAGES AT RIVERDALE FILING #1			2017000098777
100405	LR CHRISTOPHER R ANDREGG AND JAMI ANDREGG F/V/A JAMI SEVERANCE, AS JOINT TENANTS LS PETROSHARE CORP	11/02/17	0.2089	0.2089		0.1045	T1S 867W SEC 28: BLOCK 2, LOT 10A OF THE VILLAGES AT RIVERDALE FILING #9, AMENDMENT #1			2017000098776
100407	LR DEBRA K YOUNG LS PETROSHARE CORP	11/01/17	0.1793	0.1793		0.0896	T1S 867W SEC 28: BLOCK 6, LOT 5 OF THE VILLAGES AT RIVERDALE FILING 3			2017000104731
100408	LR ANDREW J BARGA AND REBECCA BARGA, AS JOINT TENANTS LS PETROSHARE CORP	10/23/17	0.2974	0.2974		0.1487	T1S 867W SEC 28: BLOCK 9, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #2, AMENDMENT #0			2017000105259
100420	LR JC WEBB, A TRUST IN SEVERALTY LS PETROSHARE CORP	12/07/17	0.1867	0.1867		0.0934	T1S 867W SEC 28: BLOCK 2, LOT 9 OF THE VILLAGES AT RIVERDALE FILING #2			2018000003127

Lessee	Lea Lessor/Tensee	Eff Date	Gross Acres	Net Acres	P/C	Net Acres	Legal Description	Book	Page	Entry
100423	LR CONNIE R BORGARDT LS PETROSHARE CORP	04/20/17	2.5000	2.5000		1.2500	T1S-R67W SEC 28: A PORTION OF THE NE/4 AS MORE PARTICULARLY DESCRIBED IN THE LEASE			2018000047565
100424	LR DANIEL B BRALICHER AND VICTORIA A BRALICHER, AS JOINT TENANTS LS PETROSHARE CORP	05/16/18	0.2089	0.2089		0.1045	T1S-R67W SEC 28: BLOCK 3, LOT 48 OF THE VILLAGES AT RIVERDALE FILING #1, AMENDMENT #1			2018000047540
100425	LR JEREMY J GUDMAN AND RHONDA J GUDMAN, AS JOINT TENANTS LS PETROSHARE CORP	05/16/18	0.2025	0.2025		0.1013	T1S-R67W SEC 28: BLOCK 3, LOT 28 OF THE VILLAGES AT RIVERDALE FILING #1			2018000047541
100426	LR THE KEIN FAMILY REVOCABLE TRUST DATED 06/15/15 LS PETROSHARE CORP	06/26/18	0.1722	0.1722		0.0861	T1S-R67W SEC 28: BLOCK 6, LOT 13 OF THE VILLAGES AT RIVERDALE FILING #1			2018000057285
100427	LR CHRISTOPHER C WESTON AND HAYLE M WESTON, W/W, AS JOINT TENANTS LS PETROSHARE CORP	05/16/18	0.1722	0.1722		0.0861	T1S-R67W SEC 28: BLOCK 5, LOT 15 OF THE VILLAGES AT RIVERDALE FILING #2			2018000047541
100429	LR STEPHAN KAUFFMANN AND ANJA KAUFFMANN, AS JOINT TENANTS LS PETROSHARE CORP	05/16/18	0.2508	0.2508		0.1254	T1S-R67W SEC 28: BLOCK 10, LOT 3 OF THE VILLAGES AT RIVERDALE FILING #3			2018000047542
100430A	LR CFW RESOURCES LLC LS PETROSHARE CORP	06/01/18	146.8200	73.4100		73.4100	T1S-R67W SEC 28: THAT PORTION OF THE NE AS MORE PARTICULARLY DESCRIBED IN THE LEASE			2018000054645
100437	LR RYAN WOODSETTLE AND JENNIFER WOODSETTLE, AS JOINT TENANTS LS PETROSHARE CORP	06/26/18	0.1860	0.1860		0.0930	T1S-R67W SEC 28: BLOCK 5, LOT 21 OF THE VILLAGES AT RIVERDALE FILING #3			2018000062902
100438A	LR GLENGALE ESTATES HOMEOWNERS ASSOCIATION, INC LS PETROSHARE CORP	06/01/18	18.2576	9.1288		4.5644	T1S-R67W SEC 28: TRACTS A, B, D, E, F, G, H, I, GLENGALE ESTATES SUBDIVISION, AMENDMENT NO 1; TRACTS S, K, HIGHLAND ESTATES SUBDIVISION, AMENDMENT NO 2; TRACT L, GLENGALE ESTATES SUBDIVISION, AMENDMENT 3			2018000062905
		TOTAL	2,312.9122	2,063.0360		943.1637				

**Exhibit A-1**

Attached to and made a part of their certain Purchase and Sale Agreement by and between  
 Geosty Franchising Company, LLC and Permian C Corp.,  
 dated January 15, 2019

**Border Lease Interests**

Lease	Grantor/Lessor	Eff Date	Gross Acres	Net Acres	PSC Net Acres	Legal Description	Book	Page	Entry
10000A	US CLARKE E HOOK, INDIVIDUALLY AND AS GUARDIAN OF THE ESTATE OF LORETTA W MOORE US LEONARD REED	12/7/89A	60.0000	60.0000	33.3462	T1S 8679W SEC 10, W2SE, W2SE LIMITED TO THE WELLBORES OF THE MARCUS LD 11-3794H (API #05-123-42867), MARCUS LD 11-3809H (API #05-123-42866), AND MARCUS LD 11-3809X (API #05-123-45388)	2034	1979	853177
10007D	US LORETTA W MOORE, FORMERLY KNOWN AS LORETTA W RUGGER, A MARRIED WOMAN US CLARKE E HOOK, INDIVIDUALLY AND AS GUARDIAN OF THE ESTATE OF LORETTA W MOORE US AMOCO PRODUCTION COMPANY	12/26/74	81.0000	80.0000	40.0000	T1S 8679W SEC 10, E2NE LIMITED TO THOSE DEPTHS AND FORMATIONS BELOW THE BASE OF THE SUSEX FORMATION FURTHER LIMITED TO THE WELLBORES OF THE MARCUS LD 11-3794H (API #05-123-42867), MARCUS LD 11-3809H (API #05-123-42866), AND MARCUS LD 11-3809X (API #05-123-45388)	1972	465	
10007E	US JOHN H EHLER US AMOCO PRODUCTION COMPANY	02/21/75	140.0000	140.0000	70.0000	T1S 8679W SEC 10, W2SE, W2SE, SESE LIMITED TO THOSE DEPTHS AND FORMATIONS BELOW THE BASE OF THE SHANNON FORMATION FURTHER LIMITED TO THE WELLBORES OF THE MARCUS LD 11-3794H (API #05-123-42867), MARCUS LD 11-3809H (API #05-123-42866), AND MARCUS LD 11-3809X (API #05-123-45388)	1872	462	
		<b>TOTAL</b>	<b>281.0000</b>	<b>220.0000</b>	<b>133.0000</b>				

**Exhibit B - Part 1**  
 Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroleum Corp.  
 dated January 15, 2019

License Well No.	Reservoir	Sec	Tract	Req	API	Operator	WT (%)	NI (%)	WT (%)	NI (%)	APD 2020	WT (%)	NI (%)	APD 2020	WT (%)	NI (%)	Status	Spacing Unit	Given Acres	Lateral Length
B-FARM 1B-034HC	CODELL	7	1.5	67 W	0500110090000	GREAT WESTERN	2.50562%	1.715095%									POP	Sec 7: E2	398.42	1.5_MILE
B-FARM 1B-035HC	CODELL	7	1.5	67 W	0500110091000	GREAT WESTERN	2.50562%	1.715095%									POP	Sec 7: E2	398.42	1.5_MILE
B-FARM 1B-036HC	CODELL	7	1.5	67 W	0500110092000	GREAT WESTERN	2.50562%	1.715095%									POP	Sec 7: E2	398.42	1.5_MILE
JACOBHUCCO 33K-243	NOBARRA	32	1 N	67 W	05121341170000	PDC ENERGY INC	8.41543%	6.03952%									POP	Sec 5: W2W2	609	1.5_MILE
JACOBHUCCO 33K-323	NOBARRA	32	1 N	67 W	05121341180000	PDC ENERGY INC	18.44125%	12.08846%									POP	Sec 5: W2	469.17	1.5_MILE
JACOBHUCCO 33K-403	FORT HAYS-CODELL-CAR	32	1 N	67 W	05121341190000	PDC ENERGY INC	10.6633%	7.86641%									POP	Sec 5: W2W2	314.56	1.5_MILE
JACOBHUCCO 33K-443	CODELL FORT HAYS	32	1 N	67 W	05121341200000	PDC ENERGY INC	8.41543%	6.03952%									POP	Sec 5: W2W2	314.56	1.5_MILE
JACOBHUCCO 33D-203	NOBARRA	32	1 N	67 W	051213411840000	PDC ENERGY INC	18.44125%	12.08846%									POP	Sec 5: W2	469.17	1.5_MILE
JACOBHUCCO 33D-303	NOBARRA	32	1 N	67 W	051213411910000	PDC ENERGY INC	16.88812%	11.47252%									POP	Sec 5: W2W2	314.56	1.5_MILE
JACOBHUCCO 33D-423	CODELL FORT HAYS	32	1 N	67 W	051213411930000	PDC ENERGY INC	21.66835%	15.3785%									POP	Sec 5: E2SW W2SE	468.93	1.5_MILE
JACOBHUCCO 33D-443	FORT HAYS-CODELL-CAR	32	1 N	67 W	05121341190000	PDC ENERGY INC	21.6708%	15.38962%									POP	Sec 5: W2	469.17	1.5_MILE
JACOBHUCCO 33S-203	NOBARRA	32	1 N	67 W	0512134119410000	PDC ENERGY INC	21.69725%	15.39112%									POP	Sec 5: E2	470.9000	1.5_MILE
JACOBHUCCO 33S-303	NOBARRA	32	1 N	67 W	0512134119420000	PDC ENERGY INC	18.92827%	12.418912%									POP	Sec 5: E2	470.9000	1.5_MILE
JACOBHUCCO 33S-323	NOBARRA	32	1 N	67 W	0512134119430000	PDC ENERGY INC	10.56517%	7.78132%									POP	Sec 5: E2SE	316.5657	1.5_MILE
JACOBHUCCO 33S-343	NOBARRA	32	1 N	67 W	0512134119440000	PDC ENERGY INC	26.80732%	18.54154%									POP	Sec 5: E2SE	488.93	1.5_MILE
JACOBHUCCO 33S-403	CODELL FORT HAYS HI	32	1 N	67 W	0512134119450000	PDC ENERGY INC	21.71664%	15.20165%									POP	Sec 5: E2	470.9000	1.5_MILE
JACOBHUCCO 33S-423	FORT HAYS NOBARRA	32	1 N	67 W	05121342020000	PDC ENERGY INC	18.0348%	12.613932%									POP	Sec 5: E2	470.9000	1.5_MILE
MARCUS LID 11-361HN	NOBARRA	M	1 N	67 W	05121343460000	GREAT WESTERN	6.13488%	5.24896%	5.65022%	4.66149%							POP	Sec 1: W2W2	619.262	1.5_MILE





**Exhibit B - Part 2**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp. dated January 15, 2019

Lease Well No	Reservoir	Sec	Turn	Ring	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
GUS SRL CD1	CODELL	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL CD2	CODELL	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL CD3	CODELL	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO1	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO2	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO3	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO4	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO5	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO6	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO7	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO8	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS SRL NIO9	NIORARA	22	1 S	67 W		GREAT WESTERN	16.250000%	13.000000%	Other	Sec 22: N2	320.1	1_MILE
GUS XRL CD1	CODELL	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1_MILE
GUS XRL CD2	CODELL	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1_MILE
GUS XRL CD3	CODELL	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1_MILE
GUS XRL CD4	CODELL	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1_MILE
GUS XRL NIO1	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1_MILE

Lease Well No	Reservoir	Sec	Twn	Rng	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
GUS XRL NIO10	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO11	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO12	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO13	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO14	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO15	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO16	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO17	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO18	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO2	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE
GUS XRL NIO3	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280	2_MILE

Lease Well No	Reservoir	Sec	Twn	Rng	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
GUS XRL NIO4	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
GUS XRL NIO5	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
GUS XRL NIO6	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
GUS XRL NIO7	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
GUS XRL NIO8	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
GUS XRL NIO9	NIORARA	22	1 S	67 W		GREAT WESTERN	3.125000%	2.500000%	Other	Sec 22: S2 Sec 27: ALL Sec 35: N2	1280.2	1.5_MILE
JACOBUCCI K NIOA1	NIORARA A	32	1 N	67 W		PDC ENERGY	18.141200%	12.698840%	Other	Sec 5: W2 Sec 32: SW Sec 35: N2	469.12	1.5_MILE
JACOBUCCI K NIOA2	NIORARA A	32	1 N	67 W		PDC ENERGY	18.141200%	12.698840%	Other	Sec 5: W2 Sec 32: SW Sec 35: N2	469.12	1.5_MILE
JACOBUCCI O NIOA1	NIORARA A	32	1 N	67 W		PDC ENERGY	21.968350%	15.377850%	Other	Sec 5: E2W2 W2E2 Sec 32: W2SE	468.92	1.5_MILE
JACOBUCCI S NIOA1	NIORARA A	32	1 N	67 W		PDC ENERGY	26.487200%	18.541040%	Other	Sec 5: E2W2 W2E2 Sec 21: ALL	388.92	1.5_MILE
Kortum LD 21-362HN	NIORARA	21	1 S	67 W	0500109893	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280.2	1.5_MILE
Kortum LD 21-367HC	CODELL	21	1 S	67 W	0500109886	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280.2	1.5_MILE
Kortum LD 21-372HN	NIORARA	21	1 S	67 W	0500109882	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280.2	1.5_MILE

Lease Well No	Reservoir	Sec	Twn	Rng	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
Kortum LD 21-375HN	NIORBARA	21	1 S	67 W	0500109876	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-377HC	CODELL	21	1 S	67 W	0500109874	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-373HN	NIORBARA	21	1 S	67 W	0500109878	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-378HN	NIORBARA	21	1 S	67 W	0500109871	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-374HN	NIORBARA	21	1 S	67 W	0500109880	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-369HN	NIORBARA	21	1 S	67 W	0500109881	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-363HN	NIORBARA	21	1 S	67 W	0500109890	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-361HN	NIORBARA	21	1 S	67 W	0500109894	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-364HC	CODELL	21	1 S	67 W	0500109896	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-380HN	NIORBARA	21	1 S	67 W	0500109877	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-364HN	NIORBARA	21	1 S	67 W	0500109892	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-371HN	NIORBARA	21	1 S	67 W	0500109897	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-367HN	NIORBARA	21	1 S	67 W	0500109885	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-376HN	NIORBARA	21	1 S	67 W	0500109884	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
Kortum LD 21-369HC	CODELL	21	1 S	67 W	0500109873	GREAT WESTERN	12.350000%	9.880000%	Permitted	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE
KORTUM_CD4	CODELL	21	1 S	67 W		GREAT WESTERN	12.350000%	9.880000%	Other	Sec 21: ALL Sec 28: ALL	1280/2	2_MILE

Lease Well No	Reservoir	Sec	Twn	Rng	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
KORTUM N107	NIORBARA	21	1 S	67 W		GREAT WESTERN	12.350000%	9.880000%	Other	Sec 21: ALL Sec 28: ALL	1280	2_MILE
KORTUM N108	NIORBARA	21	1 S	67 W		GREAT WESTERN	12.350000%	9.880000%	Other	Sec 21: ALL Sec 28: ALL	1280	2_MILE
KORTUM N109	NIORBARA	21	1 S	67 W		GREAT WESTERN	12.350000%	9.880000%	Other	Sec 21: ALL Sec 28: ALL Sec 2: EZEZ	1280	2_MILE
MARCUS LD 11-361HNX	NIORBARA	2	1 S	67 W	0512345381	GREAT WESTERN	6.324080%	5.248970%	Permitted	Sec 11: EZEZ Sec 12: W2W2 Sec 1: W2W2	619.39	2_MILE
MARCUS LD 11-362HC	CODELL	2	1 S	67 W	0512343991	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
MARCUS LD 11-362HN	NIORBARA	2	1 S	67 W	0512343946	GREAT WESTERN	6.324080%	5.248970%	Permitted	Sec 2: E2 Sec 11: EZEZ Sec 12: W2W2 Sec 1: W2W2	619.39	2_MILE
MARCUS LD 11-363HN	NIORBARA	2	1 S	67 W	0512344053	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
MARCUS LD 11-363HNX	NIORBARA	2	1 S	67 W	0512345382	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 11: E2 Sec 2: E2	620.81	2_MILE
MARCUS LD 11-364HN	NIORBARA	2	1 S	67 W	0512343994	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 11: E2 Sec 2: E2	620.81	2_MILE
MARCUS LD 11-365HC	CODELL	2	1 S	67 W	0512343993	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
MARCUS LD 11-365HN	NIORBARA	2	1 S	67 W	0512343995	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
MARCUS LD 11-365HNX	NIORBARA	2	1 S	67 W	0512345386	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
MARCUS LD 11-367HC	CODELL	2	1 S	67 W	0512344038	GREAT WESTERN	11.340830%	9.356180%	Permitted	Sec 2: E2 Sec 11: E2	620.81	2_MILE
Ward Riverdale 15-2-9HC	CODELL	15	1 S	67 W	0500109922	GREAT WESTERN	10.672730%	8.811560%	Permitted	Sec 15: ALL	640	1_MILE
Ward Riverdale 15-2-7HC	CODELL	15	1 S	67 W	0500109938	GREAT WESTERN	10.672730%	8.811560%	Permitted	Sec 15: ALL	640	1_MILE
Todd Creek Farms 15-2-3HC	CODELL	15	1 S	67 W	0500109854	GREAT WESTERN	10.672730%	8.811560%	Permitted	Sec 15: ALL	640	1_MILE

Lease Well No	Reservoir	Sec	Twn	Range	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
Todd Creek Farms 15-2-5HC	CODELL	15	1 S	67 W	0500109853	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Todd Creek Farms 15-2-2HN	NIOBRARA	15	1 S	67 W	0500109855	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Ward Riverdale 15-2-12HN	NIOBRARA	15	1 S	67 W	0500109930	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Ward Riverdale 15-2-10HN	NIOBRARA	15	1 S	67 W	0500109931	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Ward Riverdale 15-2-8HN	NIOBRARA	15	1 S	67 W	0500109934	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Todd Creek Farms 15-2-6HN	NIOBRARA	15	1 S	67 W	0500109852	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
Todd Creek Farms 15-2-4HN	NIOBRARA	15	1 S	67 W	0500109856	GREAT WESTERN	10.677300%	8.8115600%	Permitted	Sec 15: ALL	640	1 MILE
SELTZER 21-31HC	CODELL - lease/line	4	1 S	67 W	0500110199	GREAT WESTERN	7.4940900%	5.3994900%	Permitted	Sec 4: W2E2 E2W2 Sec 9: W2E2 E2W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	1027.06	2 MILE
SELTZER 21-32HN	NIOBRARA - lease/line	4	1 S	67 W	0500109967	GREAT WESTERN	7.4940900%	5.3994900%	Permitted	Sec 4: W2E2 E2W2 Sec 9: W2E2 E2W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	1027.06	2 MILE
SELTZER 21-32HN	NIOBRARA - lease/line	4	1 S	67 W	0500109966	GREAT WESTERN	7.4940900%	5.3994900%	Permitted	Sec 4: W2E2 E2W2 Sec 9: W2E2 E2W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	1027.06	2 MILE
Seltzer LD 09-379HC	CODELL	4	1 S	67 W	0500110198	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 9: W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	627.62	2 MILE
Seltzer LD 09-379HC	CODELL	4	1 S	67 W	0500110193	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 9: W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	627.62	2 MILE
Seltzer LD 09-376HC	CODELL	4	1 S	67 W	0500110194	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 9: W2 Sec 16: W2E2 E2W2 Sec 21: NWNE NENW	627.62	2 MILE
SELTZER CD4	CODELL	4	1 S	67 W		GREAT WESTERN	19.0270000%	13.6248500%	Other	Sec 4: W2 Sec 9: W2	627.62	2 MILE
Seltzer LD 09-378HN	NIOBRARA	4	1 S	67 W	0500110190	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 4: W2 Sec 9: W2	627.62	2 MILE
Seltzer LD 09-371HN	NIOBRARA	4	1 S	67 W	0500110195	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 4: W2 Sec 9: W2	627.62	2 MILE
Seltzer LD 09-379HN	NIOBRARA	4	1 S	67 W	0500110189	GREAT WESTERN	19.0270000%	13.6248500%	Permitted	Sec 4: W2 Sec 9: W2	627.62	2 MILE

Lease Well No	Reservoir	Sec	Twn	Rng	API	Operator	WI (%)	NRI (%)	Status	Spacing Unit	Gross Acres	Lateral Length
Seltzer LD 09-378HN	NIORBARA	4	1 S	67 W	0500110196	GREAT WESTERN	19.027000%	13.624850%	Permitted	Sec 9: W2 Sec 4: W2	627.62	2. MILE
Seltzer LD 09-373HN	NIORBARA	4	1 S	67 W	0500110188	GREAT WESTERN	19.027000%	13.624850%	Permitted	Sec 9: W2 Sec 4: W2	627.62	2. MILE
Seltzer LD 09-375HN	NIORBARA	4	1 S	67 W	0500110191	GREAT WESTERN	19.027000%	13.624850%	Permitted	Sec 9: W2 Sec 4: W2	627.62	2. MILE
Seltzer LD 09-376HN	NIORBARA	4	1 S	67 W	0500110197	GREAT WESTERN	19.027000%	13.624850%	Permitted	Sec 9: W2 Sec 4: W2	627.62	2. MILE
Seltzer LD 09-375HNX	NIORBARA	4	1 S	67 W	0500110192	GREAT WESTERN	19.027000%	13.624850%	Permitted	Sec 9: W2 Sec 4: W2	627.62	2. MILE









Line Item No.	Resource	Sec	Purch	Req	APR	Operator	2023 2024		2025 2026		2027 2028		Status	Budget Wtd	Operating Units	Gross Acres	General Length	Allocation of Purchase Price
							WT (%)	MT (%)	WT (%)	MT (%)	WT (%)	MT (%)						
MARCUS 05 11 3018A	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018B	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018C	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018D	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018E	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018F	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018G	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018H	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018I	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018J	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018K	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018L	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018M	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018N	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018O	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018P	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018Q	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018R	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018S	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018T	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018U	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018V	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018W	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018X	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018Y	NORHAMA	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200
MARCUS 05 11 3018Z	COVELL	2	13	67.00	051214181	GREAT WESTERN	11.80000N	0.88000N					Permitted	546 27.00	13062.2	MI	5	40,200



Exhibit C

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp, dated January 15, 2019

FORM OF ASSIGNMENT AND BILL OF SALE

STATE OF COLORADO §
COUNTY OF \_\_\_\_\_ § KNOW ALL MEN BY THESE PRESENTS: §

ASSIGNMENT AND BILL OF SALE

THIS ASSIGNMENT AND BILL OF SALE (this "Assignment"), dated effective as of 7:00 A.M. (Mountain Standard Time) on January 1, 2019 (the "Effective Time"), is by and between PetroShare Corp, a Colorado C-Corporation with offices at 9635 Maroon Circle, Suite 400, Englewood, Colorado 80112 ("Assignor"), and Grizzly Petroleum Company, LLC, a Colorado limited liability company with offices at 1001 17th Street, Suite 2000, Denver, Colorado 80202 ("Assignee"). Assignor and Assignee are each, individually, referred to herein as a "Party" and, collectively, as the "Parties".

Capitalized terms used but not defined herein shall have the respective meanings set forth in that certain Purchase and Sale Agreement, dated as of January 15, 2019, between Assignor and Assignee (as the same may be amended from time to time, the "Purchase Agreement").

Section 1. Assignment. The conveyance and assignment herein shall be deemed effective as of the Effective Time.

For Ten Dollars (\$10.00) and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), Assignor does hereby forever GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee, all of Assignor's right, title and interest in and to the assets described in subsection (a) through subsection (h) of this Section 1 (such right, title and interest, less and except the Excluded Assets, collectively, the "Assets"):

(a) all oil and gas leases and interests described on Exhibit A and any leasehold estates, and other rights and interests to the oil and gas in place covered by such leases (the "Leases") and any pooled acreage, communitized acreage or units arising on account of Leases being pooled, communitized or unitized into such units ("Units");

(b) the oil, gas, casinghead gas, coal bed methane, condensate and other gaseous and liquid hydrocarbons or any combination thereof, sulphur extracted from hydrocarbons and all other lease substances ("Hydrocarbons") under the Leases and that may be produced and saved under or otherwise be allocated or attributed to the Leases on or after the Effective Time;

(c) the oil, gas, water or injection wells located on Leases or Units, whether producing, shut-in or temporarily abandoned, including those described on Exhibit B (which shall include, for purposes of clarity, the wells subject to the AFEs on Schedules 3.11(b) and (c) to the Purchase Agreement, collectively, the "Wells") and including all of the personal property, equipment, fixtures and improvements used in connection therewith;

(d) the unitization, pooling and communitization agreements, declarations, orders and the units created thereby relating to the properties and interests described in subsections (a) through (c) or to the production, gathering, treatment, processing, storage, sale, disposal and other handling of Hydrocarbons, if any, attributable to said properties and interests;

(e) all equipment, machinery, fixtures and other tangible personal property and improvements located on or used or held for use in connection with the operation of the interests described in subsections (a) through (d) or the production, gathering, treatment, processing, storage, sale, disposal, and other handling of Hydrocarbons attributable thereto, including any wells, tanks, boilers, buildings, fixtures, injection facilities, saltwater disposal facilities, compression facilities, pumping units and engines, platforms, flow lines, pipelines, gathering systems, gas and oil treating facilities, machinery, power lines, telephone and telegraph lines,

roads, and other appurtenances, improvements and facilities (all of the foregoing, collectively, the "Equipment");

(f) all surface leases, permits, rights-of-way, licenses, easements and other surface rights agreements used in connection with the production, gathering, treatment, processing, storage, sale, disposal and other handling of Hydrocarbons or produced water from the interests described in *subsections (a) through (e)* (collectively, the "Surface Contracts");

(g) all Applicable Contracts; and

(h) originals, to the extent available, or copies, of all the files, records and data relating to the items described in *subsections (a) through (g)* above, which records shall include, without limitation: lease records, well records, division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents), engineering records, geological and geophysical data (including seismic data) and all technical evaluations, interpretative data and technical data and information relating to the Assets, correspondence, electronic data files (if any), maps, production records, electric logs, core data, pressure data, decline curves and graphical production curves, reserve reports, appraisals and accounting and Asset Tax records (collectively, the "Records").

Section 2. **Excluded Assets.** Notwithstanding the foregoing, the Assets shall not include, and there is **EXCEPTED AND EXCLUDED** from this Assignment, in all such instances, the following (collectively, the "Excluded Assets"), all of which shall be **RESERVED AND RETAINED** by Assignor:

(a) all of Assignor's corporate minute books, financial records and other business records that relate to Assignor's business generally (including the ownership and operation of the Assets);

(b) unless related to an Assumed Obligation, all trade credits, all accounts receivable, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time;

(c) subject to Section 6.3 of the Purchase Agreement, all rights and interests relating to the Assets (i) under any existing policy or agreement of insurance, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property;

(d) subject to the adjustment in Section 2.4(b)(i) of the Purchase Agreement all Hydrocarbons produced and sold from the Assets with respect to all periods prior to the Effective Time;

(e) unless related to an Assumed Obligation, all claims of Assignor or its Affiliates for refunds of or loss carry forwards with respect to (i) production or any other Taxes paid by Assignor or its Affiliates attributable to any period prior to the Effective Time, (ii) income Taxes paid by Assignor or its Affiliates or (iii) any Taxes attributable to the other Excluded Assets;

(f) all personal computers and associated peripherals and all radio and telephone equipment;

(g) all of Assignor's proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property;

(h) all documents and instruments of Assignor that may be protected by an attorney-client privilege;

(i) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with third parties (provided that Assignor has used its commercially reasonable efforts to have such confidentiality restrictions waived);

(j) unless related to an Assumed Obligation, all audit rights arising under any of the (i) Applicable Contracts or otherwise with respect to any period prior to the Effective Time or (ii) other Excluded Assets, except for any Imbalances;

(k) all geophysical and other seismic and related technical data and information relating to the Assets to the extent that such geophysical and other seismic and related technical data and information is not transferable without payment of a fee or other penalty to any third party under any Contract and which Assignee has not separately agreed in writing to pay;

(l) documents prepared or received by Assignor or its Affiliates with respect to (i) lists of prospective purchasers for the Assets, (ii) bids submitted by other prospective purchasers of the Assets, (iii) analyses by Assignor or its Affiliates of any bids submitted by any prospective purchaser, (iv) correspondence between or among Assignor, its representatives and any prospective purchaser other than Assignee, and (v) correspondence between Assignor or any of its representatives with respect to any of the bids, the prospective purchasers or the transactions contemplated by this Agreement;

(m) a copy of all Records;

(n) any offices, office leases and any office furniture or office supplies located in or on such offices or office leases;

(o) any Records that are solely related to Assets that are excluded pursuant to the provisions of Section 6.2(d)(ii), Section 6.4(c)(ii), Section 6.4(d)(i) or Section 7.1(b)(ii) of the Purchase Agreement;

(p) any Contracts that constitute master services agreements or similar contracts;

(q) any fee simple mineral interests;

(r) all of Assignor's right, title and interest in and to all oil and gas leases described on Exhibit A-1 to the Purchase Agreement and any leasehold estates, and other rights and interests to the oil and gas in place covered by such oil and gas leases or lands pooled, communitized or unitized therewith;

(s) all vertical oil and gas wells located on Leases or Units or on lands pooled, communitized or unitized therewith, whether producing, shut-in or abandoned, including those described on Exhibit C (the "**Retained Vertical Wells**"); and

(t) to the extent, and only to the extent, necessary to produce Hydrocarbons from the wellbore of the Retained Vertical Wells, an interest in the Leases.

**TO HAVE AND TO HOLD** the Assets, together with all rights, privileges and appurtenances thereto unto Assignee and its successors and assigns, forever, subject, however, to the covenants, terms and conditions set forth herein and in the Purchase Agreement, and subject to the Permitted Encumbrances.

Section 3. Special Warranty. With respect to the Assets, Assignor warrants Defensible Title to such Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), against all Persons lawfully claiming or purporting to claim the same, or any part thereof, by, through or under Assignor or its Affiliates, but not otherwise.

Section 4. Disclaimers.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE III OF THE PURCHASE AGREEMENT, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN SECTION 3, (I) ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II)

ASSIGNOR EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO ASSIGNEE OR ANY ASSIGNEE'S REPRESENTATIVE (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO ASSIGNEE BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF ASSIGNOR OR ANY OF ITS AFFILIATES)

(b) EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III OF THE PURCHASE AGREEMENT~~Error! Reference source not found.~~, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN ~~SECTION 3~~, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION, MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY ASSIGNOR OR THIRD PARTIES WITH RESPECT TO THE ASSETS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO ASSIGNEE OR ANY ASSIGNEE'S REPRESENTATIVE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS ASSIGNMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE III OF THE PURCHASE AGREEMENT~~Error! Reference source not found.~~, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN ~~SECTION 3~~, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR WILL CAUSE TO BE MADE SUCH INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE. THE DISCLOSURE OF ANY MATTER OR ITEM IN THE SCHEDULES SHALL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGEMENT BY ASSIGNOR THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED OR IS MATERIAL OR THAT SUCH MATTER WOULD OR WOULD REASONABLY BE EXPECTED TO RESULT IN A MATERIAL ADVERSE EFFECT.

(c) OTHER THAN THOSE REPRESENTATIONS SET FORTH IN SECTION 3.13 OF THE PURCHASE AGREEMENT, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT, ASSIGNOR HAS NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE

ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND NOTHING IN THIS ASSIGNMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND SUBJECT TO ASSIGNEE'S LIMITED RIGHTS UNDER SECTION 7.1 OF THE PURCHASE AGREEMENT AND ASSIGNEE'S RIGHTS IN SECTION 13.2 OF THE PURCHASE AGREEMENT, ASSIGNEE SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT ASSIGNEE HAS MADE OR WILL CAUSE TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE.

(D) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS *SECTION 4* ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

Section 5. Assumed Obligations. Subject to, and without limiting Assignee's rights under, the terms of the Purchase Agreement, Assignee assumes and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid and discharged) all of the Assumed Obligations.

Section 6. Further Cooperation. The Parties shall execute and deliver, or shall cause to be executed and delivered, from time to time such further instruments of conveyance and transfer, and shall take such other actions as any Party may reasonably request, to convey and deliver the Assets to Assignee, to perfect Assignee's title thereto, and to accomplish the orderly transfer of the Assets to Assignee in the manner contemplated by this Assignment.

Section 7. Purchase Agreement. This Assignment is delivered pursuant to, and hereby made subject to, the terms and conditions of the Purchase Agreement. In the event that any provision of this Assignment is construed to conflict with any provision of the Purchase Agreement, the provisions of the Purchase Agreement shall be deemed controlling to the extent of such conflict. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of any party under the Purchase Agreement.

Section 8. Successors and Permitted Assigns. This Assignment shall be binding upon and inure to the benefit of Assignee and Assignor and their respective successors and permitted assigns.

Section 9. Governing Law. THIS ASSIGNMENT, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN *SECTION 3*, AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. ALL OF THE PARTIES CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE COURTS OF THE STATE OF COLORADO FOR ANY DISPUTE. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

Section 10. Recordation. To facilitate recordation, there may be omitted from the Exhibits to this Assignment in certain counterparts descriptions of property located in recording jurisdictions other than the jurisdiction in which the particular counterpart is to be filed or recorded.

Section 11. No Multiple Conveyances. Assignor and Assignee acknowledge and agree that (a) they may be required to execute separate assignments covering certain of the Assets conveyed hereby on forms approved by Governmental Authorities or other Persons to affect the conveyances of such Assets, and (b) simultaneously with the execution and delivery of this Assignment, Assignor and Assignee are entering into that certain Wellbore Assignment (the "**Wellbore Assignment**") to effect the conveyance of certain assets described in the Purchase Agreement. Any such separate assignment (including the Wellbore Assignment) (i) shall evidence this Assignment and conveyance of the applicable Assets herein made and shall not constitute any additional conveyance of any of the Assets, (ii) is not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the

Purchase Agreement and is not intended to create, and shall not create, any additional representations, warranties or covenants of or by Assignor or Assignee, and (iii) shall be deemed to contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate deed or assignment.

Section 12. Subrogation of Covenants and Warranties. To the extent permitted by Law and Contract, Assignee shall be and is subrogated to Assignor's rights in and to all representations, warranties and covenants heretofore given or made by Assignor's predecessors in title (other than Affiliates of Assignor) with respect to the Assets to the extent (and only to the extent) such representations, warranties and covenants relate to any of the Assumed Obligations. Assignor hereby assigns and transfers to Assignee, to the extent so transferable and permitted by Law, Assignor's benefit of and right to enforce the covenants, representations and warranties (other than with respect to any covenants, representations and warranties of any Affiliate of Assignor), if any, which Assignor is entitled to enforce with respect to the Assets to the extent (and only to the extent) such covenants, representations and warranties relate to any of the Assumed Obligations.

*[Signature and acknowledgement pages follow.]*

EXECUTED by Assignor and Assignee on the dates reflected in the acknowledgements of execution, but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

PETROSHARE CORP

By: \_\_\_\_\_  
Name:  
Title:

STATE OF COLORADO §  
  §  
COUNTY OF [\_\_\_\_\_] §

Subscribed, sworn to and acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is \_\_\_\_\_ of PetroShare Corp, a Colorado C-Corporation, and that said instrument was signed on behalf of said corporation.

Given under my hand and seal this \_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Notary Public, State of  
Colorado

**ASSIGNEE:**

GRIZZLY PETROLEUM COMPANY, LLC

By: \_\_\_\_\_  
Name:  
Title:

STATE OF COLORADO §  
§  
COUNTY OF [\_\_\_\_\_] §

Subscribed, sworn to and acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is \_\_\_\_\_ of Grizzly Petroleum Company, LLC, a Colorado limited liability company, and that said instrument was signed on behalf of said limited liability company.

Given under my hand and seal this \_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Notary Public, State of

**EXHIBIT A**

**LEASES**

[See attached]

**EXHIBIT B**

**WELLS**

[See attached]

EXHIBIT C  
RETAINED VERTICAL WELLS  
[See attached]

**Exhibit D**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and PetroShare Corp, dated January 15, 2019

**FORM OF WELLBORE ASSIGNMENT**

STATE OF COLORADO                    §  
   §  
COUNTY OF [\_\_\_\_\_]                    §

**WELLBORE ASSIGNMENT**

This WELLBORE ASSIGNMENT AND BILL OF SALE (this "Assignment"), dated [\_\_\_\_\_] 2019 (the "Execution Date"), but effective for all purposes as of 7:00 A.M. (Mountain Standard Time) on January 1, 2019 (the "Effective Time"), is by and between PetroShare Corp, a Colorado C-Corporation with offices at 9635 Maroon Circle, Suite 400, Englewood, Colorado 80112 ("Assignor"), and Grizzly Petroleum Company, LLC, a Colorado limited liability company with offices at 1001 17th Street, Suite 2000, Denver, Colorado 80202 ("Assignee"). Assignor and Assignee are each, individually, referred to herein as a "Party" and, collectively, as the "Parties".

Capitalized terms used but not defined herein shall have the respective meanings set forth in that certain Purchase and Sale Agreement, dated as of January 15, 2019, between Assignor and Assignee (as the same may be amended from time to time, the "Purchase Agreement").

Section 1. **Assignment.** The conveyance and assignment herein shall be deemed effective as of the Effective Time.

For and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby forever **GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER AND DELIVER** unto Assignee, all of Assignor's right, title and interest in and to the assets described in Sections 1(a) through 1(e) below, subject to the terms and reservations hereof and of the Purchase Agreement (such right, title and interest, less and except the Excluded Assets, collectively, the "Wellbore Assets"):

- (a) the wellbore of the wells described on Exhibit A (the "Wellbores");
- (b) to the extent and only to the extent relating to such Wellbores, any Applicable Contracts;
- (c) to the extent, and only to the extent, necessary to produce Hydrocarbons from the Wellbores, an interest in the oil and gas leases and interests described on Exhibit B and any leasehold estates, and other rights and interests to the oil and gas in place covered by such leases or lands pooled, communitized or unitized therewith (specifically taking into account such limits, such interests, the "Leases"), excepting all other right, title and interest in, to, and under said leases;
- (d) all equipment, machinery, fixtures and other tangible personal property and improvements located on or used or held for use in connection with the operation of the interests described in subsections (a) through (c) or the production, gathering, treatment, processing, storage, sale, disposal, and other handling of Hydrocarbons attributable thereto, including any wells, tanks, boilers, buildings, fixtures, injection facilities, saltwater disposal facilities, compression facilities, pumping units and engines, platforms, flow lines, pipelines, gathering systems, gas and oil treating facilities, machinery, power lines, telephone and telegraph lines, roads, and other appurtenances, improvements and facilities (all of the foregoing, collectively, the "Equipment"); and
- (e) originals, to the extent available, or copies, of all the files, records and data relating to the items described in subsections (a) through (d) above, which records shall include, without limitation: lease records, well records, division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents), engineering records, geological and geophysical data (including seismic data) and all technical evaluations, interpretative data and technical data and information relating to the Assets, correspondence,

electronic data files (if any), maps, production records, electric logs, core data, pressure data, decline curves and graphical production curves, reserve reports, appraisals and accounting and Asset Tax records (collectively, the "**Records**").

**EXCEPTING AND RESERVING** to Assignor, however, as to each of the Wellbore Assets described in Section 1(a) through 1(e) above, all other assets and properties of Assignor not specifically described therein (collectively, the "**Excluded Assets**").

**TO HAVE AND TO HOLD** the Wellbore Assets, together with all rights, privileges and appurtenances thereto, unto Assignee and its successors and assigns, forever, subject, however, to the covenants, terms and conditions set forth herein and in the Purchase Agreement, and subject to the Permitted Encumbrances.

Section 2. **Special Warranty of Title.** With respect to the Wellbore Assets, Assignor warrants Defensible Title to such Wellbore Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), against all Persons lawfully claiming or purporting to claim the same, or any part thereof, by, through or under Assignor or its Affiliates, but not otherwise.

Section 3. **Disclaimers of Warranties.**

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE III OF THE PURCHASE AGREEMENT**Error! Reference source not found.**, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN *SECTION 2*, (I) ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) ASSIGNOR EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO ASSIGNEE OR ANY ASSIGNEE'S REPRESENTATIVE (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO ASSIGNEE BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF ASSIGNOR OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III OF THE PURCHASE AGREEMENT, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN *SECTION 2*, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE WELLBORE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE WELLBORE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE WELLBORE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE WELLBORE ASSETS OR FUTURE REVENUES GENERATED BY THE WELLBORE ASSETS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE WELLBORE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE WELLBORE ASSETS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION, MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY ASSIGNOR OR THIRD PARTIES WITH RESPECT TO THE WELLBORE ASSETS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO ASSIGNEE OR ANY ASSIGNEE'S REPRESENTATIVE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THE PURCHASE AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT. EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE III OF THE PURCHASE AGREEMENT, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN *SECTION 2*, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR

IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY WELLBORE ASSET, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE WELLBORE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR WILL CAUSE TO BE MADE SUCH INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE. THE DISCLOSURE OF ANY MATTER OR ITEM IN THE SCHEDULES TO THE PURCHASE AGREEMENT SHALL NOT BE DEEMED TO CONSTITUTE AN ACKNOWLEDGEMENT BY ASSIGNOR THAT ANY SUCH MATTER IS REQUIRED TO BE DISCLOSED OR IS MATERIAL OR THAT SUCH MATTER WOULD OR WOULD REASONABLY BE EXPECTED TO RESULT IN A MATERIAL ADVERSE EFFECT.

(c) OTHER THAN THOSE REPRESENTATIONS SET FORTH IN SECTION 3.13 OF THE PURCHASE AGREEMENT, THE CERTIFICATE DELIVERED BY ASSIGNOR AT CLOSING PURSUANT TO SECTION 11.3(H) OF THE PURCHASE AGREEMENT, ASSIGNOR HAS NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE WELLBORE ASSETS, AND NOTHING IN THIS ASSIGNMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND SUBJECT TO ASSIGNEE'S LIMITED RIGHTS UNDER SECTION 7.1 OF THE PURCHASE AGREEMENT AND ASSIGNEE'S RIGHTS IN SECTION 13.2 OF THE PURCHASE AGREEMENT, ASSIGNEE SHALL BE DEEMED TO BE TAKING THE WELLBORE ASSETS "AS IS" AND "WHERE IS" WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT ASSIGNEE HAS MADE OR WILL CAUSE TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS ASSIGNEE DEEMS APPROPRIATE.

(d) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 3 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

Section 4. **Further Assurances.** The Parties shall execute and deliver, or shall cause to be executed and delivered, from time to time such further instruments of conveyance and transfer, and shall take such other actions as any Party may reasonably request, to convey and deliver the Assets to Assignee, to perfect Assignee's title thereto, and to accomplish the orderly transfer of the Assets to Assignee in the manner contemplated by this Assignment.

Section 5. **Purchase Agreement.** This Assignment is delivered pursuant to, and hereby made subject to, the terms and conditions of the Purchase Agreement. In the event that any provision of this Assignment is construed to conflict with any provision of the Purchase Agreement, the provisions of the Purchase Agreement shall be deemed controlling to the extent of such conflict. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of any party under the Purchase Agreement.

Section 6. **Governing Law.** THIS ASSIGNMENT, INCLUDING THE SPECIAL WARRANTY OF DEFENSIBLE TITLE CONTAINED IN SECTION 2, AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. ALL OF THE PARTIES CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE COURTS OF THE STATE OF COLORADO FOR ANY DISPUTE. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

Section 7. **Permitted Successors and Assigns.** This Assignment shall be binding upon and inure to the benefit of Assignee and Assignor and their respective successors and permitted assigns.

Section 8. **Severability.** If any term or other provision of this Assignment is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Assignment will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Assignment so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 9. **Counterparts.** This Assignment may be executed in any number of counterparts, and each such counterpart hereof will be deemed to be an original instrument, but all of such counterparts will constitute for all purposes one agreement.

Section 10. **Recordation.** To facilitate recordation, there may be omitted from the Exhibits to this Assignment in certain counterparts descriptions of property located in recording jurisdictions other than the jurisdiction in which the particular counterpart is to be filed or recorded.

Section 11. **No Multiple Conveyances.** Assignor and Assignee acknowledge and agree that (a) they may be required to execute separate assignments covering certain of the Wellbore Assets conveyed hereby on forms approved by Governmental Authorities or other Persons to affect the conveyances of such Wellbore Assets, and (b) simultaneously with the execution and delivery of this Assignment, Assignor and Assignee are entering into that certain Assignment and Bill of Sale (the "ABOS") to effect the conveyance of certain assets described in the Purchase Agreement. Any such separate assignment (including the ABOS) (i) shall evidence this Assignment and conveyance of the applicable Wellbore Assets herein made and shall not constitute any additional conveyance of any of the Wellbore Assets, (ii) is not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the Purchase Agreement and is not intended to create, and shall not create, any additional representations, warranties or covenants of or by Assignor or Assignee, and (iii) shall be deemed to contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate deed or assignment. .

Section 12. **Subrogation of Covenants and Warranties.** To the extent permitted by Law and Contract, Assignee shall be and is subrogated to Assignor's rights in and to all representations, warranties and covenants heretofore given or made by Assignor's predecessors in title (other than Affiliates of Assignor) with respect to the Wellbore Assets to the extent (and only to the extent) such representations, warranties and covenants relate to any of the Assumed Obligations. Assignor hereby assigns and transfers to Assignee, to the extent so transferable and permitted by Law, Assignor's benefit of and right to enforce the covenants, representations and warranties (other than with respect to any covenants, representations and warranties of any Affiliate of Assignor), if any, which Assignor is entitled to enforce with respect to the Assets to the extent (and only to the extent) such covenants, representations and warranties relate to any of the Assumed Obligations.

[Signature and acknowledgment pages follow.]

Each Party is signing this Assignment on the date stated in the acknowledgments below, but effective for all purposes as of the Effective Time.

**ASSIGNOR:**

PetroShare Corp  
a Colorado C-Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF COLORADO §  
§  
COUNTY OF [ ] §

Subscribed, sworn to and acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is \_\_\_\_\_ of PetroShare Corp, a Colorado C-Corporation, and that said instrument was signed on behalf of said corporation.

Given under my hand and seal this \_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Notary Public, State of  
Colorado

**ASSIGNEE:**

Grizzly Petroleum Company, LLC  
a Colorado limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF COLORADO §  
  §  
COUNTY OF [\_\_\_\_\_] §

Subscribed, sworn to and acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 2019 by \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is \_\_\_\_\_ of Grizzly Petroleum Company, LLC, a Colorado limited liability company, and that said instrument was signed on behalf of said limited liability company.

Given under my hand and seal this \_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
Notary Public, State of  
Colorado

EXHIBIT A  
WELLBORES  
[Attached.]

**EXHIBIT B**

**LEASES**

[Attached.]

**Exhibit E**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp., dated January 15, 2019

**Retained Vertical Wells**

Well Name	API #	Qtr/Qty	Section	Township	Range
GUTHRIE 41-2	05-001-09540	NENE	2	1S	67W
GUTHRIE 21-2	05-001-09463	NENW	2	1S	67W
GUTHRIE 31-2	05-001-09541	NWNE	2	1S	67W
GUTHRIE 42-2	05-001-09563	SENE	2	1S	67W
GUTHRIE 22-2	05-001-09389	SENE	2	1S	67W
GUTHRIE ABNER 1	05-001-06251	SWNE	2	1S	67W
GUTHRIE 12-2	05-001-09564	SNNW	2	1S	67W
ZARLENGO 21-4	05-001-09468	NENW	4	1S	67W
ZARLENGO 23-4	05-001-09555	NESW	4	1S	67W
ZARLENGO 2	05-001-08810	NWNW	4	1S	67W
SELTZER G U 2-4	05-001-09025	NWSE	4	1S	67W
ZARLENGO 24-4	05-001-09377	SESW	4	1S	67W
ZARLENGO 14-4	05-001-09384	SWSW	4	1S	67W
LEISLE 8-5	05-001-08690	NENE	8	1S	67W
STONEHOCKER 32-8	05-001-09387	SWNE	8	1S	67W
FRONT RANGE 4	05-001-08750	NWNE	18	1S	67W

**Schedule 3.6**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Litigation**

None.

**Schedule 3.7**

Attached to and made a part of that certain Purchase and Sale Agreement by and between  
Grizzly Petroleum Company, LLC and Petroshare Corp.,  
dated January 15, 2019

**Material Contracts**

<b>Contract Type</b>	<b>Operator</b>	<b>Well(s) Covered</b>	<b>Description/Lands Covered</b>	<b>Dated</b>
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32K-323	Township 1 North, Range 67 West Section 32: SW Township 1 South, Range 67 West Section 5: W2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 32K-323	Township 1 North, Range 67 West Section 32: SW Township 1 South, Range 67 West Section 5: W2 Limited to the Niobrara Formation and the wellbore of the Jacobucci 32K-323	3/31/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32O-423	Township 1 North, Range 67 West Section 32: E2SW, W2SE Township 1 South, Range 67 West Section 5: E2W2, W2E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 32O-423	Township 1 North, Range 67 West Section 32: E2SW, W2SE Township 1 South, Range 67 West Section 5: E2W2, W2E2 Limited to the Codell Formation and the wellbore of the Jacobucci 32O-423	3/31/2016

Contract Type	Operator	Well(s) Covered	Description/Lands Covered	Dated
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 325-203	Township 1 North, Range 67 West Section 32: SE Township 1 South, Range 67 West Section 5: E2W2, W2E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 325-203	Township 1 North, Range 67 West Section 32: SE Township 1 South, Range 67 West Section 5: E2W2, W2E2 Limited to the Niobrara Formation and the wellbore of the Jacobucci 325-203	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 325-343	Township 1 North, Range 67 West Section 32: W2SE Township 1 South, Range 67 West Section 5: E2W2, W2E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 325-343	Township 1 North, Range 67 West Section 32: W2SE Township 1 South, Range 67 West Section 5: E2W2, W2E2 Limited to the Niobrara Formation and the wellbore of the Jacobucci 325-343	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 325-303 Jacobucci 325-423	Township 1 North, Range 67 West Section 32: SE Township 1 South, Range 67 West Section 5: E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 325-303 Jacobucci 325-423	Township 1 North, Range 67 West Section 32: SE Township 1 South, Range 67 West Section 5: E2 Limited to the Horizontal Wells drilled to the Codell and or the Niobrara Formations	3/1/2016

Contract Type	Operator	Well(s) Covered	Description/Lands Covered	Dated
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32K-403	Township 1 North, Range 67 West Section 32: SW Township 1 South, Range 67 West Section 5: W2W2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 32K-403	Township 1 North, Range 67 West Section 32: SW Township 1 South, Range 67 West Section 5: W2W2 Limited to the Codell Formation and the wellbore of the Jacobucci 32K-403	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32S-403	Township 1 North, Range 67 West Section 32: E2SE Township 1 South, Range 67 West Section 5: E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 32S-403	Township 1 North, Range 67 West Section 32: E2SE Township 1 South, Range 67 West Section 5: E2 Limited to the Codell Formation and the wellbore of the Jacobucci 32S-403	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32O-203 Jacobucci 32O-443	Township 1 North, Range 67 West Section 32: E2SW Township 1 South, Range 67 West Section 5: W2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 32O-203 Jacobucci 32O-443	Township 1 North, Range 67 West Section 32: E2SW Township 1 South, Range 67 West Section 5: W2 Limited to the Horizontal Wells drilled to the Codell and or the Niobrara Formations	3/1/2016

Contract Type	Operator	Well(s) Covered	Description/Lands Covered	Dated
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 325-323	Township 1 North, Range 67 West Section 32: E2SE Section 33: W2SW Township 1 South, Range 67 West Section 5: E2E2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 325-323	Township 1 North, Range 67 West Section 32: E2SE Section 33: W2SW Township 1 South, Range 67 West Section 5: E2E2 Limited to the Niobrara Formation and the wellbore of the Jacobucci 325-323	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 320-303	Township 1 North, Range 67 West Section 32: E2SW, W2SE Township 1 South, Range 67 West Section 5: E2W2	3/31/2016
JOA	PDC Energy, Inc.	Jacobucci 320-303	Township 1 North, Range 67 West Section 32: E2SW, W2SE Township 1 South, Range 67 West Section 5: E2W2 Limited to the Niobrara Formation and the wellbore of the Jacobucci 320-303	3/1/2016
Wellbore Specific Declaration of Pooling	PDC Energy, Inc.	Jacobucci 32K-243 Jacobucci 32K-443	Township 1 North, Range 67 West Section 32: W2SW Township 1 South, Range 67 West Section 5: W2W2 Section 6: E2E2	3/31/2016

Contract Type	Operator	Well(s) Covered	Description/Lands Covered	Dated
JOA	PDC Energy, Inc.	Jacobucci 32K-243 Jacobucci 32K-443	Township 1 North, Range 67 West Section 32: W2SW Township 1 South, Range 67 West Section 5: W2W2 Section 6: E2E2 Limited to the Horizontal Wells drilled to the Coelli and or the Niobrara Formations	3/1/2016
JOA	Ward Petroleum Corporation	Ward Riverdale 15-2-11HC	Township 1 North, Range 67 West Section 15: All Limited to the wellbore of the Ward Riverdale 15-2-11HC	6/1/2016

**Schedule 3.8**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp., dated January 15, 2019

**Violation of Laws**

None.

**Schedule 3.9(a)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Royalties**

None.

**Schedule 3.9(b)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Suspense Funds**

None.

**Schedule 3.10**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Imbalances**

None.

**Schedule 3.11(a)(i)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between  
Grizzly Petroleum Company, LLC and Petrosshare Corp.,  
dated January 15, 2019

**AFES**

None other than those forwarded by Great Western Operating Company, LLC on the Seltzer, Marcus and B-Farm Pads.

**Schedule 3.11(a)(ii)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Proposed AFEs**

None other than those forwarded by Great Western Operating Company, LLC on the Seltzer, Marcus and B-Farm Pads.

**Schedule 3.11(b)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between  
Grizzly Petroleum Company, LLC and Petrosshare Corp.,  
dated January 15, 2019

**Outstanding AFEs**

None other than those forwarded by Great Western Operating Company, LLC on the Seltzer, Marcus and B-Farm Pads.

**Schedule 3.11(c)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Funded AFEs**

None.

**Schedule 3.11(d)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between  
Grizzly Petroleum Company, LLC and Petrosshare Corp.,  
dated January 15, 2019

**Elected AFEs**

None other than those forwarded by Great Western Operating Company, LLC on the Seltzer, Marcus and B-Farm Pads.

**Schedule 3.11(e)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Binding AFEs**

None.

**Schedule 3.12**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp., dated January 15, 2019

**Consents and Preferential Rights**

**Preferential Rights:**

Agreement Type	Company	Date	Assets Covered
Participation Agreement	Providence Energy Operators, LLC	18-Jul-17	All

**Consents to Assign:**

None

**Schedule 3.13**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Environmental Matters**

None.

**Schedule 3.17**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Permits**

None.

**Schedule 3.20**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp., dated January 15, 2019

**Payout Balance**

None.

**Schedule 5.1(f)**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petrosshare Corp., dated January 15, 2019

**Insurance Policy Amounts**

Not Applicable.

**Schedule 8.1**

Attached to and made a part of that certain Purchase and Sale Agreement by and between Grizzly Petroleum Company, LLC and Petroshare Corp., dated January 15, 2019

**Permitted Operations**

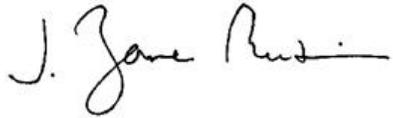
None.

**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS**

Board of Directors  
PetroShare Corp.  
Englewood, Colorado

The undersigned hereby consents to the references to our firm in the form and context in which they appear in the Annual Report on Form 10-K of PetroShare Corp. for the year ended December 31, 2018. We hereby further consent to the use of information contained in our reports setting forth the estimates of revenues from PetroShare Corp.'s oil and gas reserves as of December 31, 2018 and to the inclusion of our reports dated March 4, 2019 as an exhibit to the Annual Report on Form 10-K of PetroShare Corp. for the year ended December 31, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Jane Rusi". The signature is written in a cursive style with a horizontal line extending to the right.

**CAWLEY, GILLESPIE & ASSOCIATES, INC.**  
Texas Registered Accounting Firm F-693

March 26, 2019

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**CERTIFICATION**  
**Pursuant to Section 302 of the**  
**Sarbanes-Oxley Act of 2002**

I, STEPHEN J. FOLEY, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetroShare Corp. for the year ended December 31, 2018;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 3, 2019

/s/ STEPHEN J. FOLEY  
\_\_\_\_\_  
Stephen J. Foley, Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION**  
**Pursuant to Section 302 of the**  
**Sarbanes-Oxley Act of 2002**

I, PAUL D. MANISCALCO, certify that:

1. I have reviewed this Annual Report on Form 10-K of PetroShare Corp. for the year ended December 31, 2018;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 3, 2019

/s/ PAUL D. MANISCALCO

Paul D. Maniscalco, *Chief Financial Officer*  
(*Principal Financial Officer*)

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**CERTIFICATION**  
**Pursuant to 18 U.S.C. Section 1350**  
**As Adopted Pursuant to Section 906 of the**  
**Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of PetroShare Corp., a Colorado corporation (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of the Company does hereby certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 3, 2019

/s/ STEPHEN J. FOLEY  
Stephen J. Foley, *Chief Executive Officer*  
(*Principal Executive Officer*)

/s/ PAUL D. MANISCALCO  
Paul D. Maniscalco, *Chief Financial Officer*  
(*Principal Financial Officer*)

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# CAWLEY, GILLESPIE & ASSOCIATES, INC.

PETROLEUM CONSULTANTS

302 FORT WORTH CLUB BUILDING  
306 WEST SEVENTH STREET  
FORT WORTH, TEXAS 76102-4987  
(817) 336-2461

March 4, 2019

Mr. Frederick J. Witsell  
PetroShare Corp.  
7200 S. Alton Way, Suite B220  
Centennial, CO 80111

Re: Evaluation Summary – SEC Pricing  
PetroShare Corp. Interests  
Various Counties, Colorado  
Proved Reserves  
As of January 1, 2019

Dear Mr. Witsell:

As requested, we are submitting our estimates of proved reserves and our forecasts of the resulting economics attributable to the captioned interests. This report has been prepared for use in filings with the Securities and Exchange Commission by PetroShare Corp. ("PetroShare"). We completed this report on March 4, 2019. It is our understanding that the proved reserves estimates in this report constitute 100 percent of all proved reserves owned by PetroShare and its subsidiaries.

Composite reserve estimates and economic forecasts for the proved reserves are summarized below :

		<u>Proved Developed Producing</u>	<u>Proved Developed Non-Producing</u>	<u>Proved Undeveloped</u>	<u>Proved</u>
Net Reserves					
Oil/Condensate	- Mbbl	1,188.0	0.0	2,005.2	3,193.1
Gas	- MMcf	6,300.1	0.0	11,232.6	17,532.7
NGL	- Mbbl	672.7	0.0	536.8	1,209.6
Revenue					
Oil/Condensate	\$- M	71,077.2	0.0	118,052.5	189,129.8
Gas	\$- M	15,747.6	0.0	48,045.9	63,793.5
NGL	\$- M	15,935.8	0.0	13,434.7	29,370.6
Severance and					
Ad Valorem Taxes	\$- M	10,906.2	0.0	17,953.3	28,859.5
Operating Expenses	\$- M	25,932.1	0.0	26,640.6	52,572.6
Investments	\$- M	0.0	0.0	53,980.8	53,980.8
Operating Income (BFIT)	\$- M	65,922.4	0.0	80,958.5	146,880.9
Discounted at 10.0%	\$- M	52,502.2	0.0	44,296.1	96,798.3

The discounted value shown above should not be construed to represent an estimate of the fair market value by Cawley, Gillespie & Associates, Inc.

Annual average hydrocarbon prices for past 12 months were utilized for the evaluation. The averages were calculated using the first-day-of-the-month prices for each month. The resulting hydrocarbon pricing of \$3.100 per MMBtu of gas and \$65.56 per barrel of oil/condensate was applied without escalation. Adjustments to these prices for basis differentials, hydrocarbon quality, and transportation/processing/gathering fees were supplied by PetroShare and reviewed by Cawley, Gillespie & Associates, Inc. Deductions were applied to the net gas volumes for fuel and shrinkage. The adjusted volume-weighted average product prices over the life of the properties are \$59.23 per barrel of oil, \$24.28 per barrel of NGL, and \$3.64 per Mcf of gas.

Operating expenses and capital costs were supplied by PetroShare and reviewed for reasonableness. Severance and ad valorem rates were specified by state/county. Neither expenses nor investments were escalated. The cost of plugging and the salvage value of equipment have not been considered.

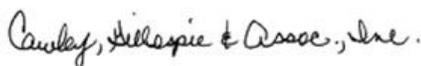
The proved reserve classifications conform to criteria of the Securities and Exchange Commission. The estimates of reserves have been prepared in accordance with the definitions and disclosure guidelines set forth in the U.S. Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. A combination of methods, including production performance analysis, analogy and volumetric analysis, were employed in estimating the reserves. The reserves and economics are predicated on the regulatory agency classifications, rules, policies, laws, taxes and royalties in effect on the effective date except as noted herein. The possible effects of changes in legislation or other Federal or State restrictive actions have not been considered. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. It should be realized that the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

The reserve estimates were based on interpretations of factual data furnished by PetroShare. We have used all methods and procedures as we considered necessary under the circumstances to prepare the report. Ownership interests were supplied by PetroShare and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement these data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data. An on-site inspection of these properties has not been made nor have the wells been tested by Cawley, Gillespie & Associates, Inc.

Cawley, Gillespie & Associates, Inc. is independent with respect to PetroShare as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information promulgated by the Society of Petroleum Engineers. Neither Cawley, Gillespie & Associates, Inc. nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future production rates for the subject properties.

Our work-papers and related data are available for inspection and review by authorized parties.

Respectfully submitted,



**CAWLEY, GILLESPIE & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-693