

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 1-35374

Mid-Con Energy Partners, LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2842469
(I.R.S. Employer
Identification Number)

2431 East 61st Street, Suite 800

Tulsa, Oklahoma 74136

(Address of principal executive offices and zip code)

(918) 748-3361

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Units Representing Limited Partner Interests	MCEP	NASDAQ Global Select Market

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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 November 6, 2020, the registrant had 14,311,522 common units outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about:

- risks related to our pending Merger, as defined herein, with Contango Oil & Gas Co., including, but not limited to, disruption of management time from ongoing business operations due to the Merger, the risk of any litigation relating to the Merger and the risk that the parties may not be able to satisfy the conditions to the completion of the Merger in a timely manner or at all;
- our ability to continue as a going concern;
- volatility of commodity prices;
- supply and demand of oil and natural gas;
- revisions to oil and natural gas reserves estimates as a result of changes in commodity prices;
- effectiveness of risk management activities;
- business strategies;
- future financial and operating results;
- our ability to pay distributions;
- our ability to replace the reserves we produce through acquisitions and the development of our properties;
- future capital requirements and availability of financing;
- technology and cybersecurity;
- realized oil and natural gas prices;
- production volumes;
- lease operating expenses;
- general and administrative expenses;
- cash flow and liquidity;
- availability of production equipment;
- availability of oil field labor;
- capital expenditures;
- availability and terms of capital;
- marketing of oil and natural gas;
- general economic conditions;
- world-wide epidemics, including COVID-19, and the related effects of sheltering in place;
- competition in the oil and natural gas industry;
- environmental liabilities;
- counterparty credit risk;
- governmental regulation and taxation;
- compliance with NASDAQ Global Select Market (“NASDAQ”) listing requirements;
- developments in oil and natural gas producing countries, including increases and decreases in supply from Russia and OPEC; and
- plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this Form 10-Q, are forward-looking statements. These forward-looking statements may be found in Item 1. "Financial Statements," Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other items within this Form 10-Q. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," "goal," "forecast," "guidance," "might," "scheduled" and the negative of such terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this Form 10-Q are not guarantees of future performance and we cannot assure any reader that such statements will be realized or that the forward-looking events will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described in the "Risk Factors" section included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019, ("Annual Report") and Part II - Item 1A in this Form 10-Q. All forward-looking statements speak only as of the date made, and other than as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Mid-Con Energy Partners, LP and subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except number of units)
(Unaudited)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 424	\$ 255
Accounts receivable	4,114	6,853
Derivative financial instruments	7,225	—
Prepaid expenses	228	87
Assets held for sale	—	365
Total current assets	<u>11,991</u>	<u>7,560</u>
Property and equipment		
Oil and natural gas properties, successful efforts method		
Proved properties	265,083	261,375
Unproved properties	4,290	3,125
Other property and equipment	985	1,262
Accumulated depletion, depreciation, amortization and impairment	(98,609)	(72,303)
Total property and equipment, net	<u>171,749</u>	<u>193,459</u>
Derivative financial instruments	1,372	730
Other assets	1,758	1,020
Total assets	<u>\$ 186,870</u>	<u>\$ 202,769</u>
LIABILITIES, CONVERTIBLE PREFERRED UNITS AND EQUITY		
Current liabilities		
Accounts payable		
Trade	\$ 864	\$ 320
Related parties	2,743	6,902
Derivative financial instruments	—	1,944
Accrued liabilities	2,575	795
Other current liabilities	454	430
Current debt	69,737	—
Total current liabilities	<u>76,373</u>	<u>10,391</u>
Long-term debt	—	68,000
Other long-term liabilities	113	457
Asset retirement obligations	32,179	30,265
Commitments and contingencies		
Class A convertible preferred units - 0 and 11,627,906 issued and outstanding, respectively	—	22,964
Class B convertible preferred units - 0 and 9,803,921 issued and outstanding, respectively	—	14,829
Equity, per accompanying statements		
General partner	—	(793)
Limited partners - 14,311,522 and 1,541,215 units issued and outstanding, respectively	78,205	56,656
Total equity	<u>78,205</u>	<u>55,863</u>
Total liabilities, convertible preferred units and equity	<u>\$ 186,870</u>	<u>\$ 202,769</u>

See accompanying notes to condensed consolidated financial statements

Mid-Con Energy Partners, LP and subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues				
Oil sales	\$ 9,632	\$ 15,468	\$ 28,253	\$ 46,854
Natural gas sales	271	283	635	930
Other operating revenues	226	271	547	983
(Loss) gain on derivatives, net	(1,379)	5,730	19,062	(3,072)
Total revenues	8,750	21,752	48,497	45,695
Operating costs and expenses				
Lease operating expenses	5,124	8,293	18,640	22,710
Production and ad valorem taxes	533	1,333	1,781	4,084
Other operating expenses	282	536	1,158	1,426
Impairment of proved oil and natural gas properties	—	180	19,547	384
Depreciation, depletion and amortization	2,104	2,559	6,759	8,026
Accretion of discount on asset retirement obligations	445	423	1,283	1,168
General and administrative	2,176	1,404	7,956	6,414
Total operating costs and expenses	10,664	14,728	57,124	44,212
Gain on sales of oil and natural gas properties, net	—	—	—	9,692
(Loss) income from operations	(1,914)	7,024	(8,627)	11,175
Other (expense) income				
Interest income	—	1	1	10
Interest expense	(1,630)	(1,175)	(3,998)	(4,019)
Other (expense) income	5	4	(42)	53
Gain on sale of other assets	—	123	—	123
Loss on settlements of asset retirement obligations	—	(16)	(15)	(72)
Total other expense	(1,625)	(1,063)	(4,054)	(3,905)
Net (loss) income	(3,539)	5,961	(12,681)	7,270
Less: Distributions to preferred unitholders	—	1,166	1,172	3,472
Less: General partner's interest in net income	—	69	—	84
Limited partners' interest in net (loss) income	\$ (3,539)	\$ 4,726	\$ (13,853)	\$ 3,714
Limited partners' interest in net (loss) income per unit				
Basic	\$ (0.25)	\$ 3.08	\$ (1.97)	\$ 2.42
Diluted	\$ (0.25)	\$ 1.79	\$ (1.97)	\$ 1.41
Weighted average limited partner units outstanding				
Limited partner units (basic)	14,312	1,541	7,048	1,537
Limited partner units (diluted)	14,312	2,659	7,048	2,657

See accompanying notes to condensed consolidated financial statements

Mid-Con Energy Partners, LP and subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net (loss) income	\$ (12,681)	\$ 7,270
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation, depletion and amortization	6,759	8,026
Debt issuance costs amortization	588	533
Accretion of discount on asset retirement obligations	1,283	1,168
Impairment of proved oil and natural gas properties	19,547	384
Loss on settlements of asset retirement obligations	15	72
Cash paid for settlements of asset retirement obligations	(21)	(96)
Paid-in-kind interest on revolving credit facility	487	—
Mark to market on derivatives		
(Gain) loss on derivatives, net	(19,062)	3,072
Cash settlements received (paid) for matured derivatives, net	9,251	(750)
Gain on sales of oil and natural gas properties	—	(9,692)
Gain on sale of other assets	—	(123)
Non-cash equity-based compensation	271	577
Changes in operating assets and liabilities		
Accounts receivable	2,739	(1,246)
Prepaid expenses and other assets	(1,070)	(84)
Accounts payable - trade and accrued liabilities	123	(226)
Accounts payable - related parties	(2,379)	1,537
Net cash provided by operating activities	5,850	10,422
Cash flows from investing activities		
Acquisitions of oil and natural gas properties	(111)	(3,296)
Additions to oil and natural gas properties	(5,905)	(9,363)
Additions to other property and equipment	(84)	—
Proceeds from sales of oil and natural gas properties	—	32,514
Proceeds from sale of other assets	365	123
Net cash (used in) provided by investing activities	(5,735)	19,978
Cash flows from financing activities		
Proceeds from line of credit	6,000	8,000
Payments on line of credit	(4,750)	(36,000)
Debt issuance costs	(396)	—
Distributions to Class A convertible preferred units	(500)	(1,500)
Distributions to Class B convertible preferred units	(300)	(900)
Net cash provided by (used in) financing activities	54	(30,400)
Net increase in cash and cash equivalents	169	—
Beginning cash and cash equivalents	255	467
Ending cash and cash equivalents	\$ 424	\$ 467

See accompanying notes to condensed consolidated financial statements

Mid-Con Energy Partners, LP and subsidiaries
Condensed Consolidated Statements of Changes in Equity
(in thousands)
(Unaudited)

	General	Limited Partners		Total
	Partner	Units	Amount	Equity
Balance, December 31, 2019	\$ (793)	1,541	\$ 56,656	\$ 55,863
Equity-based compensation	—	17	78	78
Distributions to Class A convertible preferred units	—	—	(500)	(500)
Distributions to Class B convertible preferred units	—	—	(300)	(300)
Accretion of beneficial conversion feature of Class A convertible preferred units	—	—	(323)	(323)
Accretion of beneficial conversion feature of Class B convertible preferred units	—	—	(49)	(49)
Net income	31	—	2,752	2,783
Balance, March 31, 2020	(762)	1,558	58,314	57,552
Equity-based compensation	—	11	193	193
Distributions to Class A convertible preferred units	—	—	(333)	(333)
Distributions to Class B convertible preferred units	—	—	(200)	(200)
Accretion of beneficial conversion feature of Class A convertible preferred units	—	—	(219)	(219)
Accretion of beneficial conversion feature of Class B convertible preferred units	—	—	(32)	(32)
Conversion of Preferred Units Class A and Class B to common units	—	12,725	36,708	36,708
Conversion of General Partner to common units	762	18	(762)	—
Net loss	—	—	(11,925)	(11,925)
Balance, June 30, 2020	—	14,312	81,744	81,744
Net loss	—	—	(3,539)	(3,539)
Balance, September 30, 2020	\$ —	14,312	\$ 78,205	\$ 78,205

See accompanying notes to condensed consolidated financial statements.

Mid-Con Energy Partners, LP and subsidiaries
Condensed Consolidated Statements of Changes in Equity
(in thousands)
(Unaudited)

	General	Limited Partners		Total
	Partner	Units	Amount	Equity
Balance, December 31, 2018	\$ (786)	1,522	\$ 61,195	\$ 60,409
Equity-based compensation	—	19	334	334
Distributions to Class A convertible preferred units	—	—	(500)	(500)
Distributions to Class B convertible preferred units	—	—	(300)	(300)
Accretion of beneficial conversion feature of Class A convertible preferred units	—	—	(301)	(301)
Accretion of beneficial conversion feature of Class B convertible preferred units	—	—	(48)	(48)
Net loss	(45)	—	(3,743)	(3,788)
Balance, March 31, 2019	(831)	1,541	56,637	55,806
Equity-based compensation	—	—	122	122
Distributions to Class A convertible preferred units	—	—	(500)	(500)
Distributions to Class B convertible preferred units	—	—	(300)	(300)
Accretion of beneficial conversion feature of Class A convertible preferred units	—	—	(309)	(309)
Accretion of beneficial conversion feature of Class B convertible preferred units	—	—	(48)	(48)
Net income	60	—	5,037	5,097
Balance, June 30, 2019	(771)	1,541	60,639	59,868
Equity-based compensation	—	1	121	121
Distributions to Class A convertible preferred units	—	—	(500)	(500)
Distributions to Class B convertible preferred units	—	—	(300)	(300)
Accretion of beneficial conversion feature of Class A convertible preferred units	—	—	(317)	(317)
Accretion of beneficial conversion feature of Class B convertible preferred units	—	—	(49)	(49)
Net income	69	—	5,892	5,961
Balance, September 30, 2019	<u>\$ (702)</u>	<u>1,542</u>	<u>\$ 65,486</u>	<u>\$ 64,784</u>

See accompanying notes to condensed consolidated financial statements.

Mid-Con Energy Partners, LP and subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization and Nature of Operations

Nature of Operations

Mid-Con Energy Partners, LP (“we,” “our,” “us,” the “Partnership” or the “Company”) is a publicly held Delaware limited partnership formed in July 2011 that engages in the ownership, acquisition and development of producing oil and natural gas properties in North America, with a focus on enhanced oil recovery (“EOR”). Our limited partner units (“common units”) are listed under the symbol “MCEP” on the NASDAQ.

Basis of Presentation

Our unaudited condensed consolidated financial statements are prepared pursuant to the rules and regulations of the SEC. These financial statements have not been audited by our independent registered public accounting firm, except that the condensed consolidated balance sheet at December 31, 2019, is derived from the audited financial statements. Accordingly, certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted in this Form 10-Q. We believe that the presentations and disclosures made are adequate to make the information not misleading.

The unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. These interim financial statements should be read in conjunction with our Annual Report. All intercompany transactions and account balances have been eliminated.

Liquidity and Going Concern

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business. At March 31, 2020, the Partnership was not in compliance with the leverage ratio covenant of our credit agreement. On June 4, 2020, Amendment 15 to the credit agreement was executed, decreasing the borrowing base of the revolving credit facility from \$95.0 million to \$64.0 million, establishing a repayment schedule for the borrowing base deficiency and waiving the March 31, 2020, leverage ratio noncompliance. See Note 7 in this section for additional information on Amendment 15 to the credit agreement. At September 30, 2020, the Partnership was in compliance with the financial covenants required by the credit agreement. Our ability to continue as a going concern is dependent on the re-negotiation of our revolving credit agreement that matures May 1, 2021, or other measures such as the sale of assets or raising additional capital. There can be no assurance, however, that such discussions will result in a refinancing of the credit facility on acceptable terms, if at all, or provide any specific amount of additional liquidity. These factors raise substantial doubt over the Partnership’s ability to continue as a going concern for at least one year from the date that these financial statements are issued, and therefore, whether we will realize our assets and extinguish our liabilities in the normal course of business and at the amounts stated in the unaudited condensed consolidated financial statements. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty, nor do they include adjustments to reflect the possible future effects of the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary should the Partnership be unable to continue as a going concern.

Non-cash Investing and Supplemental Cash Flow Information

The following presents the non-cash investing and supplemental cash flow information for the periods presented:

(in thousands)	Nine Months Ended September 30,	
	2020	2019
Non-cash investing information		
Conversion of preferred equity to common units	\$ (36,708)	\$ —
Change in oil and natural gas properties - assets received in exchange	\$ —	\$ 38,533
Change in oil and natural gas properties - accrued capital expenditures	\$ (2,140)	\$ 455
Change in oil and natural gas properties - accrued acquisitions	\$ 360	\$ (1,462)
Supplemental cash flow information		
Cash paid for interest	\$ 2,848	\$ 3,639

Reverse Unit Split

On April 9, 2020, the Partnership effected a 1-for-20 reverse common unit split. For presentation purposes, the unaudited condensed consolidated financial statements and footnotes have been adjusted to reflect this reverse unit split as if it had occurred at the beginning of the periods presented.

Note 2. Acquisitions, Divestitures and Assets Held for Sale

Assets and liabilities assumed in acquisitions accounted for as business combinations are recorded in our unaudited condensed consolidated balance sheets at their estimated fair values as of the acquisition date using assumptions that represent Level 3 fair value measurement inputs. See Note 5 in this section for additional discussion of our fair value measurements.

Results of operations attributable to the acquisition subsequent to the closing are included in our unaudited condensed consolidated statements of operations. The operations and cash flows of divested properties are eliminated from our ongoing operations.

Strategic Transaction

In March 2019, we simultaneously closed the previously announced definitive agreements to sell substantially all of our oil and natural gas properties located in Texas for \$60.0 million and to purchase certain oil and natural gas properties located in Osage, Grady and Caddo Counties in Oklahoma for an aggregate purchase price of \$27.5 million, both agreements subject to customary purchase price adjustments. We received net proceeds of \$32.5 million at the close of this strategic transaction ("Strategic Transaction") of which \$32.0 million was used to reduce borrowings outstanding under our revolving credit facility. The acquired properties were accounted for as an asset acquisition. A gain on the sale of oil and natural gas properties of \$9.5 million was reported in the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2019.

The following table presents revenues and expenses of the oil and natural gas properties sold included in the accompanying unaudited condensed consolidated statements of operations for the periods presented:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Oil and natural gas sales	\$ —	\$ —	\$ —	\$ 4,689
Expenses ⁽¹⁾	\$ —	\$ 63	\$ —	\$ 3,433

(1) Expenses include lease operating expenses ("LOE"), production and ad valorem taxes, accretion and depletion.

Divestiture

On January 23, 2020, we closed the sale of land in Southern Oklahoma for a net cash settlement of \$0.4 million. At December 31, 2019, the carrying value of \$0.4 million was presented in “Assets held for sale” in our unaudited condensed consolidated balance sheets. No gain or loss on the transaction was recorded during the nine months ended September 30, 2020.

Note 3. Equity Awards

We have a long-term incentive program (the “Long-Term Incentive Program”) for employees, officers, consultants and directors of our general partner and its former affiliates, including Mid-Con Energy Operating, LLC (“Mid-Con Energy Operating”) and ME3 Oilfield Service, LLC (“ME3 Oilfield Service”), who performed services for us. The Long-Term Incentive Program allows for the award of unit options, unit appreciation rights, unrestricted units, restricted units, phantom units, distribution equivalent rights granted with phantom units and other types of awards. The Long-Term Incentive Program is administered by the voting members of our general partner and approved by the Board of Directors of our general partner (the “Board”). If an employee terminates employment prior to the restriction lapse date, the awarded units are forfeited and canceled and are no longer considered issued and outstanding.

The following table shows the number of existing awards and awards available under the Long-Term Incentive Program at September 30, 2020:

	Number of Common Units
Approved and authorized awards	175,700
Unrestricted units granted	(69,160)
Restricted units granted, net of forfeitures	(19,971)
Equity-settled phantom units granted, net of forfeitures	(72,251)
Awards available for future grant	<u>14,318</u>

We recognized \$0.3 million of total equity-based compensation expense for the nine months ended September 30, 2020, respectively. We recognized \$0.2 million and \$0.6 million of total equity-based compensation expense for the three and nine months ended September 30, 2019. These costs are reported as a component of general and administrative expenses (“G&A”) in our unaudited condensed consolidated statements of operations.

Unrestricted Unit Awards

During the nine months ended September 30, 2020, we granted 1,633 unrestricted units with an average grant date fair value of \$5.20, as adjusted for the reverse unit split. During the nine months ended September 30, 2019, we granted 2,500 unrestricted units with an average grant date fair value of \$20.80 per unit, as adjusted for the reverse unit split.

Equity-Settled Phantom Unit Awards

Equity-settled phantom units vest over a period of two or three years. During the nine months ended September 30, 2020, we did not grant any equity-settled phantom units. During the nine months ended September 30, 2019, we granted 25,500 equity-settled phantom units with a two-year vesting period and 3,300 equity-settled phantom units with a three-year vesting period, as adjusted for the reverse split.

A summary of our equity-settled phantom unit awards for the nine months ended September 30, 2020, is presented below:

	Number of Equity-Settled Phantom Units	Average Grant Date Fair Value per Unit
Outstanding at December 31, 2019	28,550	\$ 25.00
Units vested	(26,267)	\$ 15.73
Units forfeited	(2,283)	\$ 23.24
Outstanding at September 30, 2020	<u>-</u>	

Note 4. Derivative Financial Instruments

Our risk management program is intended to reduce our exposure to commodity price volatility and to assist with stabilizing cash flows. Accordingly, we utilize commodity derivative contracts (swaps, calls, puts and collars) to manage a portion of our exposure to commodity prices. We enter into commodity derivative contracts or modify our portfolio of existing commodity derivative contracts when we believe market conditions or other circumstances suggest that it is prudent or as required by our lenders. We account for our commodity derivative contracts at fair value. See Note 5 in this section for a description of our fair value measurements.

We do not designate derivatives as hedges for accounting purposes; therefore, the mark-to-market adjustment reflecting the change in the fair value of our commodity derivative contracts is recorded in current period earnings. When prices for oil are volatile, a significant portion of the effect of our hedging activities consists of non-cash gains or losses due to changes in the fair value of our commodity derivative contracts. In addition to mark-to-market adjustments, gains or losses arise from net amounts paid or received on monthly settlements, proceeds from or payments for termination of contracts prior to their expiration and premiums paid or received for new contracts. Any deferred premiums are recorded as a liability and recognized in earnings as the related contracts mature. Gains and losses on derivatives are included in cash flows from operating activities. Pursuant to the accounting standard that permits netting of assets and liabilities where the right of offset exists, we present the fair value of commodity derivative contracts on a net basis.

At September 30, 2020, our commodity derivative contracts were in a net asset position with a fair value of \$8.6 million, whereas at December 31, 2019, our commodity derivative contracts were in a net liability position with a fair value of \$1.2 million. All of our commodity derivative contracts are with major financial institutions that are also lenders under our revolving credit facility. Should one of these financial counterparties not perform, we may not realize the benefit of some of our commodity derivative contracts under lower commodity prices and we could incur a loss. As of September 30, 2020, all of our counterparties have performed pursuant to the terms of their commodity derivative contracts.

The following tables summarize the gross fair value by the appropriate balance sheet classification, even when the derivative financial instruments are subject to netting arrangements and qualify for net presentation, in our unaudited condensed consolidated balance sheets at September 30, 2020, and December 31, 2019:

<u>(in thousands)</u>	<u>Gross Amounts Recognized</u>	<u>Gross Amounts Offset in the Unaudited Condensed Consolidated Balance Sheets</u>	<u>Net Amounts Presented in the Unaudited Condensed Consolidated Balance Sheets</u>
September 30, 2020			
Assets			
Derivative financial instruments - current asset	\$ 7,341	\$ (116)	\$ 7,225
Derivative financial instruments - long-term asset	1,459	(87)	1,372
Total	8,800	(203)	8,597
Liabilities			
Derivative financial instruments - current liability	(116)	116	—
Derivative financial instruments - long-term liability	(87)	87	—
Total	(203)	203	—
Net asset	<u>\$ 8,597</u>	<u>\$ —</u>	<u>\$ 8,597</u>

(in thousands)	Gross Amounts Recognized	Gross Amounts Offset in the Unaudited Condensed Consolidated Balance Sheets	Net Amounts Presented in the Unaudited Condensed Consolidated Balance Sheets
December 31, 2019			
Assets			
Derivative financial instruments - long-term asset	\$ 1,635	\$ (905)	\$ 730
Total	1,635	(905)	730
Liabilities			
Derivative financial instruments - current liability	(1,944)	—	(1,944)
Derivative financial instruments - long-term liability	(905)	905	—
Total	(2,849)	905	(1,944)
Net liability	\$ (1,214)	\$ —	\$ (1,214)

The following table presents the impact of derivative financial instruments and their location within the unaudited condensed consolidated statements of operations:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net settlements on matured derivatives	\$ 2,267	\$ (164)	\$ 9,251	\$ (750)
Net change in fair value of derivatives	(3,646)	5,894	9,811	(2,322)
Total (loss) gain on derivatives, net	\$ (1,379)	\$ 5,730	\$ 19,062	\$ (3,072)

At September 30, 2020, and December 31, 2019, our commodity derivative contracts had maturities at various dates through December 2021 and were comprised of commodity price swap and collar contracts. At September 30, 2020, we had the following oil derivatives net positions:

Period Covered	Weighted Average Fixed Price	Weighted Average Floor Price	Weighted Average Ceiling Price	Total Bbls Hedged/day	Index
Swaps - 2020	\$ 57.44	\$ —	\$ —	1,786	NYMEX-WTI
Swaps - 2021	\$ 55.78	\$ —	\$ —	672	NYMEX-WTI
Collars - 2021	\$ —	\$ 52.00	\$ 58.80	672	NYMEX-WTI

At December 31, 2019, we had the following oil derivatives net positions:

Period Covered	Weighted Average Fixed Price	Weighted Average Floor Price	Weighted Average Ceiling Price	Total Bbls Hedged/day	Index
Swaps - 2020	\$ 55.81	\$ —	\$ —	1,931	NYMEX-WTI
Swaps - 2021	\$ 55.78	\$ —	\$ —	672	NYMEX-WTI
Collars - 2021	\$ —	\$ 52.00	\$ 58.80	672	NYMEX-WTI

Note 5. Fair Value Disclosures

Fair Value of Financial Instruments

The carrying amounts reported in our unaudited condensed consolidated balance sheets for cash, accounts receivable and accounts payable approximate their fair values. The carrying amount of debt under our revolving credit facility approximates fair value because the revolving credit facility's variable interest rate resets frequently and approximates current market rates available to us. We account for our commodity derivative contracts at fair value as discussed in "Assets and Liabilities Measured at Fair Value on a Recurring Basis" below.

Fair Value Measurements

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities recorded in the balance sheet are categorized based on the inputs to the valuation technique as follows:

Level 1 - Financial assets and liabilities for which values are based on unadjusted quoted prices for identical assets or liabilities in an active market that management has the ability to access. We consider active markets to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 - Financial assets and liabilities for which values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 instruments primarily include swap, call, put and collar contracts.

Level 3 - Financial assets and liabilities for which values are based on prices or valuation approaches that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

When the inputs used to measure fair value fall within different levels of the hierarchy in a liquid environment, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. We had no transfers in or out of Levels 1, 2 or 3 for the nine months ended September 30, 2020, and for the year ended December 31, 2019.

Our estimates of fair value have been determined at discrete points in time based on relevant market data. These estimates involve uncertainty and cannot be determined with precision. There were no material changes in valuation approach or related inputs for the nine months ended September 30, 2020, and for the year ended December 31, 2019.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

We account for commodity derivative contracts and their corresponding deferred premiums at fair value on a recurring basis utilizing certain pricing models. Inputs to the pricing models include publicly available prices from a compilation of data gathered from third parties and brokers. We validate the data provided by third parties by understanding the pricing models used, obtaining market values from other pricing sources, analyzing pricing data in certain situations and confirming that those securities trade in active markets. Any deferred premiums associated with our commodity derivative contracts are categorized as Level 3, as we utilize a net present value calculation to determine the valuation. See Note 4 in this section for a summary of our derivative financial instruments.

The following sets forth, by level within the hierarchy, the fair value of our assets and liabilities measured at fair value on a recurring basis as of September 30, 2020, and December 31, 2019:

(in thousands)	Level 1	Level 2	Level 3	Fair Value
September 30, 2020				
Derivative financial instruments - asset	\$ —	\$ 8,800	\$ —	\$ 8,800
Derivative financial instruments - liability	\$ —	\$ 203	\$ —	\$ 203
December 31, 2019				
Derivative financial instruments - asset	\$ —	\$ 1,635	\$ —	\$ 1,635
Derivative financial instruments - liability	\$ —	\$ 2,849	\$ —	\$ 2,849

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Asset Retirement Obligations

We estimate the fair value of our asset retirement obligations ("ARO") based on discounted cash flow projections using numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for ARO, amounts

and timing of settlements, the credit-adjusted risk-free rate to be used and inflation rates. See Note 6 in this section for a summary of changes in ARO.

Acquisitions

The estimated fair values of proved oil and natural gas properties acquired in business combinations are based on a discounted cash flow model and market assumptions as to future commodity prices, projections of estimated quantities of oil and natural gas reserves, expectations for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates and risk-adjusted discount rates at the acquisition date. Based on the unobservable nature of certain of the inputs, the estimated fair value of the oil and natural gas properties acquired is deemed to use Level 3 inputs. See Note 2 in this section for further discussion of our acquisitions.

Reserves

We calculate the estimated fair values of reserves and properties using valuation techniques consistent with the income approach, converting future cash flows to a single discounted amount. Significant inputs used to determine the fair values of proved properties include estimates of reserves, future operating and developmental costs, future commodity prices, a market-based weighted average cost of capital rate and the rate at which future cash flows are discounted to estimate present value. We discount future values by a per annum rate of 10% because we believe this amount approximates our long-term cost of capital and accordingly, is well aligned with our internal business decisions. The underlying commodity prices embedded in our estimated cash flows begin with Level 1 NYMEX-WTI forward curve pricing, less Level 3 assumptions that include location, pricing adjustments and quality differentials.

Impairment

The need to test oil and natural gas assets for impairment may result from significant declines in sales prices or downward revisions in estimated quantities of oil and natural gas reserves. If the carrying value of the long-lived assets exceeds the estimated undiscounted future net cash flows, an impairment expense is recognized for the difference between the estimated fair value and the carrying value of the assets. Due to the unprecedented decline in oil prices, we recorded impairment expense of \$19.5 million for the nine months ended September 30, 2020. We recorded impairment expense of \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2019.

Note 6. Asset Retirement Obligations

We have obligations under our lease agreements and federal regulations to remove equipment and restore land at the end of oil and natural gas operations. These ARO are primarily associated with plugging and abandoning wells. We typically incur this liability upon acquiring or successfully drilling a well and determine our ARO by calculating the present value of estimated cash flow related to the estimated future liability. Determining the removal and future restoration obligation requires management to make estimates and judgments, including the ultimate settlement amounts, inflation factors, credit-adjusted risk-free rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. We are required to record the fair value of a liability for the ARO in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. We review our assumptions and estimates of future ARO on an annual basis, or more frequently, if an event or circumstances occur that would impact our assumptions. To the extent future revisions to these assumptions impact the present value of the abandonment liability, management will make corresponding adjustments to both the ARO and the related oil and natural gas property asset balance. The liability is accreted each period toward its future value and is recorded in our unaudited condensed consolidated statements of operations. The discounted capitalized cost is amortized to expense through the depreciation calculation over the life of the assets based on proved developed reserves. Upon settlement of the liability, a gain or loss is recognized to the extent the actual costs differ from the recorded liability.

As of September 30, 2020, and December 31, 2019, our ARO were reported as asset retirement obligations in our unaudited condensed consolidated balance sheets. Changes in our ARO for the periods indicated are presented in the following table:

(in thousands)	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Asset retirement obligations - beginning of period	\$ 30,265	\$ 26,001
Liabilities incurred for new wells and interest	637	8,840
Liabilities settled upon plugging and abandoning wells	(6)	(24)
Liabilities removed upon sale of wells	—	(5,795)
Revision of estimates	—	(353)
Accretion expense	1,283	1,596
Asset retirement obligations - end of period	<u>\$ 32,179</u>	<u>\$ 30,265</u>

Note 7. Debt

We had outstanding borrowings under our revolving credit facility of \$69.7 million and \$68.0 million at September 30, 2020, and December 31, 2019, respectively. Our current revolving credit facility matures in May 2021. Borrowings under the facility are secured by liens on not less than 90% of the value of our proved reserves. At March 31, 2020, we were not in compliance with our leverage ratio covenant, which was waived in Amendment 15 to the credit agreement, executed June 4, 2020. At September 30, 2020, we were in compliance with the financial covenants required by our credit agreement.

The borrowing base of our revolving credit facility is collectively determined by our lenders based on the value of our proved oil and natural gas reserves using assumptions regarding future prices, costs and other variables. The borrowing base is subject to scheduled redeterminations in the spring and fall of each year with an additional redetermination, either at our request or at the request of the lenders, during the period between each scheduled borrowing base redetermination. An additional borrowing base redetermination may be made at the request of the lenders in connection with a material disposition of our properties or a material liquidation of a hedge contract. Our spring 2020 redetermination was finalized in June 2020. The next semi-annual redetermination is expected to occur on or before December 31, 2020.

At September 30, 2020, borrowings under the revolving credit facility bore interest at a floating rate based on, at our election, the greater of the prime rate of Wells Fargo Bank, National Association, the federal funds effective rate plus 0.50% and the one month adjusted London Interbank Offered Rate (“LIBOR”) plus 1.0%, all of which are subject to a margin that varies from 1.75% to 2.75% per annum according to the borrowing base usage (which is the ratio of outstanding borrowings and letters of credit to the borrowing base then in effect), or the applicable LIBOR plus a margin that varies from 2.75% to 3.75% per annum according to the borrowing base usage. For the three months ended September 30, 2020, the average effective rate was 6.77%. Any unused portion of the borrowing base is subject to a commitment fee of 0.50% per annum. Letters of credit are subject to a letter of credit fee that varies from 2.75% to 3.75% according to usage.

We may use borrowings under the revolving credit facility for acquiring and developing oil and natural gas properties, for working capital purposes, for general partnership purposes and for funding distributions to our unitholders. The revolving credit facility includes customary affirmative and negative covenants, such as limitations on the creation of new indebtedness and on certain liens, and restrictions on certain transactions and payments, including distributions, and requires us to maintain hedges covering projected production. If we fail to perform our obligations under these and other covenants, the revolving credit commitments may be terminated and any outstanding indebtedness under the credit agreement, together with accrued interest, could be declared immediately due and payable.

On March 28, 2019, in conjunction with closing the Strategic Transaction and serving as our spring redetermination, Amendment 13 to the credit agreement was executed, decreasing our borrowing base to \$110.0 million. The amendment also required that the leverage ratio be calculated on a building, period-annualized basis, beginning with the second quarter of 2019. See Note 2 in this section for further discussion of the Strategic Transaction.

On December 6, 2019, Amendment 14 to the credit agreement was executed, decreasing the borrowing base of the Partnership’s revolving credit facility to \$95.0 million. The amendment also extended the maturity date of the revolving credit facility to May 1, 2021, and provided for a benchmark rate replacement to address the transition of LIBOR in 2021. Under the terms of the amendment, the Partnership is required to have a Consolidated Funded Indebtedness to Consolidated EBITDAX of

less than 3.0 to 1.0 to make any borrowings above the borrowing cap of \$85.0 million, and must maintain a maximum Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX that does not exceed:

- 4.0 to 1.0 for the quarter ending December 31, 2019,
- 3.75 to 1.0 for the quarter ending March 31, 2020, and
- 3.5 to 1.0 for the quarter ending June 30, 2020, and thereafter.

Amendment 15 to the credit agreement, effective June 1, 2020, among other changes decreased the borrowing base from \$95.0 million to \$64.0 million and established a monthly repayment schedule beginning June 1, 2020, through November 1, 2020, for the \$11.0 million borrowing base deficiency (such amount due on November 1, 2020, the “Original Deficiency Balance Amount”); permitted the Recapitalization Transactions; introduced anti-cash hoarding provisions and restrictive covenants on capital and general and administrative spending; provided for all loans to bear payment-in-kind interest, capitalized on a quarterly basis; excluded certain assumed liabilities from the Current Ratio calculation for the quarters ending June 30, 2020, September 30, 2020, and December 31, 2020; and required the Partnership’s Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX not to exceed:

- 5.75 to 1.0 for the quarter ending June 30, 2020,
- 5.00 to 1.0 for the quarter ending September 30, 2020;
- 4.50 to 1.0 for the quarter ending December 31, 2020; and
- 4.25 to 1.0 for the quarter ending March 31, 2021, and thereafter.

Note 8. Commitments and Contingencies

Services Agreement

The Partnership entered into a management services agreement with Contango Resources, Inc. (“Contango Resources”) on June 4, 2020, as part of the Recapitalization Transactions. Under the agreement, effective July 1, 2020, Contango Resources provides management and administrative services and serves as the operator of the Partnership’s assets for a flat fee arrangement of \$4.0 million annually, plus a maximum \$2.0 million termination fee. These expenses were included in G&A in our unaudited condensed consolidated statements of operations.

Employment Agreements

As part of the Recapitalization Transactions, the general partner terminated the employment agreements of Charles R. Olmstead and Jeffrey R. Olmstead. Pursuant to the employment agreements, each employee served in his respective position with our general partner and had duties, responsibilities and authority as the Board specified from time to time, in roles consistent with such positions that were assigned to them. The agreements stipulated that if there was a change of control, termination of employment, with cause or without cause, or death of the executive certain payments would be made to the executive officer. No payments were made under the employment agreements.

Change in Control Severance Plan

On July 24, 2019, the Board adopted a Change in Control Severance Plan that provides severance benefits to certain key management employees of the former general partner and its affiliates. The Change in Control Severance Plan provides for the payment of cash compensation and certain other benefits to eligible employees in the event of a change in control and a qualifying termination of employment. The obligations under the Change in Control Severance Plan are generally based on the terminated employee’s cash compensation and position within the Partnership. Depending on the facts and circumstances associated with a potential change in control, the total payments made pursuant to the Change in Control Severance Plan could be material. At September 30, 2020, no liability has been recorded associated with the Change in Control Severance Plan. For a more detailed description of the Change in Control Severance Plan, please refer to our Current Report on Form 8-K filed with the SEC on July 26, 2019.

Legal

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceedings. In addition, we are not aware of any material legal or governmental proceedings against us under the various environmental protection statutes to which we are subject.

Note 9. Equity

Common Units

At September 30, 2020, and December 31, 2019, the Partnership's equity consisted of 14,311,522 and 1,541,215 common units, respectively, representing a 100% and 98.8% limited partnership interest in us, respectively.

Our Partnership Agreement requires us to distribute all of our available cash on a quarterly basis. Our available cash is our cash on hand at the end of a quarter after the payment of our expenses and the establishment of reserves for future capital expenditures and operational needs, including cash from working capital borrowings. As of September 30, 2020, cash distributions to our common units continued to be indefinitely suspended. Our credit agreement stipulates written consent from our lenders is required in order to reinstate common unit distributions. Management and the Board will continue to evaluate, on a quarterly basis, the appropriate level of cash reserves in determining future distributions. The suspension of common unit cash distributions is designed to preserve liquidity and reallocate excess cash flow towards capital expenditure projects and debt reduction to maximize long-term value for our unitholders. There is no assurance as to future cash distributions since they are dependent upon our projections for future earnings, cash flows, capital requirements, financial conditions and other factors.

Preferred Units

The Partnership had previously issued Class A and Class B Preferred Units (collectively, the "Preferred Units"). Per accounting guidance, we were required to allocate a portion of the proceeds from Preferred Units to a beneficial conversion feature based on the intrinsic value of the beneficial conversion feature. The intrinsic value was calculated at the commitment date based on the difference between the fair value of the common units at the issuance date (number of common units issuable at conversion multiplied by the per-share value of our common units at the issuance date) and the proceeds attributed to the class of Preferred Units. The beneficial conversion feature was accreted using the effective yield method over the period from the closing date to the effective date of the holder's conversion right.

The holders of our Preferred Units were entitled to certain rights that were senior to the rights of holders of common units, such as rights to distributions and rights upon liquidation of the Partnership. We paid holders of Preferred Units a cumulative, quarterly cash distribution on Preferred Units then outstanding at an annual rate of 8.0%, or in the event that the Partnership's existing secured indebtedness prevented the payment of a cash distribution to all holders of the Preferred Units, in kind (additional Class A or Class B Preferred Units), at an annual rate of 10.0%. Such distributions were paid for each such quarter within 45 days after such quarter end, or as otherwise permitted to accumulate pursuant to the Partnership Agreement.

Each holder of Preferred Units had the right, prior to August 11, 2021, subject to certain conditions, to convert all or a portion of their Preferred Units into common units on a one-for-one basis, subject to adjustment for splits, subdivisions, combinations and reclassifications of the common units. Upon conversion of the Preferred Units, the Partnership would pay any distributions (to the extent accrued and unpaid as of the then most recent Preferred Units distribution date) on the converted units in cash, or in the event that the Partnership's existing secured indebtedness prevents the payment of a cash distribution to all holders of the Preferred Units, in kind (additional Class A or Class B Preferred Units), at an annual rate of 10.0%.

As part of the Recapitalization Transactions on June 4, 2020, the holders of all of the Partnership's Preferred Units converted their Preferred Units to common units at an average conversion price of \$3.12 per Preferred Unit. The total of \$0.8 million in accrued distributions for the first quarter 2020 were paid in kind and, along with the second quarter 2020 pro-rata distribution, included in the calculation of the conversion price to common units.

Class A Preferred Units

On August 11, 2016, we completed a private placement of 11,627,906 Class A Preferred Units for an aggregate offering price of \$25.0 million. The Class A Preferred Units were issued at a price of \$2.15 per Class A Preferred Unit. Proceeds from this issuance were used to fund an acquisition and for general partnership purposes, including the reduction of borrowings under our revolving credit facility. We received net proceeds of \$24.6 million in connection with the issuance of these Class A Preferred Units. We allocated these net proceeds, on a relative fair value basis, to the Class A Preferred Units (\$18.6 million) and the beneficial conversion feature (\$6.0 million). Accretion of the beneficial conversion feature was \$0.5 million for the nine months ended September 30, 2020, and \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2019. The registration statement registering resales of common units issued upon conversion of the Class A Preferred Units was declared effective by the SEC on June 14, 2017.

As the holders of all the Partnership's Preferred Units received payment-in-kind for all accrued distributions as part of the previously announced Recapitalization Transactions, the Partnership did not accrue any distributions as of September 30, 2020. The following table summarizes cash distributions paid on our Class A Preferred Units during the nine months ended September 30, 2020:

Date Paid	Period Covered	Distribution per Unit	Total Distributions (in thousands)
February 14, 2020	October 1, 2019 - December 31, 2019	\$ 0.0430	\$ 500

The following table summarizes cash distributions paid on our Class A Preferred Units during the nine months ended September 30, 2019:

Date Paid	Period Covered	Distribution per Unit	Total Distributions (in thousands)
February 14, 2019	October 1, 2018 - December 31, 2018	\$ 0.0430	\$ 500
May 14, 2019	January 1, 2019 - March 31, 2019	\$ 0.0430	\$ 500
August 14, 2019	April 1, 2019 - June 30, 2019	\$ 0.0430	\$ 500

Class B Preferred Units

On January 31, 2018, we completed a private placement of 9,803,921 Class B Preferred Units for an aggregate offering price of \$15.0 million. The Class B Preferred Units were issued at a price of \$1.53 per Class B Preferred Unit. Proceeds from this issuance were used to fund the acquisition of certain oil and natural gas properties located in Campbell and Converse Counties, Wyoming, and for general partnership purposes, including the reduction of borrowings under our revolving credit facility. We received net proceeds of \$14.9 million in connection with the issuance of these Class B Preferred Units. We allocated these net proceeds, on a relative fair value basis, to the Class B Preferred Units (\$14.2 million) and the beneficial conversion feature (\$0.7 million). Accretion of the beneficial conversion feature was \$0.1 million for the nine months ended September 30, 2020, and \$0.1 million for the three and nine months ended September 30, 2019. The registration statement registering resales of common units issued upon conversion of the Class B Preferred Units was declared effective by the SEC on May 25, 2018.

As the holders of all the Partnership's Preferred Units received payment-in-kind for all accrued distributions as part of the previously announced Recapitalization Transactions, the Partnership did not accrue any distributions as of September 30, 2020. The following table summarizes cash distributions paid on our Class B Preferred Units during the nine months ended September 30, 2020:

Date Paid	Period Covered	Distribution per Unit	Total Distributions (in thousands)
February 14, 2020	October 1, 2019 - December 31, 2019	\$ 0.0306	\$ 300

The following table summarizes cash distributions paid on our Class B Preferred Units during the nine months ended September 30, 2019:

Date Paid	Period Covered	Distribution per Unit	Total Distributions (in thousands)
February 14, 2019	October 1, 2018 - December 31, 2018	\$ 0.0306	\$ 300
May 14, 2019	January 1, 2019 - March 31, 2019	\$ 0.0306	\$ 300
August 14, 2019	April 1, 2019 - June 30, 2019	\$ 0.0306	\$ 300

Allocation of Net Income or Loss

Net income or loss was allocated to our general partner in proportion to its pro-rata ownership during the period. The remaining net income or loss was allocated to the limited partner unitholders net of Preferred Unit distributions, including accretion of the Preferred Unit beneficial conversion feature. In the event of net income, diluted net income per partner unit reflected the potential dilution of non-vested restricted stock awards and the conversion of Preferred Units. On June 4, 2020, as part of the Recapitalization Transactions, the general partner units were converted to common units; therefore, net income or loss will no longer be allocated to our general partner.

Note 10. Related Party Transactions

Agreements with Affiliates

The following agreements were negotiated among affiliated parties and, consequently, are not the result of arm's length negotiations. The following is a description of those agreements that were entered into with the affiliates of our former board member and Chief Executive Officer, Mr. Charles R. Olmstead.

Services Agreement

Prior to the Recapitalization Transactions on June 4, 2020, we were party to a services agreement with our former affiliate, Mid-Con Energy Operating, pursuant to which Mid-Con Energy Operating provided certain services to us, including managerial, administrative and operational services. The operational services included marketing, geological and engineering services. We reimbursed Mid-Con Energy Operating, on a monthly basis, for the allocable expenses it incurred in its performance under the services agreement. These expenses included, among other things, salary, bonus, incentive compensation and other amounts paid to persons who performed services for us or on our behalf and other expenses allocated by Mid-Con Energy Operating to us. These expenses were included in G&A in our unaudited condensed consolidated statements of operations.

The Partnership entered into a management services agreement with Contango Resources on June 4, 2020, as part of the Recapitalization Transactions. Under the agreement, effective July 1, 2020, Contango Resources provides management and administrative services and serves as operator of the Partnership's assets for a flat fee arrangement of \$4.0 million annually, plus a maximum \$2.0 million termination fee. These expenses were included in G&A in our unaudited condensed consolidated statements of operations.

Operating Agreements

Prior to the Recapitalization Transactions on June 4, 2020, we, along with various third parties with an ownership interest in the same property, were parties to standard oil and natural gas joint operating agreements with our former affiliate, Mid-Con Energy Operating. We and those third-parties paid Mid-Con Energy Operating overhead associated with operating our properties and for its direct and indirect expenses that were chargeable to the wells under their respective operating agreements. The majority of these expenses were included in LOE in our unaudited condensed consolidated statements of operations. Mid-Con Energy Operating resigned as operator under these joint operating agreements and Contango Resources became operator on July 1, 2020. Pursuant to the Management Services Agreement with Contango Resources, Contango Resources does not charge overhead associated with operating our properties.

Oilfield Services

Prior to the Recapitalization Transactions on June 4, 2020, we were party to operating agreements, pursuant to which our former affiliate, Mid-Con Energy Operating, billed us for oilfield services performed by our affiliates, ME3 Oilfield Service and ME2 Well Services, LLC. These amounts were either included in LOE in our unaudited condensed consolidated statements of operations or were capitalized as part of oil and natural gas properties in our unaudited condensed consolidated balance sheets. Mid-Con Energy Operating resigned as operator under these service agreements, and Contango Resources became operator on July 1, 2020.

Other Agreements

Prior to the Recapitalization Transactions on June 4, 2020, we were party to monitoring fee agreements with Bonanza Fund Management, Inc. ("Bonanza"), a Class A Preferred Unitholder, and Goff Focused Strategies, LLC ("GFS"), a Class B Preferred Unitholder, pursuant to which we paid Bonanza and GFS a quarterly monitoring fee in connection with monitoring the purchasers' investments in the Preferred Units. These expenses were included in G&A in our unaudited condensed consolidated statements of operations.

The following table summarizes the related party transactions for the periods indicated:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Services agreement	\$ 1,000	\$ 719	\$ 3,600	\$ 2,196
Operating agreements	3,629	2,809	8,652	8,353
Oilfield services	—	1,580	2,657	4,092
Other agreements	—	80	116	240
	<u>\$ 4,629</u>	<u>\$ 5,188</u>	<u>\$ 15,025</u>	<u>\$ 14,881</u>

At September 30, 2020, we had a net payable to Contango Resources of \$2.5 million, comprised of joint interest billings payable of \$4.6 million, offset by an oil and natural gas revenue receivable of \$2.1 million. At December 31, 2019, we had a net payable to our former affiliate, Mid-Con Energy Operating, of \$6.9 million, comprised of a joint interest billing payable of \$7.8 million and a payable for operating services and other miscellaneous items of \$0.8 million, offset by an oil and natural gas revenue receivable of \$1.7 million. These amounts were included in accounts payable-related parties in our unaudited condensed consolidated balance sheets.

Note 11. Revenue Recognition

Revenue from Contracts with Customers

Under our oil and natural gas sales contracts, enforceable rights and obligations arise at the time production occurs on dedicated leases as the Partnership promises to deliver goods in the form of oil or natural gas production on contractually-specified leases to the purchasers. Sales of oil and natural gas are recognized at the point that control of the product is transferred to the customer; title and risk of loss to the product generally transfers at the delivery point specified in the contract. We do not extract natural gas liquids (“NGLs”) from our natural gas production prior to the sale and transfer of title of the natural gas stream to our purchasers. While some of our purchasers extracted NGLs from the natural gas stream sold by us to them, we had no ownership in such NGLs. The Partnership commits and dedicates for sale all of the oil or natural gas production from contractually agreed-upon leases to the purchaser. Our oil contract pricing provisions are tied to a market index, with certain marketing adjustments, including location and quality differentials as well as certain embedded marketing fees. The majority of our natural gas contract pricing provisions are tied to a market index less customary deductions, such as gathering, processing and transportation. Payment is typically received 30 to 60 days after the date production is delivered. We had no significant natural gas imbalances at September 30, 2020 and 2019.

Transaction Price Allocated to Remaining Performance Obligations

Our oil and natural gas sales are generally short-term in nature, with a contract term of one year or less. For those contracts, we have utilized the practical expedient in ASC 606-10-50-14, exempting the Partnership from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For our oil and natural gas sales contracts, the variable consideration related to variable production is not estimated because the uncertainty related to the consideration is resolved as the barrel of oil (“Bbl”) and Mcf of natural gas are transferred to the customer each day. Therefore, we have utilized the practical expedient in ASC 606-10-50-14(a), which states the Partnership is not required to disclose the transaction price allocated to remaining performance obligations for specific situations in which the Partnership does not need to estimate variable consideration to recognize revenue.

Contract Balances

Our oil and natural gas sales contracts do not give rise to contract assets or liabilities under ASC 606.

Note 12. Leases

We adopted ASC 842, as amended, on January 1, 2019, using the modified retrospective approach. The modified retrospective approach provided a method for recording existing leases at adoption and allowed for a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The adoption of this standard did not result in an adjustment to retained earnings. We elected the transition package of practical expedients permitted under the transition

guidance, which among other things, allowed us to carry forward the historical lease classification. We also elected the optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under ASC 840, *Leases* (“ASC 840”). Our leases do not provide an implicit discount rate; therefore, we used our incremental borrowing rate as of January 1, 2019. As a result of adopting the new standard, we recorded lease assets and lease liabilities of \$1.2 million and \$1.3 million, respectively, at January 1, 2019.

We lease office space in Tulsa, Oklahoma, Abilene, Texas, and Gillette, Wyoming. Per the short-term accounting policy election, leases with an initial term of 12 months or less were not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the term of the lease. Most of our leases include an option to renew. The exercise of the lease renewal options is at our discretion.

A summary of our leases is presented below:

(in thousands)	Classification	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Assets			
Operating	Other property and equipment	\$ 474	\$ 835
Total lease assets		<u>\$ 474</u>	<u>\$ 835</u>
Liabilities			
Current operating	Other current liabilities	\$ 454	\$ 430
Non-current operating	Other long-term liabilities	113	457
Total lease liabilities		<u>\$ 567</u>	<u>\$ 887</u>

	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Operating lease expense ⁽¹⁾⁽²⁾ (in thousands)	G&A expense	\$ 106	\$ 64	\$ 324	\$ 195
Weighted average remaining lease term (months)					
Operating leases		15	26	15	26
Weighted average discount rate					
Operating leases		5.7%	5.7%	5.7%	5.7%

(1) Includes short-term leases.

(2) There is not a material difference between cash paid and amortized expense.

Future minimum lease payments under the non-cancellable operating leases are presented in the following table:

(in thousands)	Operating Leases
Remaining 2020	\$ 117
2021	471
Total lease maturities	588
Less: imputed interest	21
Present value of lease liabilities	<u>\$ 567</u>

Note 13. New Accounting Standards

In June 2016, the FASB issued ASC 326, *Financial Instruments- Credit Losses* (“ASC 326”), which replaces the current “incurred loss” methodology for recognizing credit losses with an “expected loss” methodology. This new methodology requires that a financial asset measured at amortized cost be presented at the net amount expected to be collected. This standard is intended to provide more timely decision-useful information about the expected credit losses on financial instruments. For smaller reporting companies, this guidance is effective for fiscal years beginning after December 15, 2022, and early adoption is permitted. We plan to adopt this standard on January 1, 2023, and are currently evaluating the impact of the adoption on our consolidated financial statements.

Note 14. Subsequent Events

Proposed Merger with Contango Oil and Gas and Redetermination Postponement

On October 25, 2020, the Partnership, the general partner, Contango Oil & Gas Company, a Texas corporation (“Contango”) and the Michael Merger Sub LLC, a Delaware limited liability company and a wholly-owned, direct subsidiary of Contango (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”). Upon the terms and subject to the conditions of the Merger Agreement, Mid-Con will merge with and into Merger Sub (the “Merger”), with Merger Sub surviving the Merger as a limited liability company and a wholly-owned, direct subsidiary of Contango.

At the effective time of the Merger (the “Effective Time”), each common unit issued and outstanding immediately prior to the Effective Time (other than common units held in the Partnership’s treasury or held by the general partner immediately prior to the Effective Time, which shall be canceled and extinguished without any conversion thereof, and no consideration shall be delivered in exchange therefor) will be converted automatically into the right to receive 1.7500 shares of common stock, par value \$0.04 per share, of Contango (“Contango common stock”).

The closing of the Merger is expected to occur in the fourth quarter of 2020 or the first quarter of 2021, subject to the satisfaction of certain regulatory approvals and other customary closing conditions. The Merger Agreement provides that, during the periods from the date of the Merger Agreement until the closing of the Merger, the Partnership is subject to certain restrictions.

The Merger Agreement provides certain termination rights for each of the Partnership and Contango, including, among others, if the consummation of the Merger does not occur within 180 days of the date of the Merger Agreement. Should certain unlikely events occur under the specified circumstances outlined in the Merger Agreement, the Partnership will be required to pay Contango a termination fee of \$1.5 million.

Contemporaneously with the execution of the Merger Agreement, we entered into a purchase and sale agreement requiring Contango to purchase certain assets for cash consideration of \$9.0 million in the event that the Merger fails to close by January 23, 2021, subject to a 30 day extension if the failure of the Merger to close is due to the failure to obtain Contango shareholder approval or our unitholder approval.

In connection with entering into the Merger Agreement, the Partnership entered into a postponement letter with the lenders under its revolving credit facility (the “Postponement Letter”). The Postponement Letter provides, among other things, the Partnership may postpone the payment of the Original Deficiency Balance Amount and the Partnership’s compliance with the Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX until December 31, 2020.

Additional information on the proposed Merger is included in the Form 8-K filed with the SEC on October 26, 2020.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto, as well as our Annual Report.

Overview

Mid-Con Energy Partners, LP is a publicly held limited partnership formed in July 2011 that engages in the ownership, acquisition and development of producing oil and natural gas properties in North America, with a focus on EOR. Our properties are located in Oklahoma and Wyoming. Our properties primarily consist of mature, legacy onshore oil reservoirs with long-lived, relatively predictable production profiles and low production decline rates.

Executive Summary

Proposed Merger with Contango Oil and Gas and Redetermination Postponement

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prior to the Effective Time, which shall be canceled and extinguished without any conversion thereof, and no consideration shall be delivered in exchange therefor) will be converted automatically into the right to receive 1.7500 shares of common stock, par value \$0.04 per share, of Contango common stock.

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Contemporaneously with the execution of the Merger Agreement, we entered into a purchase and sale agreement requiring Contango to purchase certain assets for cash consideration of \$9.0 million in the event that the Merger fails to close by January 23, 2021, subject to a 30 day extension if the failure of the Merger to close is due to the failure to obtain Contango shareholder approval or our unitholder approval.

In connection with entering into the Merger Agreement, the Partnership entered into a postponement letter with the lenders under its revolving credit facility (the "Postponement Letter"). The Postponement Letter provides, among other things, the Partnership may postpone the payment of the Original Deficiency Balance Amount and the Partnership's compliance with the Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX until December 31, 2020.

Additional information on the proposed Merger is included in the Form 8-K filed with the SEC on October 26, 2020.

Recapitalization Transactions

The Partnership closed the Recapitalization Transactions on June 4, 2020, resulting in significant changes to the Partnership's capital structure and governance, strengthening the Partnership's balance sheet, creating alignment across all unitholders, reducing costs, streamlining operations and creating immediate and sustainable value for all unitholders. As part of the Recapitalization Transactions, all of the Partnership's Class A and B Preferred Units were converted into common units at an average conversion price of \$3.12 per Preferred Unit. In addition, ownership of the Partnership's general partner was transferred to the Partnership, resulting in strengthened corporate governance, and a new Board of Directors which was elected by the written consent of the holders of a majority of the outstanding common units.

In conjunction with the Recapitalization Transactions, the Partnership also announced that Contango Resources became the new operator of the Partnership's properties, replacing Mid-Con Energy Operating, on July 1, 2020. The move is expected to generate pro forma annual cash savings of approximately \$6.5 million compared to 2019.

Financial and Operational Performance

Our financial and operational performance for the three months ended September 30, 2020, included the following:

- Net loss of \$3.5 million, compared to net income of \$6.0 million for the three months ended September 30, 2019;
- Average daily net production was 3,000 Boe/d, compared to 3,543 Boe/d for the three months ended September 30, 2019, a 15% decrease over the comparative period;
- Oil and natural gas sales were \$9.9 million, compared to \$15.8 million for the three months ended September 30, 2019, which was primarily the result of a 27% decrease in average oil sales price per barrel (excluding the effects of derivatives); and
- Loss on derivatives, net was \$1.4 million, compared to a gain of \$5.7 million for the three months ended September 30, 2019.

Our financial and operational performance for the nine months ended September 30, 2020 included the following:

- Net loss of \$12.7 million, compared to net income of \$7.3 million for the nine months ended September 30, 2019;
- Average daily net production was 3,106 Boe/d, compared to 3,516 Boe/d for the nine months ended September 30, 2019, a 12% decrease over the comparative period;
- Oil and natural gas sales were \$28.9 million, compared to \$47.8 million for the nine months ended September 30, 2019, which was primarily the result of a 32% decrease in average oil sales price per barrel (excluding the effects of derivatives);

- Gain on derivatives, net was \$19.1 million, compared to a loss of \$3.1 million for the nine months ended September 30, 2019; and
- Cash flows from operating activities were \$5.9 million, compared to \$10.4 million for the nine months ended September 30, 2019.

Recent Developments

COVID-19 and Crude Oil Price Declines

The energy landscape changed dramatically in 2020 with simultaneous demand and supply shocks that drove the industry into a severe downturn. The demand shock was triggered by COVID-19, which was declared a global pandemic and caused unprecedented social and economic consequences. Mitigation efforts to stop the spread of this contagious disease included stay-at-home orders and business closures that caused sharp contractions in economic activity worldwide. The supply shock was triggered by disagreements between OPEC and Russia, beginning in early March 2020, which resulted in significant supply coming onto the market and an oil price war. These dual demand and supply shocks caused oil prices to collapse as we exited the first quarter.

As we entered the second quarter, predictions of COVID-19 driven global oil demand losses intensified, with forecasts of unprecedented demand declines. Based on these forecasts, OPEC plus nations held an emergency meeting, and in April they announced a coordinated production cut that was unprecedented in both its magnitude and duration. The OPEC agreement spans from May 2020 until April 2022, with the volume of production cuts easing over time. Additionally, non-OPEC plus countries, including the U.S., Canada, Brazil and other G-20 countries, announced organic reductions to production through the release of drilling rigs, frac crews, normal field decline and curtailments. Despite these planned production decreases, the supply cuts were not timely enough to overcome significant demand decline. Futures prices for April West Texas Intermediate crude (“WTI”) closed under \$20 a barrel for the first time since 2001, followed by May WTI settling below zero on the day before futures contracts expiry, as holders of May futures contracts struggled to exit positions and avoid taking physical delivery. As storage constraints approached, spot prices in April for certain North American landlocked grades of crude oil were in the single digits or even negative for particularly remote or low-grade crudes, while waterborne priced crudes such as Brent crude sold at a relative advantage. The extreme volatility experienced in the first half of the year stabilized in the third quarter of 2020, with crude oil prices stabilizing around \$40 per barrel.

From the beginning of the commodity price downturn in early 2020, we have closely monitored the market and taken proactive steps in response. Beginning in March 2020, the Partnership identified and shut-in approximately 400 wells through the end of April 2020 that were not economically viable at the existing pricing. The Partnership has continued to monitor economic well viability and as of the end of September 2020, the Partnership has returned approximately 58 wells to production compared to the active well count at the end of April 2020. The Partnership continues to be diligent in returning wells to production based on economic viability as commodity prices and expenses change. In addition to shut-in activities, the Partnership has continued to identify and execute strategies for reducing expenditures and lowering its leverage. As discussed above, in June 2020, the Partnership negotiated and executed the Recapitalization Transactions which is expected to generate pro forma annual cash savings of approximately \$6.5 million compared to 2019.

Our workforce and operations have also adjusted to mitigate the impacts of the COVID-19 global pandemic. A large portion of our office staff have been successfully working remotely, with offices designing and executing a flexible, phased reentry, following national, state and local guidelines. Workforce health and safety remains the overriding driver for our actions and we have demonstrated our ability to adapt to local conditions as warranted. These mitigation measures have thus far been effective at protecting employees’ health and reducing business operation disruptions.

Departure and Appointment of New Officers

On July 6, 2020, the Partnership announced the resignation of Mr. Chad B. Roller, President and Chief Operating Officer, and Mr. Charles L. McLawhorn, III, Vice President, General Counsel and Corporate Secretary to pursue opportunities with Contango Oil & Gas Company. Messrs. Roller and McLawhorn will continue to provide services to the Partnership pursuant to that Management Services Agreement.

On August 6, 2020, the Partnership announced the resignation of Mr. Philip R. Houchin as Chief Financial Officer. Effective July 31, 2020, Ms. Sherry L. Morgan was appointed as Chief Executive Officer, Mr. Greg Westfall was appointed as Chief Operating Officer and Ms. Jodie L. DiGiacomo was appointed as Chief Accounting Officer.

Business Environment

The markets for oil and natural gas have been volatile and may continue to be volatile in the future, which means that the price of oil and natural gas may fluctuate widely. Sustained periods of low prices for oil and natural gas could materially and adversely affect our financial position, our results of operations, the quantities of oil and natural gas reserves that we can economically produce and our access to capital. Our average sales price per Bbl, excluding commodity derivative contracts, was \$36.13 and \$53.43 for the nine months ended September 30, 2020 and 2019, respectively.

Our risk management program is intended to reduce our exposure to commodity price volatility and to assist with stabilizing cash flows. Accordingly, we utilize commodity derivative contracts (swaps, calls, puts and collars) to manage a portion of our exposure to commodity prices. We enter into commodity derivative contracts or modify our portfolio of existing commodity derivative contracts when we believe market conditions or other circumstances suggest that it is prudent or as required by our lenders. We conduct our risk management activities exclusively with participant lenders in our revolving credit facility. We have entered oil commodity derivative contracts covering a portion of our anticipated oil production through December 2021.

Our business faces the challenge of natural production declines. As initial reservoir pressures are depleted, production from a given well or formation decreases. Although our waterflood operations tend to restore reservoir pressure and production, once a waterflood is fully effected, production, once again, begins to decline. Our future growth will depend on our ability to continue to add reserves in excess of our production. Our focus on adding reserves is primarily through improving the economics of producing oil from our existing fields and, secondarily, through acquisitions of additional proved reserves. Our ability to add reserves through development projects and acquisitions is dependent upon many factors, including our ability to raise capital, obtain regulatory approvals, procure contract drilling rigs and personnel and successfully identify and close acquisitions.

We focus our efforts on increasing oil and natural gas reserves and production while controlling costs at a level that is appropriate for long-term operations. Our future cash flows from operations are impacted by our ability to manage our overall cost structure.

How We Evaluate Our Operations

Our primary business objective is to manage our oil and natural gas properties for the purpose of generating stable cash flows, which will provide stability and, over time, growth of distributions to our unitholders. The amount of cash that we may distribute to our unitholders in the future depends principally on the cash we generate from our operations, which will fluctuate from quarter-to-quarter based on, among other factors:

- the amount of oil and natural gas we produce;
- the prices at which we sell our oil and natural gas production;
- our ability to hedge commodity prices; and
- the level of our operating and administrative costs.

We use a variety of financial and operational metrics to assess the performance of our oil and natural gas properties, including:

- oil and natural gas production volumes;
- realized prices on the sale of oil and natural gas, including the effect of our commodity derivative contracts; and
- LOE.

Results of Operations

The tables presented in this section summarize certain results of operations and period-to-period comparisons for the three and nine months ended September 30, 2020. Because of normal production declines, changes in drilling activities, fluctuations in commodity prices and the effects of acquisitions and divestitures, the historical data presented below should not be interpreted as being indicative of future results.

Net production volumes, average sales prices and unit costs per Boe

	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2020	2019			2020	2019		
Production volumes, net								
Oil (MBbls)	252	294	(42)	(14%)	782	877	(95)	(11%)
Natural gas (MMcf)	146	193	(47)	(24%)	416	498	(82)	(16%)
Total (MBoe)	276	326	(50)	(15%)	851	960	(109)	(11%)
Average daily net production (Boe/d)	3,000	3,543	(543)	(15%)	3,106	3,516	(410)	(12%)
Average sales prices								
Oil (per Bbl)								
Sales price	\$ 38.22	\$ 52.61	\$ (14.39)	(27%)	\$ 36.13	\$ 53.43	\$ (17.30)	(32%)
Effect of net settlements on matured derivative instruments	\$ 3.27	\$ (0.56)	\$ 3.83	684%	\$ 9.98	\$ (0.86)	\$ 10.84	1260%
Realized oil price after derivatives	\$ 41.49	\$ 52.05	\$ (10.56)	(20%)	\$ 46.11	\$ 52.57	\$ (6.46)	(12%)
Natural gas (per Mcf)	\$ 1.86	\$ 1.47	\$ 0.39	27%	\$ 1.53	\$ 1.87	\$ (0.34)	(18%)
Average unit costs per Boe								
Lease operating expenses	\$ 18.57	\$ 25.44	\$ (6.87)	(27%)	\$ 21.90	\$ 23.66	\$ (1.76)	(7%)
Production and ad valorem taxes	\$ 1.93	\$ 4.09	\$ (2.16)	(53%)	\$ 2.09	\$ 4.25	\$ (2.16)	(51%)
Depreciation, depletion and amortization	\$ 7.62	\$ 7.85	\$ (0.23)	(3%)	\$ 7.94	\$ 8.36	\$ (0.42)	(5%)
General and administrative expenses	\$ 7.88	\$ 4.31	\$ 3.57	83%	\$ 9.35	\$ 6.68	\$ 2.67	40%

Oil and natural gas sales

(in thousands)	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2020	2019			2020	2019		
Oil sales	\$ 9,632	\$ 15,468	\$ (5,836)	(38%)	\$ 28,253	\$ 46,854	\$ (18,601)	(40%)
Natural gas sales	271	283	(12)	(4%)	635	930	(295)	(32%)
Total oil and natural gas sales	\$ 9,903	\$ 15,751	\$ (5,848)	(37%)	\$ 28,888	\$ 47,784	\$ (18,896)	(40%)

Oil and natural gas sales price and volume variances

(in thousands, except prices)	Three Months Ended September 30, 2020 and 2019			Nine Months Ended September 30, 2020 and 2019		
	Change in prices	Production Volumes	Total Net Dollar Effect of Change	Change in prices	Production Volumes	Total Net Dollar Effect of Change
Effects of changes in sales price						
Oil (Bbls)	\$ (14.39)	252	\$ (3,626)	\$ (17.30)	782	\$ (13,528)
Natural gas (Mcf)	\$ 0.39	146	57	\$ (0.34)	416	(140)
Total oil and natural gas sales due to change in price			\$ (3,569)			\$ (13,668)
	Change in Production Volumes	Prior Period Average Prices	Total Net Dollar Effect of Change	Change in Production Volumes	Prior Period Average Prices	Total Net Dollar Effect of Change
Effects of changes in production volumes						
Oil (Bbls)	(42)	\$ 52.61	\$ (2,209)	(95)	\$ 53.43	\$ (5,075)
Natural gas (Mcf)	(47)	\$ 1.47	(70)	(82)	\$ 1.87	(153)
Total oil and natural gas sales due to change in production volumes			(2,279)			(5,228)
Total change in oil and natural gas sales			\$ (5,848)			\$ (18,896)

The change in oil and natural gas sales was primarily due to:

- decreased oil sales prices; and
- decreased production due to shut-in wells.

(Loss) gain on derivatives, net

(in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Cash settlements on matured derivatives, net	\$ 2,267	\$ (164)	\$ 2,431	1482%	\$ 9,251	\$ (750)	\$ 10,001	1333%
Non-cash change in fair value of derivatives	(3,646)	5,894	(9,540)	(162%)	9,811	(2,322)	12,133	523%
Total (loss) gain on derivatives, net	\$ (1,379)	\$ 5,730	\$ (7,109)	(124%)	\$ 19,062	\$ (3,072)	\$ 22,134	721%

See Note 4 and Note 5 to the unaudited condensed consolidated financial statements for additional information regarding our commodity derivative contracts.

Lease operating expenses

(in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Lease operating expenses	\$ 5,124	\$ 8,213	\$ (3,089)	(38%)	\$ 18,481	\$ 22,109	\$ (3,628)	(16%)
Workover expenses	—	80	(80)	(100%)	159	601	(442)	(74%)
Total lease operating expenses	\$ 5,124	\$ 8,293	\$ (3,169)	(38%)	\$ 18,640	\$ 22,710	\$ (4,070)	(18%)

The change in LOE in total and per Boe for the three months ended September 30, 2020, compared to the three months ended September 30, 2019, was primarily due to:

- decreased activity due to the unprecedented decline in oil and natural gas prices, and resulting shut-in wells;
- decreased administrative overhead; and
- decreased workover expenses.

The change in LOE in total and per Boe for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, was primarily due to:

- decreased activity due to the unprecedented decline in oil and natural gas prices, and resulting shut-in wells;
- decreased administrative overhead;
- divestitures of our Texas properties; and
- decreased workover expenses; offset by
- incremental costs associated with properties acquired in Oklahoma and Wyoming.

Production and ad valorem taxes

(in thousands)	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2020	2019			2020	2019		
Production taxes	\$ 382	\$ 1,095	\$ (713)	(65%)	\$ 1,672	\$ 3,204	\$ (1,532)	(48%)
Ad valorem taxes	151	238	(87)	(37%)	109	880	(771)	(88%)
Total production and ad valorem taxes	\$ 533	\$ 1,333	\$ (800)	(60%)	\$ 1,781	\$ 4,084	\$ (2,303)	(56%)

The change in production and ad valorem taxes in total and per Boe was primarily due to:

- decreased oil and natural gas revenue; and
- ad valorem tax refund for over-withheld taxes in Wyoming.

Depreciation, depletion, amortization and impairment expenses ("DD&A")

(in thousands)	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2020	2019			2020	2019		
Depreciation, depletion and amortization	\$ 2,104	\$ 2,559	\$ (455)	(18%)	\$ 6,759	\$ 8,026	\$ (1,267)	(16%)
Impairment	—	180	(180)	(100%)	19,547	384	19,163	4990%
Total DD&A and impairment expense	\$ 2,104	\$ 2,739	\$ (635)	(23%)	\$ 26,306	\$ 8,410	\$ 17,896	213%

The change in DD&A in total and per Boe was primarily due to the net impact of the Texas divestitures and the properties acquired in Oklahoma and Wyoming.

Impairment of proved oil and natural gas properties for the nine months ended September 30, 2020, was primarily due to an unprecedented decline in oil prices. Impairment of proved oil and natural gas properties for the three and nine months ended September 30, 2019, was primarily due to wellbore issues on a certain Texas project.

General and administrative expenses

(in thousands)	Three Months Ended September 30,		Change	% Change	Nine Months Ended September 30,		Change	% Change
	2020	2019			2020	2019		
General and administrative expenses	\$ 2,176	\$ 1,283	\$ 893	70%	\$ 7,685	\$ 5,837	\$ 1,848	32%
Non-cash compensation	—	121	(121)	(100%)	271	577	(306)	(53%)
Total general and administrative expenses	\$ 2,176	\$ 1,404	\$ 772	55%	\$ 7,956	\$ 6,414	\$ 1,542	24%

The change in G&A in total and per Boe for the three months ended September 30, 2020, compared to the three months ended September 30, 2019, was primarily due to:

- increased professional and other fees related to recapitalization and merger activities; partially offset by
- decreased non-cash compensation expense.

The change in G&A in total and per Boe for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, was primarily due to:

- increased professional and other fees related to recapitalization and merger activities; partially offset by
- decreased non-cash compensation expense.

Gain on sales of oil and natural gas properties, net

During the months ended September 30, 2019, there was a gain on sales of oil and natural gas properties, net of \$9.7 million, which was primarily due to the divestiture of substantially all of our Texas properties as part of the Strategic Transaction.

Interest expense

(in thousands)	Three Months Ended September 30,		Change	%	Nine Months Ended September 30,		Change	%
	2020	2019			2020	2019		
Interest expense	\$ 1,630	\$ 1,175	\$ 455	39%	\$ 3,998	\$ 4,019	\$ (21)	(1%)
Average effective interest rate	6.77%	5.51%	1.26%	23%	6.07%	5.68%	0.39%	7%

The change in interest expense for the three months ended September 30, 2020, was primarily related to paid-in-kind interest on the revolving credit facility.

Liquidity and Capital Resources

Our ability to finance our operations, fund our capital expenditures and acquisitions, meet or refinance our debt obligations and meet our collateral requirements will depend on our future cash flows, our ability to borrow and our ability to raise equity or debt capital. Our ability to generate cash is subject to a number of factors, some of which are beyond our control, including weather, oil and natural gas prices (including regional price differentials), operating costs and maintenance capital expenditures, as well as general economic, financial, competitive, legislative, regulatory and other factors. Historically, our primary use of cash has been for debt reduction, capital spending (including acquisitions) and distributions.

Our liquidity position at November 6, 2020, consisted of approximately \$0.9 million of available cash. We currently have no availability under our revolving credit facility. At March 31, 2020, the Partnership was not in compliance with the leverage ratio covenant of our credit agreement. Amendment 15 to the credit agreement was effective as of June 1, 2020. Amendment 15 to the credit agreement, among other changes, decreased the borrowing base from \$95.0 million to \$64.0 million and established a monthly repayment schedule beginning June 1, 2020, through November 1, 2020, for the \$11.0 million borrowing base deficiency; permitted the Recapitalization Transactions; introduced anti-cash hoarding provisions and restrictive covenants on capital and general and administrative spending; provided for all loans to bear payment-in-kind interest, capitalized on a quarterly basis; excluded certain assumed liabilities from the Current Ratio calculation for the quarters ending June 30, 2020, September 30, 2020, and December 31, 2020; and required the Partnership's Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX not to exceed:

- 5.75 to 1.00 for the quarter ending June 30, 2020,
- 5.00 to 1.00 for the quarter ending September 30, 2020,
- 4.50 to 1.00 for the quarter ending December 31, 2020, and
- 4.25 to 1.00 for the quarter ending March 31, 2021, and thereafter.

In connection with entering into the Merger Agreement, the Partnership entered into a postponement letter with the lenders under the revolving credit facility (the "Postponement Letter"). The Postponement Letter provided, among other things, that the Partnership may postpone the payment of the Original Deficiency Balance Amount and the Partnership's compliance with the Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX until December 31, 2020.

At September 30, 2020, we were in compliance with the financial covenants required by the credit agreement. Our ability to continue as a going concern is dependent on the re-negotiation of our revolving credit facility that matures May 1, 2021, or

other measures such as the sale of assets or raising additional capital. These factors raise substantial doubt over the Partnership's ability to continue as a going concern, and therefore, whether we will realize our assets and extinguish our liabilities in the normal course of business and at the amounts stated in the financial statements.

Based on our cash balance and forecasted cash flows from operating activities we expect to be able to meet our debt service requirements and fund our other commitments and obligations in the near term. Although we currently expect our sources of cash to be sufficient to meet our near-term liquidity needs, there can be no assurance that our liquidity requirements will continue to be satisfied. Our lenders have the discretion to further decrease the borrowing base of our revolving credit facility. Any further reduction in the borrowing base under the revolving credit facility would negatively impact our ability to meet our debt service requirements and fund our other commitments and obligations. Due to the volatility of commodity prices, we may not be able to obtain funding in the equity or debt capital markets on terms we find acceptable. The cost of obtaining debt capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, and reduced and, in some cases, ceased to provide any new funding.

Revolving Credit Facility

At March 31, 2020, we were not in compliance with our leverage calculation ratio. Amendment 15 to the credit agreement was effective as of June 1, 2020. Amendment 15 to the credit agreement, among other changes decreased the borrowing base from \$95.0 million to \$64.0 million and established a monthly repayment schedule beginning June 1, 2020, through November 1, 2020, for the \$11.0 million borrowing base deficiency; permitted the Recapitalization Transactions; introduced anti-cash hoarding provisions and restrictive covenants on capital and general and administrative spending; provided for all loans to bear payment-in-kind interest, capitalized on a quarterly basis; excluded certain assumed liabilities from the Current Ratio calculation for the quarters ending June 30, 2020, September 30, 2020, and December 31, 2020; and required the Partnership's Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX not to exceed:

- 5.75 to 1.0 for the quarter ending June 30, 2020,
- 5.00 to 1.0 for the quarter ending September 30, 2020,
- 4.50 to 1.0 for the quarter ending December 31, 2020,
- 4.25 to 1.0 for the quarter ending March 31, 2021, and thereafter.

In connection with entering into the Merger Agreement, the Partnership entered into a postponement letter with the lenders under the revolving credit facility (the "Postponement Letter"). The Postponement Letter provided, among other things, that the Partnership may postpone the payment of the Original Deficiency Balance Amount and the Partnership's compliance with the Leverage Ratio of Consolidated Funded Indebtedness to Consolidated EBITDAX until December 31, 2020.

At September 30, 2020, the Partnership was in compliance with the financial covenants required by the credit agreement. At November 6, 2020, the outstanding balances of our revolving credit facility and standby letter of credit were \$68.5 million and \$1.0 million, respectively. See Note 7 to the unaudited condensed consolidated financial statements for additional information on Amendment 15 to the credit agreement.

Capital Requirements

Our business requires continual investment to upgrade or enhance existing operations in order to increase and maintain our production and the size of our asset base. The primary purpose of growth capital is to acquire and develop producing assets that allow us to increase our production and asset base. To date, we have funded acquisition transactions through a combination of cash, available borrowing capacity under our revolving credit facility and through the issuance of equity, including the Preferred Units.

In connection with the proposed Merger, the Merger Agreement provides certain termination rights under which we may exercise and effectively terminate the Merger Agreement. Should certain unlikely events occur under the specified circumstances outlined in the Merger Agreement, we will be required to pay Contango a termination fee of \$1.5 million. Contemporaneously with the execution of the Merger Agreement, we entered into a purchase and sale agreement requiring Contango to purchase certain assets for cash consideration of \$9.0 million in the event that the Merger fails to close by January 23, 2021, subject to a 30 day extension if the failure of the Merger to close is due to the failure to obtain Contango shareholder approval or our unitholder approval.

Due to the current oil and natural gas environment, Amendment 15 to our credit agreement restricted our capital spending for the remainder of 2020.

Commodity Derivative Contracts

Our risk management program is intended to reduce our exposure to commodity price volatility and to assist with stabilizing cash flows. Accordingly, we utilize commodity derivative contracts (swaps, calls, puts and collars) to manage a portion of our exposure to commodity prices. The commodity derivative contracts that we have entered into generally have the effect of providing us with a fixed price or a floor for a portion of our expected future oil production over a fixed period of time. We enter into commodity derivative contracts or modify our portfolio of existing commodity derivative contracts when we believe market conditions or other circumstances suggest that it is prudent or as required by our lenders. At September 30, 2020, we had commodity derivative contracts covering 66% and 50%, respectively, of our estimated 2020 and 2021 average daily production (estimate calculated based on September 2020 net daily oil production volumes). See Note 4 to the unaudited condensed consolidated financial statements for additional information regarding our commodity derivative contracts.

Sources and Uses of Cash

The following table summarizes the net change in cash and cash equivalents for the nine months ended September 30, 2020 and 2019:

(in thousands)	Nine Months Ended September 30,		Change	% Change
	2020	2019		
Operating activities				
Net used in operating activities	\$ 5,850	\$ 10,422	\$ (4,572)	(44%)
Investing activities				
Acquisitions of oil and natural gas properties	(111)	(3,296)	3,185	97%
Additions to oil and natural gas properties	(5,905)	(9,363)	3,458	37%
Additions to other property and equipment	(84)	—	(84)	(100%)
Proceeds from sales of oil and natural gas properties	—	32,514	(32,514)	(100%)
Proceeds from sale of other assets	365	123	242	197%
Net cash (used in) provided by investing activities	(5,735)	19,978	(25,713)	(129%)
Financing activities				
Proceeds from line of credit	6,000	8,000	(2,000)	(25%)
Payments on line of credit	(4,750)	(36,000)	31,250	87%
Distributions to preferred unitholders	(800)	(2,400)	1,600	67%
Debt issuance costs	(396)	—	(396)	(100%)
Net cash provided by (used in) financing activities	54	(30,400)	30,454	100%
Change in cash and cash equivalents	\$ 169	\$ —	\$ 169	100%

Operating activities. The change in operating cash flows for the periods compared was primarily attributable to:

- decreased oil and natural gas sales of \$18.9 million; offset by
- increased net settlements received on derivatives of \$10.0 million; and
- decreased LOE of \$4.1 million.

See Results of Operations in Item 2 for further discussion of the items listed above.

Investing and financing activities. The change in investing and financing cash flows for the periods compared was primarily attributable to net proceeds from the Strategic Transaction in March 2019 and the resulting payment on the revolving credit facility. See Note 2 to the unaudited condensed consolidated financial statements for further discussion of the Strategic Transaction.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our unaudited consolidated financial statements.

There have been no material changes in our critical accounting policies and procedures during the nine months ended September 30, 2020. See our critical accounting policies in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 10-K.

Recently Issued Accounting Pronouncements

See Note 13 to the unaudited condensed consolidated financial statements for additional information regarding recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our chief executive officer (principal executive officer) and chief accounting officer (principal financial officer), the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2020. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q.

Changes in Internal Controls Over Financial Reporting

There were no changes in our system of internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the course of our ongoing preparations for making management's report on internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, from time to time we have identified areas in need of improvement and have taken remedial actions to strengthen the affected controls as appropriate. We make these and other changes to enhance the effectiveness of our internal controls over financial reporting, which do not have a material effect on our overall internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceedings. In addition, we are not aware of any material legal or governmental proceedings against us under the various environmental protection statutes to which we are subject.

ITEM 1A. RISK FACTORS

Our significant business risks are described in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, to which reference is made herein. Other than as set forth below, there have been no material changes to the risk factors disclosed in such Annual Report.

Our business has been, and will continue to be, affected by the coronavirus (COVID-19) pandemic.

The COVID-19 outbreak and the measures put in place to address it have negatively impacted the global economy, disrupted global supply chains, reduced global demand for oil and gas, and created significant volatility and disruption of financial and commodity markets. Public health officials have recommended or mandated certain precautions to mitigate the spread of COVID-19, including limiting non-essential gatherings of people, ceasing all non-essential travel and issuing “social or physical distancing” guidelines, “shelter-in-place” orders and mandatory closures or reductions in capacity for non-essential businesses. The full impact of the COVID-19 pandemic remains uncertain and will depend on the severity, location and duration of the effects and spread of the disease, the effectiveness and duration of actions taken by authorities to contain the virus or treat its effect, and how quickly and to what extent economic conditions improve. According to the National Bureau of Economic Research, as a result of the pandemic and its broad reach across the entire economy, the U.S. entered a recession in early 2020.

We have already been impacted by the COVID-19 pandemic. See Management’s Discussion and Analysis of Financial Condition and Results of Operations, for additional information on how we have been impacted and the steps we have taken in response. Our business is likely to be further negatively impacted by the COVID-19 pandemic. These impacts could include but are not limited to:

- Continued reduced demand for our products as a result of reductions in travel and commerce;
- Disruptions in our supply chain due in part to scrutiny or embargoing of shipments from infected areas or invocation of force majeure clauses in commercial contracts due to restrictions imposed as a result of the global response to the pandemic;
- Failure of third-parties on which we rely, including our suppliers, contractors, joint venture partners and external business partners, to meet their obligations to the Partnership, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties or restrictions imposed in response to the disease outbreak;
- Reduced workforce productivity caused by, but not limited to, illness, travel restrictions, quarantine, or government mandates;
- Business interruptions resulting from a significant amount of our employees telecommuting in compliance with social distancing guidelines and shelter-in-place orders, as well as the implementation of protections for employees continuing to commute for work, such as personnel screenings and self-quarantines before or after travel; and
- Voluntary or involuntary well shut-ins to support oil prices or alleviate storage shortages for our products.

Any of these factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our revenues and damage our financial condition, results of operations, cash flows and liquidity position. The pandemic continues to progress and evolve, and the full extent and duration of any such impacts cannot be predicted at this time because of the sweeping impact of the COVID-19 pandemic on daily life around the world.

We have been negatively affected and are likely to continue to be negatively affected by the recent swift and sharp drop in commodity prices.

The oil and gas business is fundamentally a commodity business and prices for crude oil, bitumen, natural gas, and NGLs can fluctuate widely depending upon global events or conditions that affect supply and demand. Recently, there has been a precipitous decrease in demand for oil globally, largely caused by the dramatic decrease in travel and commerce resulting from the COVID-19 pandemic. See Management's Discussion and Analysis of Financial Condition and Results of Operations, for additional information on commodity prices and how we have been impacted. There is no assurance of when or if commodity prices will return to pre-COVID-19 levels. The speed and extent of any recovery remains uncertain and is subject to various risks, including the duration, impact and actions taken to stem the proliferation of the COVID-19 pandemic, the extent to which those nations party to the OPEC plus production agreement decide to increase production of crude oil, natural gas, and NGLs, and other risks described in this Quarterly Report on Form 10-Q or in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Even after a recovery, our industry will continue to be exposed to the effects of changing commodity prices given the volatility in commodity price drivers and the worldwide political and economic environment generally, as well as continued uncertainty caused by armed hostilities in various oil-producing regions around the globe. Our revenues, operating results and future rate of growth are highly dependent on the prices we receive for our crude oil, natural gas and NGLs. Many of the factors influencing these prices are beyond our control.

Lower crude oil, natural gas and NGL prices may have a material adverse effect on our revenues, operating income, cash flows and liquidity. As a result of the recent market downturn, we have entered into an amendment to our revolving credit facility which temporarily prohibits us from declaring a dividend on our common units. Lower prices may also limit the amount of reserves we can produce economically, thus adversely affecting our proved reserves, reserve replacement ratio and accelerating the reduction in our existing reserve levels as we continue production from upstream fields. Prolonged lower crude oil prices may affect certain decisions related to our operations, including decisions to reduce capital investments or decisions to shut-in production.

Significant reductions in crude oil, natural gas and NGLs prices could also require us to reduce our capital expenditures, impair the carrying value of our assets or discontinue the classification of certain assets as proved reserves. In the first six-month period of 2020, we recognized several impairments, which are described in Note 5 to the unaudited condensed consolidated financial statements. If the outlook for commodity prices remain low relative to their historic levels, and as we continue to optimize our investments and exercise capital flexibility, it is reasonably likely we will incur future impairments to long-lived assets. Although it is not reasonably practicable to quantify the impact of any future impairments or estimated change to our unit-of-production at this time, our results of operations could be adversely affected as a result.

Risks Related to the Business of the Partnership as a Result of the Recapitalization Transactions

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

As a result of the sustained commodity price decline and our substantial debt burden, the Partnership believes that forecasted cash and available credit capacity may not be sufficient to meet commitments as they come due over the next twelve months. The Partnership will not be able to comply with the covenants unless we are able to successfully increase liquidity or deleverage. The unaudited condensed consolidated financial statements do not reflect any adjustments that might result if we are unable to continue as a going concern. The Partnership's borrowings under the revolving credit facility come due in less than one year.

Our ability to continue as a going concern is dependent on the re-negotiation of our revolving credit facility, or other measures such as the sale of assets or raising additional capital. These factors raise substantial doubt over the Partnership's ability to continue as a going concern, and therefore, whether we will realize our assets and extinguish our liabilities in the

normal course of business and at the amounts stated in the unaudited condensed consolidated balance sheet. If the Partnership were unable to refinance its indebtedness, the Partnership would need to engage financial and legal advisors to assist with analyzing various strategic alternatives to address our liquidity and capital structure, among other things. There can be no assurance the Partnership will be able to restructure our capital structure on terms acceptable to the Partnership and our creditors, or at all.

We recently completed the Recapitalization Transactions which resulted in the composition of our Board and management changing.

Upon consummation of the Recapitalization Transactions, the composition of the Board and management of our general partner was changed. The Board now consists of four directors, all of whom are new to the Partnership. Our new directors and management have different backgrounds, experiences and perspectives from those individuals who previously served on the board and as management and, thus, may have different views on the issues that will determine the future of the Partnership. As a result, the future strategy and plans of the Partnership may differ materially from those of the past.

Since the majority of our common units are owned by one significant unitholder, our other unitholders may not be able to influence control of our Partnership or decision making by our management.

One significant unitholder beneficially owns approximately 56% of our outstanding common units. The interests of this unitholder may not be, at all times, the same as that of our other unitholders. This significant unitholder will have the ability to significantly influence the outcome of most corporate actions requiring shareholder approval, including our merger with or into another company, the sale of all or substantially all of our assets and amendments to our articles of incorporation. This concentration of ownership may also have the effect of delaying, deferring or preventing a change of control of our company, which may be disadvantageous to minority unitholders.

Our Partnership Agreement continues to replace our general partner's fiduciary duties to holders of our common units with contractual standards governing its duties.

Our Partnership Agreement was amended and restated in connection with the Recapitalization Transactions and continues to contain provisions that eliminate the fiduciary standards to which our general partner and its officers and directors would otherwise be held by state fiduciary law and replaces those duties with several different contractual standards. For example, our Partnership Agreement permits our general partner to make a number of decisions in its sole discretion, free of any duties to us and holders of our common units other than the implied contractual covenant of good faith and fair dealing. This provision entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us or our unitholders. In addition, our Partnership Agreement grants broad rights of indemnification to our general partner and its officers and directors. By owning a common unit, a holder is treated as having consented to the provisions in our Partnership Agreement.

Our Partnership Agreement continues to restrict the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our Partnership Agreement was amended and restated in connection with the Recapitalization Transactions and continues to contain provisions that restrict the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our Partnership Agreement:

- provides that whenever our general partner is permitted or required to make a decision, in its capacity as our general partner, our general partner is permitted or required to make such a decision in good faith and will not be subject to any other or different standard imposed by our Partnership Agreement, Delaware law, or any other law, rule or regulation;
- provides that our general partner and its officers and directors will not be liable for monetary damages to us or our unitholders resulting from any act or omission of our general partner or its officers and directors, as the case may be, unless our general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with the knowledge that the conduct was criminal; and
- provides that, in the absence of bad faith, our general partner will not be in breach of its obligations under our Partnership Agreement or its fiduciary duties to us or our unitholders if a transaction with an affiliate or the resolution of a conflict of interest is approved in accordance with, or otherwise meets the standards set forth in, our Partnership Agreement.

Beginning on July 1, 2020, we rely primarily on a subsidiary of Contango to manage and operate our business. The individuals who Contango uses to manage us may also provide substantially similar services to the affiliates of Contango, and thus may not be solely focused on our business.

Beginning on July 1, 2020, we rely primarily on Contango to manage us and operate our assets. Upon the consummation of the Recapitalization Transactions, we entered into a services agreement with Contango Resources effective on July 1, 2020, pursuant to which Contango Resources provides management, administrative and operational services to us after the termination of a transition service agreement with Mid-Con Energy Operating.

Contango Resources continues to provide substantially similar services and personnel to the affiliates of Contango Resources and, as a result, may not have sufficient human, technical and other resources to provide those services at a level that it would be able to provide to us if it did not provide similar services to these other entities. Additionally, Contango may make internal decisions on how to allocate its available resources and expertise that may not always be in our best interest compared to those of the affiliates of Contango or other affiliates of our general partner. There is no requirement that Contango Resources favor us over these other entities in providing its services. If the employees of Contango Resources do not devote sufficient attention to the management and operation of our business, our financial results may suffer and our ability to make distributions to our unitholders may be reduced.

We may fail to realize all of the anticipated benefits of the Recapitalization Transactions or those benefits may take longer to realize than expected.

Our ability to realize the anticipated benefits of the Recapitalization Transactions will depend, to a large extent, on our ability to take action in a manner that facilitates growth opportunities, and achieves the projected stand-alone cost savings and revenue growth trends identified as part of the Recapitalization Transactions. It is expected that we will benefit from operational and general and administrative cost improvements. If we are not able to successfully achieve these objectives, the anticipated benefits of the Recapitalization Transactions may not be realized fully or at all or may take longer to realize than expected.

In addition, the recapitalization of a business is a complex, costly and time-consuming process. As a result, the general partner will be required to devote significant management attention and resources to our business practices and operations. This process may disrupt the business. The failure to realize the anticipated benefits of the transactions contemplated by the Recapitalization Transactions could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. The Recapitalization Transactions may also result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships and diversion of management attention.

Many of these factors are outside of our control, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, which could materially impact the business, financial condition and results of operations of the Partnership. In addition, even if our operations are restructured successfully, the full benefits of the Recapitalization Transactions may not be realized, including the cost savings, increased sales or growth opportunities that are anticipated. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the Recapitalization Transactions. All of these factors could cause dilution to our earnings per unit and negatively impact the price of our common units.

Completion of the Recapitalization Transactions may trigger change in control or other provisions in certain agreements to which we are a party.

The completion of the Recapitalization Transactions may trigger change in control or other provisions in certain agreements to which we are a party. If we are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seek monetary damages from us. Even if we are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements.

Risks Related to the Merger Agreement

We will be subject to business uncertainties while the Merger is pending, which could adversely affect our businesses.

Uncertainty about the effect of the Merger on employees and those that do business with us may have an adverse effect on the Partnership. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Merger is completed and for a period of time thereafter, and could cause those that transact with us to seek to change their existing

business relationships with us. Current and prospective employees of the Partnership may experience uncertainty about their roles within the combined company following the Merger, which may have an adverse effect on our current ability to attract or retain key management and other key personnel regardless of whether the Merger is completed.

In addition, the Merger Agreement restricts us from entering into certain corporate transactions, entering into certain material contracts, making certain changes to our capital budget, incurring certain indebtedness and taking other specified actions without the consent of Contango, and generally requires us to continue our operations in the ordinary course of business during the pendency of the Merger. These restrictions may prevent us from pursuing attractive business opportunities or adjusting our capital plan prior to the completion of the Merger.

We may be subject to lawsuits relating to the Merger, which could adversely affect our business, financial condition and operating results.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our and Contango's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the Merger, then that injunction may delay or prevent the Merger from being completed, which may adversely affect our and Contango's respective business, financial position and results of operations.

The Merger may not be completed, and the Merger Agreement may be terminated in accordance with its terms. Failure to complete the Merger could negatively impact the price of shares of the Partnership's common units, as well as the Partnership's future business and financial results.

The Merger is subject to a number of conditions that must be satisfied, including the approval by the Partnership's unitholders of the Merger Agreement and approval by Contango's stockholders of the issuance of Contango shares in connection with the Merger, or waived, in each case prior to the completion of the Merger. These conditions to the completion of the Merger, some of which are beyond the control of the Partnership and Contango, may not be satisfied or waived in a timely manner or at all, and, accordingly, the Merger may be delayed or may not be completed. The Merger Agreement may also be terminated under certain circumstances. If the transactions contemplated by the Merger Agreement are not completed for any reason, the Partnership's ongoing businesses and financial results may be adversely affected. In addition, if the Merger Agreement is terminated and the Partnership's Board seeks another merger or business combination, the Partnership may not be able to find a party willing to offer equivalent or more attractive consideration than the consideration Contango has agreed to provide in the Merger.

The Merger Agreement contains provisions that limit our ability to pursue alternatives to the Merger, could discourage a potential competing acquiror of us from making a favorable alternative transaction proposal and, in specified circumstances, could require us to pay Contango a termination fee of \$1.5 million.

The Merger Agreement contains a general prohibition on us and Contango from soliciting or, subject to certain exceptions relating to the exercise of fiduciary duties by our boards of directors, entering into discussions with any third-party regarding any competing proposal or offer for a competing transaction. In addition, each party generally has an opportunity to offer to modify the terms of Merger in response to any third-party alternative transaction proposal before a party's board of directors may withhold, withdraw, qualify or modify its recommendation with respect to the Merger Agreement proposal or the share issuance proposal, as applicable. In some circumstances, upon termination of the Merger Agreement, we will be required to pay a termination fee of \$1.5 million to Contango.

These provisions could discourage a potential third-party acquiror or merger partner that might have an interest in acquiring all or a significant portion of us or pursuing an alternative transaction with us either from considering or proposing such a transaction, even if a third-party acquiror were prepared to pay consideration with a higher per unit price than the per unit price proposed to be received in the merger or might result in a potential third-party acquiror or merger partner proposing to pay a lower price to our stockholders than it might otherwise have proposed to pay because of the added expense of the \$1.5 million termination fee that may become payable in certain circumstances.

Because the exchange ratio in the Merger Agreement is fixed and because the market price of the Partnership's common units will fluctuate prior to the completion of the Merger, our unitholders cannot be sure of the market value of the Partnership's common units they will receive as consideration in the Merger.

Under the terms of the Merger Agreement, our stockholders will receive consideration consisting of 1.7500 shares of Contango common stock for each of the Partnership's common units. The exchange ratio is fixed, and there will be no adjustment to the merger consideration for changes in the market price of Contango common stock or our common units prior to the completion of the Merger.

If the Merger is completed, there will be a time lapse between the date of signing of the Merger Agreement and the date on which our unitholders who are entitled to receive the merger consideration actually receive the merger consideration. The respective market values of Contango's common stock and the Partnership's common units have fluctuated and may continue to fluctuate during this period as a result of a variety of factors, including general market and economic conditions, changes in each company's business, operations and prospects, commodity prices, regulatory considerations and the market's assessment of Contango's business and the Merger. Such factors are difficult to predict and, in many cases, may be beyond the control of Contango and us. The actual value of the merger consideration received by our unitholders at the completion of the Merger will depend on the market value of Contango common stock at that time. This market value may differ, possibly materially, from the market value of Contango common stock at the time the Merger Agreement was entered into or at any other time.

Our unitholders will have a reduced ownership and voting interest in Contango after the Merger compared to their current ownership in the Partnership on a standalone basis and will exercise less influence over management.

Currently, the Partnership's unitholders have the right to vote in the election of the Partnership's Board and on other matters requiring unitholder approval under Delaware law and the Partnership's certificate of limited partnership and limited partnership agreement. As a result of the Merger, the Partnership's current unitholders will own a smaller percentage of the combined company than they currently own of the Partnership, and as a result will have less influence on the management and policies of Contango post-Merger than they now have on the management and policies of the Partnership.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The private placement of common units in connection with the Recapitalization Transactions relied upon an exemption from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

At March 31, 2020, we were in default of the Consolidated Funded Indebtedness to Consolidated EBITDAX covenant under our existing credit agreement. On June 4, 2020, we entered into Amendment 15 to our credit agreement in conjunction with the closing of the Recapitalization Transactions, which included a waiver of this default. At September 30, 2020, we were in compliance with financial covenants required by our credit agreement.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed below are filed as part of this Quarterly Report:

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	<u>Agreement and Plan of Merger, dated as of October 25, 2020, by and among Contango Oil & Gas Company, Michael Merger Sub LLC, Mid-Con Energy Partners, LP, and Mid-Con Energy GP, LLC.*</u>
10.1	<u>Postponement of Fall 2020 Scheduled Redetermination and Certain Payments under the Credit Agreement, dated as of December 20, 2011, among Mid-Con Energy Properties, LLC, a Delaware limited liability company (the "Borrower"), Wells Fargo Bank, National Association, as administrative agent (in such capacity, the "Administrative Agent"), and the lenders party thereto (the "Lenders", and such agreement, as heretofore amended and restated, modified or supplemented, the "Credit Agreement").</u>
10.2	<u>Purchase and Sale Agreement, dated October 25, 2020, among Mid-con Energy Properties, LLC, as seller and Contango Oil & Gas Company, as Purchaser.*</u>
31.1+	<u>Rule 13a-14(a)/ 15(d)- 14(a) Certification of Chief Executive Officer</u>
31.2+	<u>Rule 13a-14(a)/ 15(d)- 14(a) Certification of Principal Financial Officer</u>
32.1+	<u>Section 1350 Certificate of Chief Executive Officer</u>
32.2+	<u>Section 1350 Certificate of Principal Financial Officer</u>
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema Document
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document

+ Filed herewith

* This filing excludes schedules pursuant to Item 601(b)(2) of Regulation S-K, which the registrant agrees to furnish supplementally to the Securities and Exchange Commission upon its request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MID-CON ENERGY PARTNERS, LP

By: Mid-Con Energy GP, LLC, its general partner

November 16, 2020

By: /s/ Sherry L. Morgan
Sherry L. Morgan
Chief Executive Officer

November 16, 2020

By: /s/ Jodie L. DiGiacomo
Jodie L. DiGiacomo
Chief Accounting Officer
as Principal Financial Officer

October 30, 2020

Mid-Con Energy Properties, LLC
2431 E. 61st Street, Suite 850
Tulsa, Oklahoma 74136
Attention: Sherry Morgan
Email: smorgan@mceplp.com

Re: Postponement of Fall 2020 Scheduled Redetermination and Certain Payments under the Credit Agreement, dated as of December 20, 2011, among Mid-Con Energy Properties, LLC, a Delaware limited liability company (the “Borrower”), Wells Fargo Bank, National Association, as administrative agent (in such capacity, the “Administrative Agent”), and the lenders party thereto (the “Lenders”, and such agreement, as heretofore amended, amended and restated, modified or supplemented, the “Credit Agreement”)

Mrs. Morgan:

This letter (“Postponement Letter”) relates to the Credit Agreement. Each capitalized term not defined herein shall have the meaning assigned such term in the Credit Agreement. All references to sections in this Postponement Letter shall refer to sections of the Credit Agreement unless otherwise indicated.

1. Postponement of Fall 2020 Scheduled Redetermination.

Pursuant to Section 2.9 of the Credit Agreement, the next scheduled redetermination of the Borrowing Base is scheduled to occur on or before October 30, 2020 (the “Fall 2020 Scheduled Redetermination”), which is the date that is 30 days after required delivery of the information and Engineering Reports on September 30, 2020 from the Borrower as set forth in Section 2.9. The Borrower has requested that the Required Lenders agree to postpone, and the Required Lenders do hereby agree to postpone, the Fall 2020 Scheduled Redetermination until December 31, 2020 (the “BBRD Extension”); provided that, the Extension Conditions (as defined below) have been met.

For the avoidance of doubt, the Borrower and the Required Lenders hereby agree that the Fall 2020 Scheduled Redetermination, as postponed pursuant to the BBRD Extension, shall be effectuated pursuant to the procedures set forth in Section 2.9 of the Credit Agreement; provided that (i) the Administrative Agent shall utilize the most recently delivered Engineering Report pursuant to Sections 2.9 and 6.2(e) and such other reports, data and supplemental information, including, without limitation, the information provided by the Borrower pursuant to Sections 2.9 and 6.2(e), as may be reasonably requested by the Required Lenders (such Engineering Report, such certificate and such other reports, data and supplemental information, the “December 2020 BBRD Engineering Reports”) for purposes of proposing a new Borrowing Base, and (ii) the effective date of the new Borrowing Base shall be December 31, 2020 following the delivery of notice of designation thereof (or, if the Administrative Agent has not received the December 2020

BBRD Engineering Reports in a timely manner, then on the Business Day next succeeding delivery by the Administrative Agent of notice of such designation). Notwithstanding the foregoing, the Borrowing Base may be subject to adjustments from time to time pursuant to the third sentence of Section 2.9 of the Credit Agreement.

2. Postponement of Fall 2020 Scheduled Redetermination and Certain Payment under Amendment No. 15.

Pursuant to Section 4.02(a) of Amendment No. 15, with respect to the Original Deficiency (as defined therein), on November 1, 2020 the Borrower is obligated to pay (a) \$1,250,000 plus (b) the Original Deficiency Balance Amount (if any). The Borrower has requested that the Lenders agree to postpone, and the Lenders do hereby agree to postpone, the portion of such payment due on November 1, 2020 constituting only the Original Deficiency Balance Amount until December 31, 2020 (the "Payment Extension"); provided that, the Extension Conditions have been met. For avoidance of doubt, the Payment Extension will not affect the portion of the payment due on November 1, 2020 in the amount of \$1,250,000 pursuant to Section 4.02(a) of Amendment No. 15.

3. Postponement of Compliance Certificate Delivery and Measurement of Leverage Ratio.

Pursuant to Section 7.13 of Credit Agreement, for the Fiscal Quarter ending September 30, 2020 only, the ratio of the MLP's Consolidated Funded Indebtedness to the MLP's Consolidated EBITDAX will not exceed 5.00 to 1.00 (the "Subject Leverage Requirement"), and pursuant to Section 6.2(c) of the Credit Agreement, for such Fiscal Quarter, the Borrower will furnish a certificate as set forth therein, among other things demonstrating compliance with the Subject Leverage Requirement, not later than the first to occur of the 15th day after quarters financial statements are required to be delivered to the SEC and the 60th day after the end of such Fiscal Quarter (the "Compliance Certificate Delivery Requirement").

The Borrower has requested that the Required Lenders agree to postpone, and the Required Lenders do hereby agree to postpone, the Compliance Certificate Delivery Requirement until December 31, 2020 (the "Compliance Certificate Delivery Extension"); provided that, the Extension Conditions have been met.

The Borrower has further requested that the Required Lenders agree, and the Required Lenders do hereby agree to postpone the measurement of the Subject Leverage Requirement until December 31, 2020, and in furtherance thereof, not to take any action or exercise any of their rights or remedies solely as a result of any non-compliance with the Subject Leverage Requirement, until December 31, 2020 (collectively, and together with the Compliance Certificate Delivery Extension, the "Leverage Measurement Extension"); in each case provided that, the Extension Conditions have been met and that no other Default or Event of Default occurs prior to such date. For avoidance of doubt, the Subject Leverage Requirement shall not be affected by the Subject Leverage Measurement Extension.

4. Extension Conditions.

For purposes hereof, "Extension Conditions" shall mean each of the following: on or prior to November 1, 2020, (i) the Borrower shall have delivered evidence, in form and substance reasonably satisfactory to the Administrative Agent, that Contango Oil & Gas Company has received cash proceeds of new common equity capital contributions from the holders of its Equity Interests in an aggregate amount equal to at least \$25,000,000 and (ii) the Borrower shall have delivered to the Administrative Agent a true and complete executed copy of that certain Agreement and Plan of Merger, by and among the Contango Oil & Gas Company, Mid-Con Energy Partners LP, a Delaware limited partnership, ("Mid-Con"), Michael Merger sub LLC, a Delaware Limited liability company, as general partner of Mid-con, dated as of October 25, 2020.

If the Borrower fails to satisfy the Extension Conditions on or before November 1, 2020, each of the BBRD Extension, the Payment Extension and the Leverage Measurement Extension shall be void and of no further force and effect, and the Fall 2020 Scheduled Redetermination shall occur pursuant to Section 2.9 of the Credit Agreement, all payments will be made as required by Section 4.02(a) of Amendment No. 15, the Compliance Certificate Delivery shall occur and the Subject Leverage Ratio shall be measured each as originally set forth in the Credit Agreement..

5. Miscellaneous.

Each of the Borrower and each Guarantor hereby expressly (a) acknowledges the terms of this Postponement Letter, (b) ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect, except as expressly modified hereby, notwithstanding the agreement contained herein and (c) represents and warrants to the Lenders that as of the date hereof and after giving effect to this Postponement Letter: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (except to the extent any such representations and warranties are limited by materiality, in which case, they shall be true and correct in all respects), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (except to the extent any such representations and warranties are limited by materiality, in which case, they shall be true and correct in all respects) as of such specified earlier date and (ii) no Default has occurred and is continuing.

Except as expressly waived herein, all covenants, obligations and agreements of the Borrower and each of the Guarantors contained in the Credit Agreement and the other Loan Documents shall remain in full force and effect in accordance with their terms. Without limitation of the foregoing, the foregoing agreement is hereby granted to the extent and only to the extent specifically stated herein and for no other purpose and shall not be deemed to (a) be a consent or agreement to, or waiver or modification of, or amendment to, any other term or condition of the Credit Agreement, any other Loan Document or any of the documents referred to therein, (b) except as expressly set forth herein, prejudice any right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement, any other Loan Document or any of the documents referred to therein, or (c) constitute any course of dealing or other basis for altering any obligation of the Borrower or the Guarantors or any right, privilege or remedy of the Administrative Agent or the Lenders under the Credit

Agreement, the other Loan Documents, or any other contract or instrument. The agreement set forth herein does not and should not be construed to be an assurance or promise that consents or waivers will be granted in the future, whether for the matters herein stated or on other unrelated matters, or that further postponements of scheduled redeterminations will be agreed to.

This Postponement Letter shall not become effective until the Administrative Agent receives counterparts of this Postponement Letter executed by the Borrower, the Guarantors and each Lender.

This Postponement Letter (including, but not limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of New York.

This Postponement Letter may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this Postponement Letter by facsimile transmission or other electronic means shall be effective as delivery of a manually executed counterpart hereof.

This Postponement Letter is a "Loan Document" as defined and described in the Credit Agreement, and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

This Postponement Letter, the Credit Agreement and the other Loan Documents executed in connection herewith and therewith represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or unwritten oral agreements of the parties. There are no subsequent oral agreements among the parties.

[Signatures begin on next page.]

If the foregoing correctly states your understanding with respect to the matters stated in this Postponement Letter, please acknowledge by signing in the space provided below.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent,
as Collateral Agent and as a Lender

By: /s/ Max Gilbert
Name: Max Gilbert
Title: Vice President

SIGNATURE PAGE
POSTPONEMENT LETTER

Accepted and Agreed to as of the date first written above by:

BORROWER:

MID-CON ENERGY PROPERTIES, LLC, a
Delaware limited liability company

By: Mid-Con Energy Partners, LP, a
Delaware limited partnership, its
Sole Member

By: Mid-Con Energy GP, LLC, a
Delaware limited liability company,
Its General Partner

Morgan

By: /s/Sherry.

Name: Sherry Morgan
Title: CEO

GUARANTOR:

MID-CON ENERGY PARTNERS, LP, a
Delaware limited partnership

By: Mid-Con Energy GP, LLC, a
Delaware limited liability company,
Its General Partner

Morgan

By: /s/Sherry.

Name: Sherry Morgan
Title: CEO

LENDERS:

ROYAL BANK OF CANADA

as a Lender

By: /s/Jay T. Sartain

Name: Jay T. Sartain

Title: Authorized Signatory

SIGNATURE PAGE
POSTPONEMENT LETTER

FROST BANK,
as a Lender

By: /s/Justin Armstrong
Name: Justin Armstrong
Title: Senior Vice President

SIGNATURE PAGE
POSTPONEMENT LETTER

LEGAL_US_W # 105221075.2

FIFTH THIRD BANK,
as a Lender

By: /s/ Thomas Kleiderer
Name: Thomas Kleiderer
Title: Director

SIGNATURE PAGE
POSTPONEMENT LETTER

CIT BANK, N.A.,
as a Lender

By: /s/Katya Evseev
Name: Katya Evseev
Title: Director

SIGNATURE PAGE
POSTPONEMENT LETTER

CADENCE BANK,
as a Lender

By: /s/ Molly Wickman
Name: Molly Wickman
Title: Vice President

SIGNATURE PAGE
POSTPONEMENT LETTER

WEST TEXAS NATIONAL BANK,
as a Lender

By: /s/ C. Scott Wilson
Name: C. Scott Wilson
Title: Senior Vice President

SIGNATURE PAGE
POSTPONEMENT LETTER

PURCHASE AND SALE AGREEMENT

Between

MID-CON ENERGY PROPERTIES, LLC

(the “Seller”)

and

CONTANGO OIL & GAS COMPANY

(the “Buyer”)

October 25, 2020

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “**Agreement**”) is entered into this 25th day of October, 2020, between Mid-Con Energy Properties, LLC, a Delaware limited liability company (“**Seller**”), and Contango Oil & Gas Company, a Texas corporation (“**Buyer**”). Buyer and Seller may be referred to herein collectively as the “**Parties**”, or individually as a “**Party**”.

RECITALS:

- A. Seller desires to sell and Buyer desires to purchase all of Seller’s right, title and interest in and to the Properties (as hereinafter defined).
- B. The purchase and sale of the Properties will be consummated on the terms and conditions set forth in this Agreement.
- C. Concurrently with the execution and delivery hereof, Buyer, Michael Merger Sub LLC, a Delaware limited liability company and wholly owned subsidiary of Buyer (“**Michael Merger Sub**”), Mid-Con Energy Partners, LP, a Delaware limited partnership (the “**Partnership**”), and Mid-Con Energy GP, LLC, a Delaware limited liability company and the general partner of the Partnership, are entering into an Agreement and Plan of Merger of even date herewith (as amended, supplemented or modified from time to time, the “**Merger Agreement**”), which provides for, among other things, the merger of the Partnership with and into Michael Merger Sub, with Michael Merger Sub surviving that merger as a subsidiary of Buyer, on the terms and subject to the conditions set forth in the Merger Agreement.

ARTICLE 1 DEFINITIONS AND REFERENCES

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions and References

Capitalized terms used throughout this Agreement including the Recitals above and not defined in Section 1.1 below shall have the meaning ascribed to them elsewhere in this Agreement.

Definitions

. Each of the following terms has the meaning given in this Section 1.1 or in the Section referred to below:

“**Accounting Referee**” means a nationally recognized accounting firm mutually agreed upon by the Parties, *provided* that prior to the appointment of any Accounting Referee, each Party will certify in writing to the other Party that such Accounting Referee has neither performed any work for such Party or its Affiliates nor been an officer, director or employee of such Party or any of its Affiliates within the preceding five year period.

“**Affiliate**” means, with respect to any Party, any other Person that directly or indirectly (through one or more intermediaries or otherwise) Controls, is Controlled

by, or is under common Control with such Party. Notwithstanding the foregoing or anything else in this Agreement to the contrary, in no event shall Buyer or any subsidiary of Buyer be considered an “Affiliate” of Seller.

“**Agreement**” has the meaning specified in the introductory paragraph and includes the Exhibits and Schedules attached hereto.

“**Allocated Value**” has the meaning specified in Section 2.5.1.

“**Allocation**” has the meaning specified in Section 2.5.2.

“**Approval Period**” means the period commencing on the date of this Agreement and terminating at 11:59 PM Central Time on the 90th day following the date of this Agreement, provided, however, that such period shall automatically be extended by 30 days if, as of the end of such period, the Merger Agreement Closing has not occurred due to the failure to obtain the Partnership Unitholder Approval (as defined in the Merger Agreement) or Clyde Shareholder Approval (as defined in the Merger Agreement) has not been obtained.

“**Asset Taxes**” means production, severance, excise, sales, use, occupation, ad valorem property, personal property or similar Taxes, but not Income Taxes or Transfer Taxes (excluding, for the avoidance of doubt, any Income Taxes and Transfer Taxes) based upon or measured by the ownership or operation of the Properties or the production of Hydrocarbons therefrom or the receipt of proceeds therefrom.

“**Assignment**” means the Assignment, Bill of Sale and Conveyance, in substantially the same form attached hereto as Exhibit E.

“**Assumed Obligations**” means, without limiting Buyer’s rights under this Agreement and excluding the Retained Liabilities and any and all liabilities, costs, expenses, duties and obligations of every kind and character that Seller is required or obligated hereunder and/or any agreement, contract or instrument delivered hereunder to pay, defend, indemnify, reimburse and hold harmless any Buyer Indemnified Party, all liabilities, costs, expenses, duties and obligations of every kind and character of Seller with respect to the Properties or to the ownership, use, operation or other disposition thereof, whether or not attributable to periods before, on or after the Effective Time, including those arising out of or relating to: (i) the terms of all oil, gas and mineral leases, easements and similar agreements constituting part of the Properties, (ii) the terms and provisions of all Contracts constituting part of the Properties, (iii) the administration and payment of the amount of the Suspended Funds with respect to the Properties as provided in Section 5.10 (but only to the extent such Suspended Funds were transferred to Buyer at Closing pursuant to Section 2.2(e)), (iv) all Asset Taxes allocated to Buyer pursuant to Section 5.9, (v) liabilities, costs, expenses, duties and obligations to properly plug and abandon or re-plug or re-abandon or remove wells, flowlines, gathering lines or other facilities, equipment or other personal property or fixtures constituting the Properties, (vi) all liabilities, costs, expenses, duties and obligations to restore the surface of the Leases, the Lands or lands pooled or unitized

therewith and any other obligations relating to the failure of the Leases, Lands or lands pooled or unitized therewith to comply with Environmental Laws, including any and all obligations to bring the Properties into compliance with applicable Environmental Laws (including conducting any remediation activities that may be required on or otherwise in connection with activities on the Properties), regardless of whether such obligations or conditions or events giving rise to such obligations, arose, occurred or accrued before or after the Effective Time; (vii) all Third Party claims, demands, violations, actions, assessments, costs, expenses, obligations or other liabilities with respect to the ownership, operation or maintenance of any of the Properties; and (viii) to the extent related to periods after the Effective Time, all losses, claims, liabilities, demands, costs and expenses arising out of, incident to or in connection with the accounting for, failure to pay or the incorrect payment to any royalty owner, overriding royalty owner, working interest owner or other interest holder under the Leases and/or units comprising a part of the Properties.

“**Basket**” has the meaning specified in Section 7.6.1.

“**Business Day**” means any day other than Saturday or Sunday or a day on which banking institutions in Houston, Texas are authorized by Law to close.

“**Buyer**” has the meaning specified in the introductory paragraph.

“**Buyer Indemnified Parties**” has the meaning specified in Section 7.2.

“**Casualty Loss**” means (i) any loss, damage or destruction of the Properties occurring during the period between the date hereof and the Closing Date for any reason, including any act of God, fire, explosion, collision, earthquake, windstorm, tornado, flood or other casualty, but excluding any loss, damage or destruction as a result of depreciation, ordinary wear and tear to equipment, and any change in condition of the Properties for production of Hydrocarbons through normal depletion (which exclusion shall include the watering-out of any Well, collapsed casing or sand infiltration of any Well), or (ii) any loss or damage resulting from any portion of the Properties being taken in condemnation or under right of eminent domain.

“**CERCLA**” has the meaning specified in the definition of Environmental Law.

“**Closing**” means the closing and consummation of the transactions contemplated by this Agreement.

“**Closing Date**” means the date on which the Closing occurs, which will be the Business Day on or following the date that is 15 days following the delivery of the Closing Notice by Seller to Buyer, or such other date as shall be mutually agreed by Buyer and Seller.

“**Closing Notice**” means a written notice duly executed by an authorized officer of Seller that is delivered by Seller to Buyer exercising its right to require the Closing of the transactions contemplated hereby in accordance with Article 6.

“**Code**” means the Internal Revenue Code of 1986, as amended, and any successor statute thereof.

“**Contracts**” has the meaning specified in the definition of Properties.

“**Control**” means the possession, directly or indirectly, of the power, directly or indirectly, to direct or cause the direction of the management or policies of the controlled Person, whether through the ownership of equity interests in or voting rights attributable to the equity interests in such Person, by contract or agency, by the general partner of a Person that is a partnership, or otherwise; and “**Controls**” and “**Controlled**” have meanings correlative thereto; *provided, however*, in no event shall Buyer or its Affiliates be deemed to Control or be Controlled by Seller after Closing.

“**Customary Post-Closing Consents**” means all rights to consent by, required notices to, filings with or other actions by Governmental Authorities in connection with the sale, disposition, transfer or conveyance of federal, state, tribal or other governmental oil and gas leases or interests therein or related thereto, or the transfer of operations of any of the Wells, where the same are customarily obtained subsequent to the assignment, disposition or transfer of such oil and gas leases or interests therein, or such operations.

“**Deed**” means the Special Warranty Deed, in substantially the same form attached hereto as Exhibit G.

“**Defensible Title**” means that record title of Seller to the Leases and Wells that, as of the Effective Time and the Closing Date:

- (a) entitles Seller to receive, throughout the productive life of a Well, not less than the Net Revenue Interest set forth in Exhibit B and/or Schedule 1.1(A) in and to all Hydrocarbons produced and saved or sold from or allocated to such Well (except for (A) decreases in connection with any operation in which the owner of such Well is a non-consenting owner or are taken on or after the Closing Date, including decreases resulting from any reversion of interest to co-owners with respect to which such co-owners, after the execution of this Agreement, may elect to be a non-consenting co-owner, (B) decreases resulting from the establishment after the Closing Date of pools or units, and (C) decreases resulting from reversionary interests, carried interests, horizontal or vertical severances or other matters expressly and clearly identified for such Well in Exhibit B and/or Schedule 1.1(A));
- (b) obligates Seller to bear, throughout the productive life of a Well (and the plugging, abandonment and salvage thereof), not greater than the Working Interest set forth in Exhibit B and/or Schedule 1.1(A), except (A) increases in such Working Interest resulting from matters expressly and clearly identified stated in Exhibit B and/or Schedule 1.1(A) for such Well, (B) increases after the Closing Date resulting from contribution requirements with respect to defaulting parties under applicable operating, unit, pooling, pre-pooling or

similar agreements, (C) increases that are accompanied by at least a proportionate increase in the Net Revenue Interest for such Well; and

(c) is free and clear of all Liens.

“**Dollar**” means the United States of America dollar.

“**Effective Time**” means August 1, 2020 at 7:00 a.m. Central Time.

“**Environmental Law**” means any Law relating to the environment, health and safety, hazardous materials, industrial hygiene, the environmental conditions on, under, or about any of the Properties, including soil, groundwater, and indoor and ambient air conditions or the reporting or remediation of environmental contamination and includes the Comprehensive Environmental Response, Compensation and Liability Act, including the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. (“**CERCLA**”); the Resource Conservation and Recovery Act, including the Hazardous and Solid Waste Amendments Act of 1984, 42 U.S.C. § 6901 et seq. (“**RCRA**”); the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; the Rivers and Harbors Act of 1899, 33 U.S.C. § 401 et seq.; and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; as any of the foregoing may be amended as of the Effective Time.

“**Excluded Assets**” means:

- (a) all corporate, limited liability company, partnership, financial, Income Tax and legal records of Seller that relate to Seller’s business generally (whether or not relating to the Properties), other than title, land and environmental records related to the Properties, Asset Tax records, and except for copies of such legal records that relate to any of the Assumed Obligations;
- (b) all books, records and files that exclusively relate to the Excluded Assets;
- (c) to the extent that they do not relate to any of the Assumed Obligations, any existing or future refund of costs, Seller Taxes or expenses borne by Seller, its Affiliates or their respective predecessors in title attributable to the period prior to the Effective Time;
- (d) to the extent that they do not relate to any of the Assumed Obligations, any and all proceeds from production and from the settlements of contract disputes with purchasers of Hydrocarbons or byproducts from the Leases, including settlement of take-or-pay disputes, insofar as said proceeds are attributable to periods of time prior to the Effective Time;

- (e) to the extent that they do not relate to any of the Assumed Obligations, all rights of Seller under Contracts attributable to periods before the Effective Time insofar as such rights relate to Seller's indemnity obligations or other liabilities of Seller retained under this Agreement;
- (f) to the extent that they do not relate to any of the Assumed Obligations, all rights and interests of Seller (i) under any policy or agreement of insurance or indemnity (including any rights, claims or causes of action of Seller against Third Parties or hold harmless agreements and any indemnities received in connection with Seller's prior acquisition of any of the Properties), or (ii) under any bond, letter of credit or guarantee;
- (g) Seller's area-wide bonds, permits and licenses or other permits, licenses or authorizations used in the conduct of Seller's business generally;
- (h) all Hydrocarbons produced from the Properties with respect to all periods prior to the Effective Time and all proceeds from the disposition thereof other than inventory for which an adjustment is made under Section 2.1;
- (i) all of Seller's and its Affiliates' proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property;
- (j) to the extent that they do not relate to any of the Assumed Obligations, all audit rights (including rights to receive costs and revenues in connection therewith, in each case to the extent Seller is responsible for such costs under this Agreement) arising under any of the Contracts or otherwise with respect to the Properties for any period prior to the Effective Time or to any of the Excluded Assets;
- (k) to the extent that they do not relate to any of the Assumed Obligations, all trade credits, account receivables, note receivables, take-or-pay amounts receivable and other receivables attributable to the Properties (other than inventory for which an adjustment is made under Section 2.1) with respect to any period of time prior to the Effective Time, as determined in accordance with GAAP;
- (l) all computers, phones, office supplies, furniture and related personal effects located off the Properties or only temporarily located on the Properties;
- (m) to the extent that they do not relate to any of the Assumed Obligations, all claims of Seller or any of its Affiliates for refunds of or loss carry forwards with respect to Seller Taxes;
- (n) all documents and instruments of Seller that may be protected by an attorney-client privilege (other than title opinions and reports, which shall be included as part of the Records) and all data that cannot be disclosed to Buyer as a result of confidentiality arrangements (*provided* that Seller shall use commercially reasonable efforts to obtain waivers of such arrangements) or which are subject

to payment of a fee for transfer or other consideration under agreements with Third Parties (unless Buyer agrees to pay such fee);

- (o) any offices, office leases, and any personal property located in or on such offices or office leases;
- (p) all vehicles used in connection with the Properties;
- (q) records relating to the offer, negotiation or consummation of the sale of the Properties;
- (r) Seller's reserve studies, estimates and evaluations, and engineering studies and economic studies; and
- (s) all leased personal property (including leased vehicles), rights and other assets specifically described on Schedule 1.1(B).

“**Expiration Date**” has the meaning specified in Section 9.3.

“**Final Statement**” has the meaning specified in Section 2.3.

“**Fundamental Representations**” means the representations and warranties in Sections 3.1, 3.2, 3.3, 3.5, 3.16, 3.17, 4.1, 4.2, 4.3, 4.4, 4.5, 4.8 and 4.9.

“**G & G Data**” means geological or geophysical information constituting proprietary seismic data, studies, core samples and information to be covered by license agreements and any geological or geophysical information related to the Leases or Wells, and a non-exclusive license to all geophysical data owned by Seller.

“**GAAP**” means generally accepted accounting principles, consistently applied, as recognized by the U.S. Financial Accounting Standards Board (or any generally recognized successor). The requisite that such principles be consistently applied means that the accounting principles in a current period are comparable in all material respects to those applied in preceding periods.

“**Gas Imbalances**” means any gas production, pipeline, storage, processing, transportation or other imbalance or unsatisfied through-put obligations attributable to Hydrocarbons produced from the respective Seller's interest in Seller's Wells or any interests pooled or unitized therewith.

“**Governmental Authority**” means any national, state, county or municipal government or division thereof, domestic or foreign, any agency, board, bureau, commission, court, department or other instrumentality of any such government, or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, or any court or governmental tribunal or arbitrator in any case that has jurisdiction over any of the Parties or any of their respective properties or assets.

“**Hydrocarbons**” means oil, condensate, gas, casinghead gas and other liquid or gaseous hydrocarbons produced in association therewith.

“**Income Taxes**” means any income, capital gains, franchise, gross receipts and similar Taxes.

“**Individual Claim**” has the meaning specified in Section 7.6.1.

“**Lands**” has the meaning set forth in the definition of Properties.

“**Laws**” means any and all applicable laws, statutes, acts, constitutions, fundamental principles of common law, ordinances, permits, decrees, writs, injunctions, orders, codes, judgments, directives, decrees, rules, regulations, or governmental guidelines or interpretations having the force of law or other legally enforceable requirements (including Environmental Laws) that are promulgated, issued, adopted, implemented or enacted by or under the authority of any Governmental Authority having jurisdiction.

“**Leases**” has the meaning set forth in the definition of Properties.

“**Lien**” means any lien, mortgage, security interest, pledge, charge, encumbrance or other arrangements substantially equivalent thereto.

“**Material Contracts**” has the meaning specified in Section 3.8.1.

“**Merger Agreement**” has the meaning specified in the Recitals.

“**Merger Agreement Closing**” means the “Closing” as such term is defined in the Merger Agreement.

“**Net Revenue Interest**” (or “**NRI**”) means, with respect to a Lease or Well, the decimal interest in and to all production of Hydrocarbons produced and saved or marketed from or allocated to the relevant Property after giving effect to all valid lessors’ royalties, overriding royalties, nonparticipating royalties, net profits interests, production payments, carried interests, reversionary interests, and other burdens upon, measurable or payable out of production therefrom.

“**Non-Disclosure Agreement**” means that certain Non-Disclosure Agreement dated July 30, 2020, by and between Buyer and Seller.

“**Ordinary Course of Business**” means in the ordinary course of business consistent with past custom and practice.

“**Partnership**” has the meaning specified in the Recitals.

“**Party**” and “**Parties**” have the meanings specified in the introductory paragraph.

“**Permits**” has the meaning specified in Section 3.6.

“**Person**” means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or other entity or Governmental Authority.

“**PPR**” means any preferential purchase right, right of first refusal or other agreement which gives a Third Party a right to purchase a Lease or Well (or any part thereof).

“**Properties**” means all of Seller’s right, title and interest in and to the following, excluding the Excluded Assets:

- (a) all oil and gas leases, oil, gas and mineral leases, subleases, other leaseholds, oil and gas fee interests, working interests and net revenue interests owned by Seller that are described in Exhibit A attached hereto and made a part hereof, whether producing or non-producing (collectively, the “**Leases**”);
- (b) all royalty interests, net profits interests and similar interests associated with or burdening the Leases, and any and all lands covered or burdened by any of the Leases or subject thereto or pooled, communitized or unitized with any of the Leases (the “**Lands**”);
- (c) all oil and/or gas wells located on or within the geographical boundaries of the Lands whether producing, shut-in, plugged or abandoned, including those oil and/or gas wells described in Exhibit B (the “**Wells**”), in each case to the extent allocated to or constituting any of the Lands, and all tangible personal property, equipment, fixtures and improvements, including all injection wells, water wells, salt water disposal facilities (including those set forth on Exhibit B), well heads, casing, tubing, pumps, motors, gauges, valves, heaters, treaters, water lines, vessels, tanks, boilers, separators, treating equipment, compressors, other equipment, automation systems including meters and related telemetry on wells, power lines, telephone and communication lines, and other appurtenances owned in connection with the production, treating, storing, transportation or marketing of Hydrocarbons from the Wells;
- (d) all presently existing unitization, pooling and/or communitization agreements, declarations or designations and statutorily, judicially or administratively created drilling, spacing and/or production units, whether recorded or unrecorded, insofar as the same are attributable or allocated to any of the Lands, and the properties covered or units created thereby which are attributable to the Lands;
- (e) all presently existing and valid Hydrocarbon sales agreements to the extent applicable to the Properties, including, operating agreements, gathering agreements, transportation agreements, marketing, disposal or injection agreements, farmout and farmin agreements, unitization, pooling and communitization agreements, purchase agreements, exploration agreements, area of mutual interest agreements, exchange and processing contracts and agreements, partnership and joint venture agreements and any other contracts,

agreements and instruments, in each case, only to the extent the above agreements cover, are attributable to or relate to the Leases, Lands, Wells and/or any interests pooled, communitized or unitized therewith, including those set forth on Exhibit F (collectively, the “**Contracts**”); *provided* that “Contracts” shall exclude: (i) any master service agreements, (ii) any contracts, agreements and instruments to the extent transfer is (A) restricted by their respective terms or third-party agreement, or (B) subject to payment of a fee or other consideration under any license agreement or other agreement with a Person other than an Affiliate of Seller (in which case Seller shall bear all such fees and consideration), and for which no consent to transfer has been received or for which Buyer or Seller has not agreed in writing to pay the fee or other consideration, as applicable, and (iii) the instruments constituting the Leases, Wells and/or Lands;

- (f) all Hydrocarbons in, on, under or produced from the Leases or Wells or any interests pooled or unitized therewith from and after the Effective Time and the proceeds therefrom;
- (g) all easements, surface fee interests, surface leases, subsurface leases, permits, licenses, servitudes, rights of way and all other rights and appurtenances situated on or used in connection with the operation of the Leases, Wells or any interests pooled or unitized therewith, including those set forth on Exhibit C (“**Surface Interests**”);
- (h) to the extent the same are assignable or transferable, and further to the extent the same are related to any of the other Properties, orders, title opinions and title documents, abstracts of title, land files, division of interest statements;
- (i) G & G Data;
- (j) all audit rights arising under any of the Contracts or otherwise with respect to the Properties at or after the Effective Time or to the extent relating to the Assumed Obligations;
- (k) liens and security interests in favor of Seller, whether choate or inchoate, under any Law or Contract, to the extent arising from, or relating to, the ownership, operation, or sale or other disposition at or after the Effective Time of any of the other Properties or to the extent relating to any Assumed Obligations;
- (l) all trade credits, account receivables, note receivables, take-or-pay amounts receivable and other receivables attributable to the Properties at or after the Effective Time or to the extent relating to the Assumed Obligations, as determined in accordance with GAAP;
- (m) any claim of indemnity, contribution or reimbursement attributable to the Properties at or after the Effective Time or relating to the Assumed Obligations; and

(n) the Records.

“Property Costs” means all operating expenses (including utilities, payroll, costs of insurance, rentals, title examination and curative actions, and overhead costs) and capital expenditures (including rentals, options and other lease maintenance payments, broker fees, and other property acquisition costs and costs of acquiring equipment), respectively, incurred in the Ordinary Course of Business attributable to the use, operation, and ownership of the Properties, but excluding losses, claims, liabilities, demands, costs and expenses attributable to: (i) personal injury, illness or death, property damage, torts, breach of contract or non-compliance or violation of any Law, (ii) remediation obligations or any other obligations relating to the plugging and abandoning or decommissioning of any of the Properties, (iii) liabilities arising under any Environmental Law, (iv) any Asset Taxes, Income Taxes or other Taxes, (v) any costs or expenses incurred in connection with the cure (or attempted cure) of any environmental conditions or matters or title claims, or (vi) claims for indemnification or reimbursement from any Third Party with respect to costs of the types described in the preceding clauses (i) through (vi), whether such claims are made pursuant to contract or otherwise.

“Purchase Price” has the meaning specified in Section 2.

“RCRA” has the meaning specified in the definition of Environmental Law.

“Records” means copies of any files, records, maps, information, and data, whether written or electronically stored, relating primarily to the Properties, including: (i) land and title records (including abstracts of title, title opinions and memoranda, title curative documents and prospect files); (ii) contracts, electric logs, core data, pressure data, decline curves and graphical production curves; (iii) correspondence; (iv) operations, production, accounting, lease and division order records; (v) production, facility and well records and data; and (vi) any other records, books and files relating to any of the matters set forth in the definition of “Properties”.

“Required Consent” means a consent by a Third Party that, if not obtained prior to the assignment of a Property, either (a) makes the assignment with respect to such Property void or voidable, (b) terminates Seller’s interest in such Property subject to the consent, (c) requires payment of a fee, (d) would be reasonably likely to result in any material liability to Buyer, or (e) allows such Third Party to withhold such consent in its sole discretion; *provided, however*, “Required Consent” does not include any Customary Post-Closing Consent.

“Retained Liabilities” means all losses, claims, liabilities (including environmental liabilities), demands, costs and expenses, known or unknown, caused by, arising out of, incident to or in connection with (a) the Excluded Assets; (b) royalties attributable to production from the Properties prior to the Effective Time; (c) personal injury or death or property damage relating to events occurring prior to Closing; (d) Seller’s failure to pay or incorrect payment of any Seller Taxes; (e) offsite disposal of hazardous materials from the Properties occurring prior to the Closing; (f) operating

expenses attributable to periods prior to the Effective Time; (g) any claim made by an employee of Seller or any of its Affiliates relating to such employment, including but not limited to Seller's or its Affiliates' employee benefit plans applicable to any employees of Seller or its Affiliates and Seller's responsibilities under the Employee Retirement Income Security Act of 1974, as amended, applicable to such employees; (h) any litigation or other proceedings disclosed in Schedule 3.4 or filed or pending prior to the Closing Date that would have been required to be disclosed in Schedule 3.4 if such litigation or proceeding had been filed or pending as of the execution of this Agreement; (i) the gross negligence or willful misconduct of Seller with respect to the operation of the Properties prior to the Closing Date; (j) any fines or penalties imposed or assessed by any Governmental Authority as a result of the ownership, operation or use of the Properties prior to the Closing Date; and (k) any environmental conditions or defects related to the facts and matters required to be disclosed on Schedule 3.12.

“**Seller Indemnified Parties**” has the meaning specified in Section 7.3.

“**Seller Taxes**” means (a) all Income Taxes imposed by any applicable Law on Seller, any of its direct or indirect owners or Affiliates, or any combined, unitary, or consolidated group of which any of the foregoing is or was a member, (b) Asset Taxes allocable to Seller pursuant to Section 5.8 (taking into account, and without duplication of, (i) such Asset Taxes effectively borne by Seller as a result of the adjustments to the Purchase Price made pursuant to Section 2.1 or Section 2.2, as applicable, and (ii) any payments made from one Party to the other in respect of Asset Taxes pursuant to Section 5.8.3), (c) one-half of any Transfer Taxes, (d) any Taxes imposed on or with respect to the ownership or operation of the Excluded Properties or that are attributable to any asset or business of Sellers that is not part of the Properties and (e) any and all Taxes (other than the Taxes described in clauses (a), (b), (c) or (d) of this definition) imposed on or with respect to the ownership or operation of the Properties or the production of Hydrocarbons or the receipt of proceeds therefrom for any Tax period (or portion thereof) ending before the Effective Time.

“**Seller's Knowledge**” means the actual knowledge of Sherry L. Morgan, Jodie L. DiGiacomo, Greg Westfall and Seth Houston (after due investigation and inquiry (including of field personnel)).

“**Special Damages**” has the meaning specified in Section 9.15.

“**Straddle Period**” means any Tax period beginning before and ending on or after the date on which the Effective Time occurs.

“**Surface Interests**” has the meaning specified in the definition of Properties.

“**Suspended Funds**” means proceeds of production which Seller is holding as of the Closing Date which are owing to Third Party owners of royalty, overriding royalty, working or other interests in respect of past production of oil, gas or other Hydrocarbons attributable to the Properties.

“**Tax Return**” means any return, report or statement required to be filed with respect to any Tax (including any attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated Tax.

“**Taxes**” means (a) taxes of any kind, levies or other like assessments, customs, duties, imposts, charges, escheat or fees, including income, gross receipts, ad valorem, value added, excise, real or personal property, asset, sales, use, royalty, license, payroll, transaction, capital, net worth and franchise taxes, withholding, employment, social security, workers compensation, utility, severance, production, unemployment compensation, occupation, premium, windfall profits, transfer and gains taxes or other governmental taxes imposed or payable to the United States or any other Governmental Authority, and in each instance such term shall include any interest, penalties or additions to tax attributable to any such Tax, including penalties for the failure to file any tax return or report, whether disputed or not and (b) any liability in respect of any item described in clause (a) above, that arises by reason of a contract, assumption, transferee or successor liability, operation of Law (including by reason of being a member of a consolidated, combined or unitary group) or otherwise.

“**Third Party**” means any Person other than a Party or an Affiliate of a Party.

“**Transfer Taxes**” has the meaning specified in Section 9.20.

“**Wells**” has the meaning specified in the definition of Properties.

“**Working Interest**” (or “**WI**”) means the decimal interest in and to a 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 lease, but without regard to the effect of any valid lessor royalties, overriding royalties, production payments, net profits interests and/or other similar burdens upon, measured by or payable out of production therefrom.

References

. All references in this Agreement to Exhibits, Schedules, Sections, paragraphs, subsections and other subdivisions refer to the corresponding Exhibits, Schedules, Sections, paragraphs, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Sections, subsections or 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 subdivision unless expressly so limited. The words “this Section” and “this subsection,” and words of similar import, refer only to the Section or subsection hereof in which such words occur. A defined term has its defined meaning throughout this Agreement regardless of whether it appears before or after the place where it is defined. The word “including” (in its various forms) means including without limitation. Examples are not to be construed to limit, expressly or by implication, the matter they illustrate. Each accounting term not defined herein, and each accounting term partly defined herein to the extent not defined, will have the meaning given to it under GAAP. All references to prices, values or monetary amounts

refer to Dollars. 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. Exhibits and Schedules referred to herein are attached to and by this reference incorporated herein for all purposes. Disclosure of a matter on a Schedule hereto shall not be deemed a determination by a Party that such matter is material for purposes of this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date that is not a Business Day), then the date for giving such notice or taking such action (and the expiration of such period during which notice is required to be given or action taken) shall be the next day that is a Business Day.

ARTICLE 2 PURCHASE AND SALE; PURCHASE PRICE

2. Purchase and Sale; Purchase Price

. Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell and convey to Buyer the Properties, and Buyer agrees to purchase, accept and pay for the Properties and to assume the Assumed Obligations. In consideration for the sale of the Properties, Buyer will pay to Seller the purchase price of \$9,000,000.00 (the “**Purchase Price**”). The Purchase Price will be allocated among the Properties in accordance with Section 2.5 and adjusted (without duplication) as set forth in Sections 2.1 and 2.2.

Certain Upward Adjustments

. The Purchase Price shall be increased by the following (without duplication): (a) the value of all merchantable allowable oil or other liquid Hydrocarbons in storage above the pipeline connection at the Effective Time that is credited to the Properties included and conveyed at the Closing, such value to be the current market price at the Effective Time, less Asset Taxes attributable to such oil or other liquid Hydrocarbons; (b) an amount equal to, to the extent that such amounts have been received by Buyer and not remitted or paid to Seller, (i) all proceeds from the production of Hydrocarbons from or attributable to the Properties prior to the Effective Time, and (ii) all other income, proceeds, receipts and credits earned with respect to the Properties prior to the Effective Time; (c) the amount of all Property Costs paid by Seller in connection with the ownership, operation and maintenance of the Properties included and conveyed at the Closing and attributable to the period on or after the Effective Time, but only to the extent such costs and expenses have not been reimbursed or otherwise paid to Seller; (d) the amount of any Asset Taxes allocable to Buyer pursuant to Section 5.9 but paid or payable by Seller (excluding, for the avoidance of doubt, any Asset Taxes that were withheld or deducted from the gross amount paid or payable to Seller in connection with a transaction to which Section 2.2(a) applies, but only to the extent that such Asset Taxes actually reduced the proceeds “received” by Seller for purposes of applying Section 2.2(a) with respect to such transaction); (e) any other amount set forth in this Agreement; and (f) any other amount agreed upon by Buyer and Seller.

Certain Downward Adjustments

. The Purchase Price shall be decreased by the following (without duplication): (a) the amount of any income, proceeds, receipts and credits received by Seller and earned from the Properties attributable to periods after the Effective Time, including proceeds of the sale of Hydrocarbons produced from and after the Effective Time from

the Properties (net of (i) royalties, and (ii) Property Costs, in each case of (i) and (ii) to the extent actually paid by Seller); (b) the amount of any Asset Taxes allocable to Seller pursuant to Section 5.9 but paid or payable by Buyer; (c) the amount of all Property Costs paid by Buyer in connection with the ownership, operation and maintenance of the Properties included and conveyed at the Closing and attributable to the period prior to the Effective Time; (d) the amount of the Allocated Values of any Properties excluded from the Closing pursuant to Section 5.4 and Section 5.5; (e) any other amount set forth in this Agreement; (f) the amount of all Suspended Funds; and (g) any other amount agreed upon by Buyer and Seller.

Final Accounting

. On or before the close of business on the 60th day following the Closing, Buyer (with the cooperation of Seller) will prepare, in accordance with the provisions of this Agreement, and deliver to Seller a post-closing statement setting forth a detailed calculation of all final adjustments to the Purchase Price which takes into account all such adjustments provided in this Agreement (the “**Final Statement**”). The amount of each adjustment to the Purchase Price described in Section 2.1 and Section 2.2 shall be determined in accordance with COPAS and, to the extent not in conflict with COPAS, with GAAP using the accrual method of accounting, as consistently applied. If Seller disputes any items in the Final Statement, then as soon as reasonably practicable, but in no event later than 30 days after its receipt of the Final Statement, Seller will deliver to Buyer a written exception report containing any changes Seller proposes to be made to the Final Statement. If Seller fails to deliver such exception report to Buyer within that period, the Final Statement as delivered by Buyer will be deemed to be true and correct, binding upon and not subject to dispute by any Party. If Seller delivers an exception report, as soon as reasonably practicable thereafter, but in no event later than 10 days after Buyer receives Seller’s exception report, the Parties will meet and/or otherwise undertake to agree on the final post-Closing adjustments. If the Parties fail to agree on the final post-Closing adjustments within 20 days after Buyer’s receipt of Seller’s exception report, any Party will be entitled to submit the dispute for resolution by the Accounting Referee. The cost of the Accounting Referee shall be paid 50% by Seller and 50% by Buyer. Seller and Buyer shall each present to the Accounting Referee, with a simultaneous copy to the other Party, a written statement of its position on the disputes in question, together with a copy of this Agreement, the proposed Final Statement and Seller’s written exception report and any supporting material that such Party desires to furnish, not later than 10 Business Days after appointment of the Accounting Referee. In making its determination, the Accounting Referee shall be bound by the terms of this Agreement and, without any additional or supplemental submittals by either Party, may consider such other accounting and financial standards matters as in its opinion are necessary or appropriate to make a proper determination. The Parties shall direct the Accounting Referee to resolve the disputes within 30 days after receipt of the written statements submitted for review and to render a decision in writing based upon such written statements. In determining the proper amount of any adjustment to the Purchase Price, the Accounting Referee shall not increase the Purchase Price more than the increase proposed by Seller nor decrease the Purchase Price more than the decrease proposed by Buyer, as applicable. **The Accounting Referee shall act as an expert for the limited purpose of determining the specific Final Statement dispute presented to it, shall not act as an arbitrator or mediator, shall not consider, hear or decide any matters except the specific Final Statement disputes presented and shall not award damages, interest or penalties (including punitive or exemplary damages, lost profits, consequential, special or indirect damages) to either Party. In addition, the Accounting Referee shall agree in writing to keep strictly confidential the specifics and**

existence of any matters submitted as well as all proprietary records of the Parties, if any, reviewed by the Accounting Referee in the process of resolving such disputes. Upon agreement of the Parties to the adjustments to the Final Statement, or upon resolution of such adjustments by the Accounting Referee, as the case may be, the Final Statement (as adjusted pursuant to such agreement or resolution by the Accounting Referee) will be deemed final and binding on all of the Parties and the aggregate amount due to either Buyer or Seller pursuant to such Final Statement will be paid in accordance with Section 2.4.

Payments

2.4.1 Closing Payment. The Purchase Price, as adjusted at the Closing, will be payable in immediately available funds at the Closing (pursuant to wire transfer instructions designated in advance by Seller to Buyer in writing) for the account of Seller.

2.4.2 Post-Closing Payments. Any other payments to be made following the Closing under this Section 2 shall be made by wire transfer of immediately available funds within five Business Days after the final determination is made that such payments are due and payable (pursuant to wire transfer instructions designated in advance by the receiving Party to the paying Party in writing) for the account of the receiving Party.

Purchase Price Allocation

2.5.1 The unadjusted Purchase Price is allocated among the Properties as shown on Exhibit D. The allocated value (the “**Allocated Value**”) for any Property equals the amount allocated to such Property on Exhibit D, as adjusted in accordance with the provisions of this Agreement, insofar as the provisions apply to such Property. The Parties have accepted the Allocated Values for the purposes of this Agreement and the transactions contemplated thereby, but otherwise make no representation or warranty as to the values allocated to each Property.

2.5.2 The Parties agree that the Purchase Price (plus Assumed Obligations and any other items properly treated as consideration for U.S. federal income Tax purposes) shall be allocated among the Properties in accordance with Section 1060 of the Code and the Treasury regulations promulgated thereunder (and any similar provision of state, local or foreign law, as appropriate) (the “**Allocation**”). The Allocated Values, as adjusted to comply with applicable U.S. federal income tax Law, shall be used by Seller and Buyer as the basis for the Allocation. The Allocation shall be delivered by Buyer to Seller within 60 days following the Closing Date for Seller’s approval, which shall not be unreasonably withheld, conditioned or delayed. If the Purchase Price is adjusted pursuant to this Agreement, the Allocation shall be adjusted as mutually agreed by Buyer and Seller. Buyer and Seller shall file all Tax Returns (including IRS Form 8594) consistent with the Allocation. Neither Buyer nor Seller shall take any Tax position inconsistent with such Allocation; *provided, however*, that nothing contained herein shall prevent Buyer or Seller from settling any proposed deficiency or adjustment by any Governmental Authority based upon or arising out of the Allocation, and neither Buyer nor Seller shall be required to litigate before any court any proposed deficiency or adjustment by any Governmental Authority challenging such Allocation.

ARTICLE 3
SELLER'S REPRESENTATIONS AND WARRANTIES

3. Seller's Representations and Warranties

Seller hereby represents and warrants to Buyer, as follows:

Organization, Good Standing, Etc.

Seller (a) is a limited liability company and is duly organized, validly existing, and in good standing under the Laws of the State of Delaware, (b) is duly qualified to do business in the State of Wyoming, and (c) has the requisite power and authority to own, lease and operate the Properties as now being operated by Seller and to conduct its business as it is presently being conducted.

Authorization

Seller has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Seller and, assuming due execution and delivery by Buyer, is legal, valid and binding with respect to Seller and is enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar Laws affecting creditors' rights generally.

No Breach

Except as disclosed in Schedule 3.3, the execution, delivery, performance and consummation of this Agreement does not and will not: (a) violate, conflict with or constitute a default or an event that, with notice or lapse of time or both, would be a default, breach or violation under any term or provision of the governing documents of Seller; (b) violate, conflict with or constitute a default or an event that, with notice or lapse of time or both, would be a default, breach or violation under any term or provision of any instrument, agreement, contract, commitment, license, promissory note, conditional sales contract, indenture, mortgage, deed of trust, lease or other agreement, instrument or arrangement to which Seller is a party or by which Seller or its interest in any of the Properties is bound, including without limitation, the Contracts; (c) violate, conflict with or constitute a breach of any Law applicable to Seller or by which Seller or any of the Properties is bound; or (d) result in the creation, imposition or continuation of any Lien on or affecting Seller's interest in the Properties.

Litigation

Except as disclosed in Schedule 3.4, there is no action, suit, demand or proceeding, investigation, charge or audit pending before any Governmental Authority, arbitrator or mediator or, to Seller's Knowledge, threatened in writing against Seller or its Affiliates by any Third Party or Governmental Authority (a) with respect to the business conducted by Seller with respect to the Properties or relating to any Property or Seller's ownership or operation thereof, or (b) questioning the validity of or seeking to prevent the consummation of this Agreement or the transactions contemplated hereby or which are reasonably likely to impair or delay materially Seller's ability to perform its obligations under this Agreement.

Taxes

Except as disclosed in Schedule 3.5, (a) all Tax Returns relating to or in connection with the acquisition, ownership, or operation of the Properties required to be filed have been timely filed and all such Tax Returns are correct and complete in all material respects; (b) all Taxes relating or applicable to the acquisition, ownership or operation of the Properties (including Asset Taxes) that are or have become due have been timely paid in full, and are not delinquent and

no audit, litigation or other proceeding with respect to such Taxes has been commenced or is presently pending, and Seller has not received written notice of any pending claim against it (which remains outstanding) from any applicable Governmental Authority for assessment of such Taxes and no such claim has been threatened in writing; (c) 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 relating to the acquisition, ownership or operation of the Properties; (d) all Tax withholding and deposit requirements imposed by applicable law with respect to any of the Properties or the business of Seller have been satisfied in full in all respects; (e) there are no Liens on any of the Properties for Taxes (other than statutory liens for Taxes that are not yet due and payable); and (f) none of the Properties is subject to any tax partnership agreement or is otherwise treated, or required to be treated, as held in an arrangement requiring a partnership income Tax Return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code.

Permits

Seller has all licenses, orders, franchises, registrations, permits, bonds, exemptions, variances, waivers, authorizations, certificates, consents, rights, privileges and applications of all Governmental Authorities required to operate the Properties as presently operated by Seller (the “**Permits**”), and each such Permit is in full force and effect and has been duly and validly issued. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in any revocation, cancellation, suspension or modification of any such Permit except those Permits issued in the name of Seller that are not transferable under applicable Laws, as set forth on Schedule 3.6. There are no outstanding violations of any of Seller’s Permits singly or in the aggregate.

Compliance with Laws

Seller has complied with and, to Seller’s Knowledge, the Properties have been operated in compliance with, all applicable Laws (other than Environmental Laws).

Contracts

3.8.1 Seller has listed in Schedule 3.8 all of the Contracts and other contracts directly related to or that materially affect or burden the Properties, including: (a) all joint venture, area of mutual interest, participation, purchase, lease, farmout, disposition, exchange and/or acquisition agreements for which any terms remain executory (excluding oil, gas and mineral leases); (b) all material Hydrocarbon purchase contracts, gathering contracts, processing contracts, transportation contracts, marketing contracts, joint operating agreements, and disposal or injection contracts affecting any of the Properties to which Seller is a party and which are not, by the terms thereof, subject to termination without penalty upon 90 days or less notice; (c) all net profits interests burdening any of the Properties; (d) non-competition agreements or any agreements that purport to restrict, limit or prohibit Seller from engaging in any line of business or the manner in which or the locations at which Seller conducts business, that will be binding on Buyer, as successor in interest to Seller in the Properties by virtue of the consummation of this transaction; (e) contracts and agreements between Seller and any of its Affiliates which will be binding on Buyer after Closing or which are not subject to termination as described in (b) above; and (f) any contract that can reasonably be expected to result in aggregate payments by Seller or aggregate revenue to Seller of more than \$250,000 during the current or any subsequent

fiscal year or \$500,000 in the aggregate over the term of such contract (all such contracts described in (a)-(f) above, collectively, the “**Material Contracts**”).

3.8.2 Except as disclosed in Schedule 3.8, (a) Seller is not and, to Seller’s Knowledge, no other party is in default under any Material Contract, and (b) the Material Contracts are in full force and effect as to, and binding upon, Seller and, to Seller’s Knowledge, are in full force and effect as to, and binding upon, the other counterparties thereto in accordance with their terms.

Outstanding Capital Commitments

. Except as set forth on Schedule 3.9, as of the execution of this Agreement, there are no outstanding authorities for expenditure or other capital commitments which are binding on the Properties.

3.11 Hedges

. There are no futures, options, swaps, or other derivatives with respect to the sale of Hydrocarbons from the Properties that will be binding on the Properties or Buyer after Closing.

3.12 Bonds

. Schedule 3.11 is a complete and accurate list of all bonds, supplemental bonds, Third Party indemnities, letters of credit, guarantees and other securities, if any, posted by Seller or any Affiliate of Seller with or for the benefit of any Governmental Authority or Third Party and relating to the Properties.

3.13 Environmental and Safety Matters

. Except as disclosed on Schedule 3.12, (a) to Seller’s Knowledge, the Properties and the operation thereof are in material compliance with applicable Environmental Laws; (b) there are no actions, suits, or proceedings pending, or threatened in writing, before any Governmental Authority with respect to the Properties alleging material violations of, or material liabilities under, Environmental Laws; and (c) Seller has received no written notice from any Governmental Authority of any alleged or actual material violation or non-compliance with, or material liability under, any Environmental Law, or of material non-compliance with the terms or conditions of any environmental Permits, arising from, based on, associated with, or related to the Properties or the ownership or operation thereof. Notwithstanding any other provision of this Agreement, the representation and warranty in this Section shall be the sole and exclusive representation or warranty with respect to environmental matters and/or Environmental Laws and no other representation or warranty appearing in this Agreement shall be construed to cover any environmental matters or Environmental Laws.

3.14 Payments for Production

. Seller is not obligated by virtue of a take-or-pay payment, advance payment, or other similar payment (other than royalties, overriding royalties or similar arrangements established in the Leases and reflected on Exhibit A and/or Schedule 1.1(A)), to deliver Hydrocarbons, or proceeds from the sale thereof, attributable to Seller’s interest in the Properties at some future time without receiving payment therefor at or after the time of delivery.

3.15 Reversionary Interests

. Except as indicated on Exhibit A or Exhibit B and/or Schedule 1.1(A), as applicable, the Leases or Wells are not subject to any reversion, back-in, after payout interest, non-consent interest, convertible interest or similar rights or adjustment to occur at a designated point of cost recovery, payout, passage of time or other event, the exercise or occurrence of which would reduce Seller’s Net Revenue Interest, or increase Seller’s Working

Interest in the Leases or Wells, in each case, from that set forth in Exhibit A or Exhibit B and/or Schedule 1.1(A), as applicable.

3. Wells

. Except as disclosed on Schedule 3.15, (a) all of the Wells operated by Seller or its Affiliates, and to Seller's Knowledge all other Wells, have been drilled and completed, or are being drilled and completed, within the boundaries of the Leases, or lands pooled, communitized or unitized therewith, or within the limits otherwise permitted by applicable Law, (b) no Well operated by Seller or its Affiliates, and to Seller's Knowledge no other Well, is subject to material penalties on allowable production after the Effective Time because of any overproduction or any other violation of applicable laws, rules, regulations or permits or judgments, orders or decrees of any Governmental Authority that would prevent any Well from being entitled to its full legal and regular allowable production from and after the Effective Time, and (c) there are no Wells operated by Seller or its Affiliates, and to Seller's Knowledge no other Wells (i) that the applicable operator is obligated by applicable Law or contract to plug or abandon, (ii) that have been plugged, dismantled or abandoned in a manner that does not comply in all material respects with applicable Law, or (iii) that are currently subject to exceptions to a requirement to plug or abandon issued by a Governmental Authority.

3. Broker's or Finder's Fees

. Seller has not incurred any liability, contingent or otherwise, for brokers' or finders' fees in respect of the transactions contemplated by this Agreement for which Buyer will have any responsibility whatsoever.

3. Bankruptcy

. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to Seller's Knowledge threatened against Seller or any Affiliate of Seller. None of Seller or its Affiliates is insolvent or generally not paying its debts as they become due.

3. Preferential Rights of Purchase and Consents to Assign

. Except as set forth on Schedule 3.18, no interest of Seller in any Property is subject to any (a) PPR which gives a Third Party the right to purchase any interest of Seller in a Property (or any part thereof) or (b) consent of any Third Party to the sale and conveyance of Seller's interest in the Properties as provided for in this Agreement (except for Customary Post-Closing Consents).

3. Gas Balancing

. As of the Effective Time, (a) Seller is not obligated to deliver any quantities of gas or to pay any penalties or other amounts, in connection with the violation of any of the terms of any gas contract or other agreement with shippers with respect to the Properties; (b) Seller is not obligated to pay any penalties or other payments under any gas transportation or other agreement as a result of the delivery of quantities of gas from the Properties in excess of the contract requirements; and (c) there are no Gas Imbalances with respect to Seller's obligations relating to the Properties.

3. Royalties

. Except as set forth on Schedule 3.20, all oil and gas production proceeds payable by Seller or its Affiliates to others from the Wells have been disbursed in accordance with all of the terms and conditions of the applicable Leases, other contracts, and applicable Law. Schedule 3.20 sets forth all royalties, overriding royalties, nonparticipating royalties, net profits interests, production payments, carried interests, reversionary interests, and other burdens with respect to the Properties that are being contested in good faith and all Suspended Funds that are

being held as of the Effective Time. Seller has not granted or reserved any royalties, overriding royalties, nonparticipating royalties, net profits interests, production payments, carried interests, reversionary interests, and other burdens with respect to any of the Properties.

3.21 Leases

. To Seller's Knowledge, (i) no material default exists in the performance of any obligation of Seller under any Lease that would entitle the lessor to cancel or terminate any Lease, (ii) no material default exists under any Lease by any other Person a party thereto, and (iii) payments of all rentals, delay rentals, and similar payments with respect to the Leases that are due prior to the Closing Date have been or will be paid. Except as set forth in Schedule 3.21, no party to any Lease or any successor to the interest of such party has filed or, to Seller's Knowledge, threatened to file any action to terminate, cancel, rescind or procure judicial reformation of any Lease, in any material respect. Except as set forth on Schedule 3.21, Seller has a legal right of access to the surface of all lands burdened by the Leases.

3.22 Surface Restrictions

. Except as set forth in Schedule 3.22, to Seller's Knowledge, none of the Properties are subject to any restrictions on any lessee's use of the surface in connection with Hydrocarbon operations that would materially affect such use or operations, and no Property is burdened by any encumbrance that contains any such restrictions.

3.23 Consent

. Seller has not elected not to participate in any operation or activity proposed with respect to the Properties which could result in any of Seller's interest in any Properties becoming subject to a reduction, penalty or forfeiture as a result of such election not to participate in such operation or activity, except to the extent reflected in the Net Revenue Interest and Working Interest columns set forth in Exhibit A or Exhibit B and/or Schedule 1.1(A), as applicable.

3.24 Liens

. Except as set forth on Schedule 3.24, Seller has not caused any Liens to attach to any of the Properties in respect of obligations for borrowed money.

3.25 Records

. Seller has made all Records available for review and inspection by Buyer.

3.26 Dispositions or Other Changes

. Except for the execution and delivery of this Agreement and the transactions to take place under this Agreement, since June 30, 2020, (a) Seller has not conveyed, encumbered, abandoned or otherwise disposed of any part of Seller's interest in the Properties, other than the sale of Hydrocarbons or obsolete machinery and equipment in the Ordinary Course of Business, and (b) there has not been any material adverse change, or any event or development that, individually or together with other such events, could reasonably be expected to result in a material adverse change in the condition of the Properties or the business of extracting, transporting or processing Hydrocarbons from the Properties.

ARTICLE 4
BUYER'S REPRESENTATIONS AND WARRANTIES

4. Buyer's Representations and Warranties

. Buyer represents and warrants to Seller, as follows:

4.1 Organization and Standing.

Buyer is duly formed and in good standing under the Laws of the State of Texas. Buyer has the power and authority to acquire and own the Properties and to conduct business in the State of Wyoming.

4.2 Powers

. Buyer is duly authorized and empowered to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Neither the certificate of formation nor the bylaws of Buyer nor any other instrument to which Buyer is a party or is bound, nor any court order or governmental Law, rule or regulation, will be violated by Buyer's execution and consummation of this Agreement.

4.3 No Restriction

. Buyer is not subject to any order, judgment or decree, or the subject of any litigation, claim or proceeding, pending or threatened, or any other restriction of any kind or character known to Buyer which would affect Buyer's ability to carry out the transactions contemplated by this Agreement.

4.4 Authorization

. Buyer has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and, assuming due execution and delivery by Seller, is legal, valid and binding with respect to Buyer and is enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar Laws affecting creditors' rights generally.

4.5 Non-Contravention

. The execution, delivery, performance, and consummation by Buyer of this Agreement and the transactions contemplated hereby do not and will not: (a) violate any provision of any governing document of Buyer, or (b) breach or violate, or result (with notice or lapse of time or both) in the breach, violation, acceleration or termination of, any contract, indenture, Lien, note, lease, agreement, license or Law to which Buyer is subject or by which any of its assets are bound or subject, except, with respect to any such breach, violation, acceleration or termination which would not prevent the consummation of the transactions contemplated hereby by Buyer or result in Seller incurring any loss or liability therefrom.

4.6 Governmental Consent

. No consent, approval, or authorization of, or designation, or filing with, any Governmental Authority is required on the part of Buyer in connection with the valid execution and delivery of this Agreement or the consummation of transactions contemplated hereby, except any Customary Post-Closing Consents.

4.7 Litigation, Etc.

There are no actions, proceedings, or investigations pending, or to Buyer's knowledge, threatened in writing against Buyer, which question the validity of this Agreement or any other action taken or to be taken in connection herewith or which could

reasonably be likely to materially impair Buyer's ability to consummate the transactions contemplated hereby.

4.8 Broker's or Finder's Fees

. Buyer has not incurred any liability, contingent or otherwise, for brokers' or finders' fees in respect of the transactions contemplated by this Agreement for which Seller will have any responsibility whatsoever.

4.9 Bankruptcy

. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to Buyer's knowledge threatened against Buyer.

4.10 Qualifications

. Buyer is qualified with all applicable Governmental Authorities to own and operate the Properties.

4.11 Investment

. Buyer (a) is sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities and is aware of the risks associated with the purchase, ownership and operation of such properties and facilities, (b) is capable of evaluating, and hereby acknowledges that it has so evaluated, the merits and risks of the Properties, ownership and operation thereof and its obligations hereunder, and (c) is able to bear the economic risks associated with the Properties, ownership and operation thereof and its obligations hereunder. In making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, except for the representations set forth in Section 3 and Seller's special warranty of Defensible Title set forth in the Assignment and the Deed, Buyer (a) has relied or shall rely solely on its own independent investigation and evaluation of the Properties and the advice of its own legal, Tax, economic, environmental, engineering, geological and geophysical and government relations employees and advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by or on behalf of 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 regulatory and other matters affecting the Properties.

ARTICLE 5 COVENANTS

5. Covenants

. Seller and Buyer hereby covenant and agree to perform the following:

5.1 Government Reviews

. In a timely manner, Seller and Buyer shall (a) make all required filings, prepare all required applications and conduct negotiations with each Governmental Authority as to which such filings, applications or negotiations are necessary or appropriate in the consummation of the transactions contemplated hereby and (b) provide such information as each may reasonably request to make such filings, prepare such applications and conduct such negotiations. Seller shall reasonably cooperate with and assist Buyer in pursuing such filings, applications and negotiations, and Buyer shall reasonably cooperate with and assist Seller with respect to such filings, applications and negotiations. Each Party shall be responsible for and shall make any governmental filings occasioned by the ownership or structure of such Party.

5.2 Operation of Business

. Except as to the matters set forth on Schedule 5.2, as otherwise approved by Buyer in writing (which approval shall not be unreasonably withheld, conditioned or delayed), or as expressly contemplated by the terms and conditions of this Agreement, from the date hereof until the Closing Date, Seller will:

5.2.1 conduct its business related to the ownership of the Properties in the Ordinary Course of Business consistent with Seller's ownership practices in connection with the Properties, and as a reasonable and prudent owner of oil and gas interests, either producing or undeveloped, as the case may be;

5.2.2 not commit to any new operation on the Properties, or incur any contractual obligation or liability, reasonably anticipated by Seller to require future capital expenditures by the owner of the Properties in excess of \$100,000 (excepting ongoing commitments under existing authorizations for expenditures that are disclosed on Schedule 3.9, and operations undertaken to avoid a monetary penalty or forfeiture provision of any applicable Contract or order, *provided* that Seller gives to Buyer an advance notice of such operations);

5.2.3 not voluntarily terminate, amend, execute or extend any Contract;

5.2.4 maintain in full force and effect all Leases and comply with all express or implied covenants contained therein;

5.2.5 not transfer, sell, swap, grant any PPR or create any lien, security interest or other encumbrance with respect to the Properties, or (i) enter into any agreement for the sale, disposition or encumbrance of any of the Properties, or (ii) dedicate, sell, encumber or dispose of any Hydrocarbon production except made pursuant to the applicable Contracts in the Ordinary Course of Business;

5.2.6 not make any election (or fail to make an election, the result of which is) to go non-consent with respect to any of the Properties;

5.2.7 not make any election, filing or settlement with respect to Taxes other than consistent with past practice;

5.2.8 not waive, release, assign, settle or compromise any claim action or proceeding relating to the Properties (including any matters involving taxes), other than those that involve only the payment of monetary damages not in excess of \$100,000 individually or in aggregate, other than claims, actions or proceedings for which Seller remains responsible under this Agreement after the Closing; and

5.2.9 not enter into an agreement with respect to any of the foregoing.

5.3 Release of Liens

. Concurrent with the Closing, all liens, charges, mortgages and security interests (if any) encumbering any of the Properties that arise under any debt facilities maintained by Seller or any of its Affiliates shall be terminated and released.

5.4 Casualty or Condemnation Loss

. If, after the date hereof, but prior to the Closing Date, any portion of the Properties suffers a Casualty Loss, subject to Section 6.3.3, Seller shall elect to either (a) cause the Properties adversely affected by any such individual Casualty Loss to be repaired or restored to their condition prior to such Casualty Loss, at Seller's sole cost and expense or (b) remove such Properties from the transaction, in which event the unadjusted Purchase Price shall be adjusted downward by the Allocated Value of such Properties. In the event Seller elects option (a) above and such repair or restoration work (in each case as used in this sentence, to the previous condition of the affected Properties prior to the Casualty Loss) is not completed prior to the Closing, either Party will have the right to exclude the affected Properties from the Closing, in which event, (i) the unadjusted Purchase Price shall be reduced by the Allocated Value of the affected Properties and (ii) (A) if such repair or restoration work is subsequently completed prior to the date of delivery of the Final Statement under Section 2.3, then a separate closing shall be held within five Business Days thereof at which (1) Seller shall convey the affected Properties to Buyer in accordance with this Agreement and (2) Buyer shall pay an amount equal to the Allocated Value of the affected Properties to Seller and (B) if such repair or restoration work is not completed by the date of delivery of the Final Statement, Seller shall have no further obligation to sell and convey the affected Properties and Buyer shall have no further obligation to purchase, accept and pay for the affected Properties.

5.5 Consents to Assignment and Preferential Rights to Purchase

5.5.1 Promptly after the date of the delivery of the Closing Notice pursuant to Section 6.1, Seller shall prepare and send (i) notices to the holders of any Required Consents requesting consents to the conveyances contemplated hereunder and (ii) notices to the holders of any applicable PPR in compliance with the terms of such rights and requesting waivers of such rights. Seller shall use commercially reasonable efforts (at its sole expense) to cause such consents to assignment and waivers of PPR (or the exercise thereof) to be obtained and delivered prior to the Closing. Buyer shall cooperate with Seller in seeking to obtain such consents to assignment and waivers of PPR. Any PPR must be exercised subject to all terms and conditions set forth in this Agreement, including the successful Closing of this Agreement. The consideration payable under this Agreement for any particular Property for purposes of PPR notices shall be the Allocated Value for such Property. If, prior to the Closing Date, any Party discovers any Required Consents or PPR (applying to the Properties) for which notices have not been delivered pursuant to the first sentence of this paragraph, then (A) the Party making such discovery shall provide the other Party with written notification of such consents or PPR, as applicable, (B) Seller, following delivery or receipt of such written notification, will promptly send notices to the holders of the Required Consents requesting consents to the conveyances contemplated hereunder and notices to the holders of PPR in compliance with the terms of such rights and requesting waivers of such rights and (C) the terms and conditions of this Section 5.5.1 shall apply to the Properties subject to such consents or PPR, as applicable.

5.5.2 In no event shall there be transferred at the Closing any Property for which a Required Consent requirement has not been satisfied. In cases in which the Property subject to such a requirement is a Contract and Buyer is assigned the other Property or Properties to which the Contract relates, but the Contract is not transferred to Buyer due to the unwaived consent requirement, Seller shall continue after the Closing and the date of

delivery of the Final Statement to use commercially reasonable efforts to obtain the consent so that such Contract can be transferred to Buyer upon receipt of the consent. During such period, if such Contract is material to the continued operation of the Properties, Seller shall exercise commercially reasonable efforts, but without the obligation to make any payments or incur liabilities to Third Parties, to assist Buyer to secure continued services under the Contract, to provide Buyer with the benefits of such Contract or to replace same on commercially reasonable terms. In cases in which the Property subject to such a consent requirement is a Lease, Land or Well and such consent requirement is not obtained by Closing, the affected Property shall not be transferred at Closing and the unadjusted Purchase Price shall be reduced by the Allocated Value of the Property. If an unsatisfied consent requirement with respect to which a Purchase Price adjustment is made under Section 2.2 is subsequently satisfied prior to the date of delivery of the Final Statement, a separate closing shall be held within five Business Days thereof at which (A) Seller shall convey the affected Property to Buyer in accordance with this Agreement and (B) Buyer shall pay an amount equal to the Allocated Value of such Property to Seller. If such consent requirement is not satisfied by the date of delivery of the Final Statement, Seller shall have no further obligation to sell and convey such Property and Buyer shall have no further obligation to purchase, accept and pay for such Property, and the affected Property shall be deemed to be an Excluded Asset for all purposes.

5.5.3 If any PPR for any Property is exercised prior to the Closing, the unadjusted Purchase Price shall be decreased by the Allocated Value for such Properties, and the affected Properties shall be deemed to be Excluded Assets for all purposes. Seller shall retain the consideration paid by the Third Party, and shall have no further obligation with respect to such affected Properties under this Agreement. Should a Third Party fail to exercise its PPR as to any portion of the Properties prior to the Closing and the time for exercise or waiver has not yet expired, the affected Properties shall not be transferred at the Closing and the unadjusted Purchase Price shall be reduced by the Allocated Values of such Properties. In the event that such Third Party exercises its PPR following the Closing, Seller shall have no further obligation to sell and convey the affected Properties and Buyer shall have no further obligation to purchase, accept and pay for such affected Properties, and the affected Properties shall be deemed to be Excluded Assets for all purposes. If, on the other hand, the applicable PPR are waived or expire, a separate closing shall be held within five Business Days thereof at which (i) Seller shall convey the affected Properties to Buyer in accordance with this Agreement and (ii) Buyer shall pay an amount equal to the Allocated Value of such Properties to Seller.

5.6 Accounting

. Seller will (without obligation to incur any Third Party expense) cooperate with and assist Buyer after Closing in the transition of any joint interest billing and revenue disbursement accounting for the Properties and will take such actions as may be reasonably required with respect thereto.

5.7 Revenues Held For Benefit of the Other Party

. Following the Closing, in the event either (a) Buyer receives production or other revenues attributable to any of the Properties for any periods prior to the Effective Time (other than with respect to inventory purchased by Buyer pursuant to Section 2.1(a)) or (b) Seller receives production or other revenues attributable to any of the Properties for any periods after the Effective Time, the receiving Party will hold such

revenues for the exclusive benefit of the Party entitled thereto and, if not taken into account for purposes of the Final Statement, will pay any such amounts due to such Party pursuant to Section 2.3 of this Agreement, or if the final accounting in connection with the Final Statement has occurred, within 30 days after receipt of such revenues. Following the Closing, in the event either (i) Buyer pays expenses attributable to any of the Properties for any periods prior to the Effective Time that are allocable to Seller under Section 2 or (ii) Seller pays expenses attributable to any of the Properties for any periods after the Effective Time that are allocable to Buyer under Section 2, the other Party will reimburse such Party pursuant to Section 2.3 of this Agreement, or if the final accounting in connection with the Final Statement has occurred, within 30 days after payment of such expenses.

5.8 Tax Matters

5.8.1 Seller shall be allocated and bear all Asset Taxes relating to its Properties that are 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 date on which the Effective Time occurs. Buyer shall be allocated and bear all Asset Taxes that are attributable to (i) any Tax period beginning at or after the Effective Time and (ii) the portion of any Straddle Period beginning on the date on which the Effective Time occurs. Each Party shall be responsible for its own Income Taxes.

5.8.2 For purposes of this Agreement (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons (other than such Asset Taxes described in clause (iii)) shall be allocated to the Tax period or portion thereof in which the severance or production giving rise to such Asset Taxes occurred, (ii) Asset Taxes that are based upon or related to income or receipts or imposed on a transactional basis (other than such Asset Taxes described in clause (i) or (iii)), shall be allocated to the Tax period or portion thereof 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 date on which the Effective Time occurs and the portion of such Straddle Period beginning on the date on which the Effective Time occurs 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 Property gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

5.8.3 Notwithstanding any other provision of this Agreement, to the extent the actual amount of an Asset Tax is not determinable at the Closing or at the time of the determination of the Final Statement, as applicable, (i) the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment, and (ii) upon the later determination of the actual amount of such Asset Tax, 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 5.8.

5.8.4 Subject to Buyer's indemnification rights under Section 7.2 of this Agreement, after the Closing Date (a) Buyer shall be responsible for paying to the applicable Governmental Authority any Asset Taxes relating to any Tax period that ends before or includes the Effective Date that become due and payable after the Closing Date and shall file with the appropriate Governmental Authority any and all Tax Returns required to be filed after the Closing Date with respect to such Asset Taxes, (b) Buyer shall submit each such Tax Return to Seller for its review and comment reasonably in advance of the due date therefor, and (c) Buyer shall timely file any such Tax Return, incorporating any reasonable comments received from Seller prior to the due date therefor. The Parties agree that (i) this Section 5.8.4 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 Governmental Authority, and (ii) nothing in this Section 5.8.4 shall be interpreted as altering the manner in which Asset Taxes are allocated to and economically borne by the Parties.

5.8.5 If a Party receives a refund (whether by way of refund, credit, offset or otherwise) of Taxes for which the other Party is responsible hereunder and paid or economically bore such Tax, the first Party shall promptly pay such amount to the other Party.

5.8.6 The Parties shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation, or other proceeding with respect to Taxes relating to the Properties. Such cooperation shall include the retention and (upon another Party's request) the timely provision of records and information that are relevant to any such Tax Return or audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Parties agree to retain all books and records with respect to Tax matters pertinent to the Properties relating to any Tax period beginning before the Closing Date until the expiration of the statute of limitations of the respective Tax periods and to abide by all record retention agreements entered into with any Governmental Authority.

5.8.7 Seller and Buyer shall reasonably cooperate with one another to minimize any Transfer Tax with respect to the transactions described herein and in filing any necessary Tax Returns to accompany the payment of any Transfer Tax.

5.8.8 Seller shall (i) cause each tax partnership that is disclosed on Schedule 3.5 to either (x) have in effect a valid election under Section 754 of the Code for any taxable year that includes the Closing Date or (y) obtain all necessary consents therefor; and (ii) provide evidence satisfactory to Buyer that the covenant set forth in subpart (i) has been satisfied.

5.9 Revenues and Expenses

. For all purposes including the Purchase Price adjustments under Section 2, Seller and Buyer will properly allocate revenues and Property Costs (excluding,

for the avoidance of doubt, Asset Taxes, Income Taxes and Transfer Taxes) before and after the Effective Time and will make payments to each other to the extent necessary for such proper allocation. All Property Costs incurred in the operation of the Properties before the Effective Time will be borne by Seller and all proceeds from the sale of Hydrocarbons produced from or attributable to the Properties prior to the Effective Time will be the property of Seller, and all Property Costs incurred in the operation of the Properties from and after the Effective Time will be borne by Buyer and all proceeds from the sale of Hydrocarbons produced from or attributable to the Properties from and after the Effective Time and from the sale of inventory purchased by Buyer pursuant to Section 2.1(a) will be the property of Buyer.

5.10 Suspended Funds

. From and after Closing, Buyer shall administer the Suspended Funds to the extent such Suspended Funds are delivered to Buyer at the Closing in accordance with Section 2.2(f).

5.11 Termination of Affiliate Contracts

. Seller will terminate or cause its Affiliates to terminate and release, effective as of the Closing Date, any contracts or agreements between Seller and its Affiliates insofar and only insofar as such contracts or agreements relate to or bind the Properties, including any and all overriding royalties, net profits interests and similar burdens on any of the Properties created by, through, or under Seller or any Affiliate of Seller.

5.12 Further Assurances

. After Closing, Seller and Buyer each agrees to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement. Each Seller and Buyer shall (and shall cause their respective Affiliates to), in a timely manner, make all other required filings (if any) with, prepare applications to, and conduct negotiations with Governmental Authority as required to consummate the transactions contemplated by this Agreement. Each Party shall, to the extent permitted pursuant to applicable Laws, cooperate with and use commercially reasonable efforts to assist the other with respect to such filings, applications and negotiations. Buyer shall bear the cost of all filing or application fees payable to any Governmental Authority with respect to the transaction contemplated by this Agreement, regardless of whether Buyer, Seller, or any of their respective Affiliates is required to make the payment.

5.13 Limitations on Representations and Warranties

5.13.1 **EXCEPT FOR THE EXPRESS AND SPECIFIC REPRESENTATIONS AND WARRANTIES OF SELLER IN THIS AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE IN THE ASSIGNMENT AND THE DEED, BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY OTHER REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE), AND BUYER HEREBY ACKNOWLEDGES THAT IT HAS NOT RELIED UPON AND EXPRESSLY WAIVES, ANY SUCH OTHER REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE), OR ANY STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO BUYER OR ANY OF ITS**

AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EQUITY OWNERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO BUYER BY ANY EMPLOYEE, AGENT, OFFICER, DIRECTOR, MEMBER, MANAGER, EQUITY OWNER, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLER OR ANY OF THEIR AFFILIATES).

5.13.2 FURTHER, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER IN THIS AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE IN THE ASSIGNMENT AND THE DEED, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE) AS TO (A) TITLE OF THE PROPERTIES, (B) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE PROPERTIES, (C) THE CONTENTS, CHARACTER, NATURE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY RECORDS, INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, INCLUDING (I) ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE PROPERTIES, (II) ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES, AND (III) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO BUYER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EQUITY OWNERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO (D) THE ENVIRONMENTAL OR OTHER CONDITION OF THE PROPERTIES, AND (E) ANY ESTIMATES OF THE VALUE OF THE PROPERTIES OR FUTURE REVENUES GENERATED BY THE PROPERTIES.

5.13.3 EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER IN THIS AGREEMENT AND THE SPECIAL WARRANTY OF DEFENSIBLE TITLE IN THE ASSIGNMENT AND THE DEED, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY WAIVES, AS TO PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTITUTING A PART OF THE PROPERTIES (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (C) ANY IMPLIED OR EXPRESS

WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (D) ANY RIGHTS OF BUYER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (E) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM DEFECTS, WHETHER KNOWN OR UNKNOWN, (F) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW, AND (G) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF SUBSTANCES, WASTES OR MATERIALS INTO THE ENVIRONMENT, OR PROTECTION OF THE ENVIRONMENT OR HEALTH, IT BEING THE EXPRESS INTENTION OF BUYER AND SELLER THAT, EXCEPT WITH RESPECT TO BUYER'S RIGHTS UNDER SECTION 7.2 WITH RESPECT TO BREACHES OF THE REPRESENTATIONS AND WARRANTIES IN ARTICLE 3 AND THE RETAINED LIABILITIES, THE PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES IN WHICH SELLER HAS ANY INTEREST ARE BEING ACCEPTED BY BUYER, "AS IS, WHERE IS, WITH ALL FAULTS" AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR, AND BUYER REPRESENTS TO SELLER THAT BUYER WILL MAKE OR CAUSE TO BE MADE SUCH INSPECTIONS WITH RESPECT TO SUCH PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND OTHER PROPERTIES AS BUYER DEEMS APPROPRIATE.

5.13.4 SELLER AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION 5.13 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY LAW, RULE OR ORDER.

5.13.5 NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NEITHER THE SELLER NOR ITS OFFICERS, DIRECTORS OR EMPLOYEES SHALL HAVE ANY LIABILITY FOR ANY BREACH OF OR INACCURACY IN ANY REPRESENTATION OR WARRANTY MADE BY SELLER IN ARTICLE 3 TO THE EXTENT THAT BUYER HAD KNOWLEDGE AT OR BEFORE THE DATE HEREOF OF THE FACTS AS A RESULT OF WHICH SUCH REPRESENTATION OR WARRANTY WAS BREACHED OR INACCURATE.

5.14 Post-Closing

5.14.1 Buyer and Seller agree that the Purchase Price will be adjusted after the Closing Date in accordance with the provisions of Section 2.

5.14.2 Seller shall deliver to Buyer originals of all Records as promptly as practicable, but no later than two Business Days, after the Closing Date. Seller shall keep confidential, and shall cause its Affiliates to keep confidential, any copies of Records retained by Seller and shall not disclose such Records to any Third Party.

5.14.3 Promptly (but in no event later than 30 days) after Closing, Buyer shall, at its sole cost and expense, make all filings with Governmental Authorities necessary to assign and transfer the Properties and title thereto and to comply with applicable Laws, and Seller shall reasonably assist Buyer with such filings.

5.15 Right of Set Off

. Following the Closing, Buyer shall have the right, and shall have the right to cause any of its Affiliates, to offset, net out and set off any claim arising after the Closing for any amount owed to it under or arising from this Agreement (including any amounts arising from liabilities for which Seller has an obligation to indemnify, defend, reimburse or hold harmless any of the Buyer Indemnified Parties under Section 7.2) against any amount owed by it or any of its Affiliates to Seller or any of its Affiliates under any agreement or arrangement among any such parties, provided, that this right of set-off shall not apply to amounts payable by Seller under Article 2 of this Agreement.

ARTICLE 6 CLOSING

6. The Closing

. The Closing shall be held at the offices of Gibson, Dunn & Crutcher LLP, at 10:00 a.m. central time on the Closing Date, subject to the satisfaction or, to the extent permitted by applicable Law, waiver of all conditions to the obligations of the Parties set forth in this Article 6 (other than such conditions as may, by their terms, only be satisfied at the Closing or on the Closing Date, but subject to the satisfaction or waiver of such conditions), or at such other place or at such other time as Seller and Buyer mutually may agree in writing.

6.1 Closing Notice

. Prior to the termination of this Agreement, Seller shall have the right to require the Closing of the transactions contemplated hereby to occur, upon the terms and subject to the satisfaction of the conditions hereof, by delivery of a Closing Notice to Buyer; provided, however, that Seller shall not be permitted to deliver such Closing Notice until the expiration of the Approval Period.

6.2 General Conditions

. The respective obligations of Buyer and Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by either party in its sole discretion (provided, that such waiver shall only be effective as to the obligations of such party):

6.2.1 No Injunction or Prohibition

. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, conditions, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement.

6.2.2 Merger Agreement

. The Merger Agreement Closing shall not have occurred.

6.3 Conditions to Obligations of Buyer

. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Buyer in its sole discretion:

6.3.1 Representations, Warranties and Covenants

. The representations and warranties of Seller contained in this Agreement or any schedule, certificate or other document delivered pursuant hereto or in connection with the transactions contemplated hereby shall be true and correct in all material respects both when made and as of the Closing Date, or in the case of representations and warranties that are made as of a specified date, such representations and warranties shall be true and correct in all material respects as of such specified date. Seller shall have materially performed all obligations and agreements and materially complied with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

6.3.2 No Litigation

. No action shall have been commenced or threatened by or before any Governmental Authority that, in the reasonable, good faith determination of the Buyer, is reasonably likely to (i) require divestiture of any assets of the Buyer as a result of the transactions contemplated by this Agreement or the divestiture of any Properties, (ii) prohibit or impose limitations on the Buyer's ownership or operation of all or a material portion of the Properties or any of its other businesses or assets (or those of any of its subsidiaries or Affiliates) or (iii) impose limitations on the ability of the Buyer or its Affiliates, or render the Buyer or its Affiliates unable, effectively to control the Properties in any material respect.

6.3.3 Impairments

. The sum of (without duplication of any amounts) (i) the aggregate Allocated Values of Properties requiring consents to assign or waivers of PPR for which a consent or waiver, as applicable, has not been obtained by the Closing Date, plus (ii) the aggregated amount of Casualty Losses, does not equal or exceed 5% of the unadjusted Purchase Price.

6.3.4 Deliveries

. Buyer shall have received an executed copy of each of the documents listed in Section 6.6.

6.4 Conditions to Obligations of Seller

. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Seller in its sole discretion:

6.4.1 Representations, Warranties and Covenants

. The representations and warranties of Buyer contained in this Agreement or any schedule, certificate or other document delivered pursuant hereto or in connection with the transactions contemplated hereby shall be true and correct in all material respects both when made and as of the Closing Date, or in the case of representations and warranties that are made as of a specified date, such representations and warranties shall be true and correct in all material respects as of such specified date. Buyer shall have materially performed all obligations and

agreements and materially complied with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

6.4.2 Deliveries

. Seller shall have received an executed copy of each of the documents listed in Section 6.5.

6.5 Buyer's Deliveries

. At the Closing, Buyer will deliver or cause to be delivered to Seller the following items:

6.5.1 Purchase Price

. To Seller, the Purchase Price as directed in writing by Seller and adjusted in accordance with this Agreement;

6.5.2 Assignments

. Original counterparts of the Assignment, in recordable form, duly executed by an authorized officer of Buyer, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;

6.5.3 Letters in Lieu. Letters in lieu of transfer orders for each purchaser of production with respect to each Well in form and substance satisfactory to the Parties;

6.5.4 Governmental Assignments

. Assignments in form required by any Governmental Authority for the assignment of any Properties controlled by such Governmental Authority, duly executed by Buyer, in sufficient duplicate originals to allow recording and filing in all appropriate offices; and

6.5.5 Officer's Certificate. A certificate dated as of the Closing Date and executed by an officer or other authorized signatory of Buyer, that the conditions set forth in Section 6.4.1 have been fulfilled.

6.6 Seller's Deliveries

. At the Closing, Seller will deliver or cause to be delivered to Buyer the following items (all documents will be duly executed and acknowledged where required):

6.6.1 Conveyances. Original counterparts of (a) the Assignment, and (b) the Deed, in each case in recordable form, duly executed by an authorized officer of Seller, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;

6.6.2 Letters in Lieu. Letters in lieu of transfer orders for each purchaser of production with respect to each Well in form and substance satisfactory to the Parties;

6.6.3 Governmental Assignments. Assignments in form required by any Governmental Authority for the assignment of any Properties controlled by such Governmental Authority, duly executed by Seller, in sufficient duplicate originals to allow recording and filing in all appropriate offices;

6.6.4 Lien Releases. Releases and terminations of any mortgages, deeds of trust, assignments of production, financing statements, and fixture filings burdening the Properties by, through, or under Seller or its Affiliates, including those set forth on Schedule 3.24 attached hereto, duly executed by the applicable lienholder(s);

6.6.5 Officer's Certificate. A certificate dated as of the Closing Date and executed by an officer or other authorized signatory of Seller, that the conditions set forth in Section 6.3.1 have been fulfilled; and

6.6.6 Certificate of Non-Foreign Status. An affidavit or certificate attesting to Seller's non-foreign status and meeting the requirements of Treasury Regulation Section 1.1445-2(b)(2).

ARTICLE 7 INDEMNIFICATION

7. Indemnification

. Upon and after the Closing contemplated by this Agreement, the Parties will indemnify each other as follows and/or agree to the following:

7.1 Assumed Obligations

. Upon the consummation of the Closing, Buyer shall assume all of the Assumed Obligations. Notwithstanding anything herein to the contrary, from and after the Closing Date, Buyer shall assume all risk of loss of the Properties, including all risk of loss with respect to production of Hydrocarbons through normal depletion and the depreciation of personal property due to ordinary wear and tear, in each case, with respect to the Properties.

7.2 Seller's Indemnification

. Upon the consummation of the Closing, Seller hereby agrees to pay, defend, indemnify, reimburse and hold harmless Buyer, Buyer's Affiliates, and each of the foregoing Person's directors, officers, agents and employees (the "**Buyer Indemnified Parties**") for, from and against any loss, damage, diminution in value, claim, liability, debt, obligation, action, judgment or expense (including interest, reasonable legal fees, and expenses of litigation and attorneys' fees in enforcing this indemnity) incurred, suffered, paid by or resulting to any of Buyer Indemnified Parties and which results from, arises out of or in connection with, is based upon, or exists by reason of: (a) any breach of or default in any representation or warranty of Seller set forth in this Agreement; (b) any breach of or failure by Seller to perform any covenant or obligation set forth in this Agreement; (c) any of the Retained Liabilities; and (d) the Excluded Assets.

7.3 Buyer's Indemnification

. Upon the consummation of the Closing, except for the matters set forth in Section 7.2, Buyer hereby agrees to pay, defend, indemnify, reimburse and hold harmless Seller and Seller's Affiliates and their respective directors, partners, members, managers, officers, agents and employees (the "**Seller Indemnified Parties**") for, from and against any loss, damage, diminution in value, claim, liability, debt, obligation, action, judgment or expense (including interest, reasonable legal fees, and expenses of litigation and attorneys' fees in enforcing this indemnity) incurred, suffered, paid by or resulting to any of Seller Indemnified Parties and which results from, arises out of or in connection with, is based upon, or exists by reason of: (a) any breach of or default in any representation or warranty of Buyer set forth in this Agreement; (b) any breach or failure by Buyer to perform any covenant or obligation set forth in this Agreement; and (c) any of the Assumed Obligations.

7.4 Indemnification Procedure

. If any indemnified party discovers or otherwise becomes aware of an indemnification claim arising under this Agreement, such party will promptly give written notice to the indemnifying party, specifying such claim, and may thereafter exercise

any remedies available to such indemnified party under this Agreement; *provided, however*, the failure of any indemnified party to give notice as provided herein will not relieve the indemnifying party of any obligations hereunder, to the extent the indemnifying party is not materially prejudiced thereby. Further, promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made against any indemnifying party, the indemnified party will give written notice to the indemnifying party of the commencement of such action; *provided, however*, the failure of any indemnified party to give notice as provided herein will not relieve the indemnifying party of any obligations hereunder, to the extent the indemnifying party is not materially prejudiced thereby.

7.5 Defense

. If any such claim is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense thereof to the extent that it may wish, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof unless the indemnifying party has failed to assume and diligently prosecute the defense of such claim. Notwithstanding any of the foregoing to the contrary, the indemnified party will be entitled to select its own counsel and assume the defense of any action brought against it if the indemnifying party fails to select counsel, the expenses of such defense to be paid by the indemnifying party. As a condition to the indemnifying party's obligations hereunder, the indemnified party will in good faith cooperate with and assist the indemnifying party in the prosecution or defense of such indemnified claim at no unreasonable expense to the indemnified party. No indemnifying party shall consent to entry of any judgment or enter into any settlement with respect to a claim either (a) without the consent of the indemnified party, which consent shall not be unreasonably withheld, or (b) unless such judgment or settlement includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability with respect to such claim. No indemnified party shall consent to entry of any judgment or enter into any settlement of any such action, the defense of which has been assumed by an indemnifying party, without the consent of such indemnifying party, which consent shall not be unreasonably withheld.

7.6 Certain Limitations on Indemnity Obligations

7.6.1 No individual claim of Buyer or Buyer Indemnified Parties (each, an "**Individual Claim**") pursuant to Section 7.2(a) (except with respect to a breach of any Fundamental Representations) shall be made hereunder until the total of all Individual Claims exceeds one percent (1%) of the unadjusted Purchase Price (the "**Basket**"). If the total amount of all of Buyer's or Buyer Indemnified Parties' Individual Claims exceed the Basket, then Seller's obligations under Section 7.2(a) shall be limited to the amount by which the aggregate amount of such Individual Claims exceeds the Basket.

7.6.2 In no event will Seller's aggregate liability (a) under Section 7.2(a) (except with respect to a breach of any Fundamental Representations) exceed thirty percent (30%) of the unadjusted Purchase Price or (b) under Section 7.2 exceed one hundred percent (100%) of the unadjusted Purchase Price.

7.6.3 The amount of any indemnification provided under Section 7.2 or 7.3 shall be net of any amounts actually recovered by the indemnified party under insurance policies.

7.6.4 Notwithstanding anything to the contrary contained in this Agreement, except for the rights of Buyer under the special warranty of Defensible Title set forth in the Assignment and the Deed, this Article 7, Article 8, and Section 5.15 contain the Parties' exclusive remedy against each other with respect to breaches of this Agreement, including breaches of the representations and warranties contained in Articles 3 and 4, the covenants and agreements that survive the Closing pursuant to the terms of this Agreement. Except for the remedies contained in this Article 7, Article 8, and Section 5.15 and for the rights of the parties hereto under the special warranty of Defensible Title set forth in the Assignment and the Deed, Buyer (on behalf of itself, each of the other Buyer Indemnified Parties and their respective insurers and successors in interest) releases, waives, remises and forever discharges Seller from any and all suits, legal or administrative proceedings, claims, remedies, demands, damages, losses, costs, liabilities, interest, or causes of action whatsoever, 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 this Agreement, Seller's ownership, use or operation of the Properties, or the condition, quality, status or nature of the Properties, including rights to contribution under CERCLA and under other Environmental Laws, breaches of statutory or implied warranties, nuisance or other tort actions, rights to punitive damages and common law rights of contribution, rights under agreements between Seller and any Persons who are Affiliates of Seller, and rights under insurance maintained by Seller or any Person who is an Affiliate of Seller, **EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT, BUT EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT), OF ANY RELEASED PERSON.**

7.6.5 Notwithstanding anything stated herein to the contrary, no Party will have any liability to the other Party or such other Party's indemnified parties under this Section 7 with respect to any item for which a specific adjustment has already been made to the Purchase Price or payment made under the terms of this Agreement.

7.6.6 The representations, warranties and covenants of each of the Parties set forth in this Agreement, subject to the express exceptions thereto, shall not be affected by any knowledge of, information furnished to, or any investigation or audit conducted before or after the Closing Date by, any Person in connection with the transactions contemplated hereby. In order to preserve the benefit of the bargain otherwise represented by this Agreement, each Party shall be entitled to rely upon the representations, warranties, covenants and agreements of the other Party set forth herein notwithstanding any investigation or audit conducted or any knowledge acquired (or capable of being acquired) before or after the Closing Date or the decision of any Party to complete the Closing. The right to indemnification or other remedy based on any of the representations, warranties, covenants or agreements in this Agreement shall not be affected by any investigation or audit conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or agreement.

7.6.7 Notwithstanding anything herein or in any document to be executed at Closing to the contrary, the obligations and the rights of the Parties hereunder, and the amount of any damages for which any indemnifying party is obligated to indemnify or any indemnified Person is entitled to indemnity under this Article 7 shall be calculated by excluding and without giving effect to any qualifiers as to materiality or material adverse effect set forth in any representation or warranty.

7.6.8 Any claim for indemnity to which Seller Indemnified Party or Buyer Indemnified Party is entitled must be asserted by and through Seller or Buyer, as applicable.

7.6.9 The Parties shall treat, for U.S. federal and applicable state income Tax purposes, any amounts paid or received under this Article 7 as an adjustment to the Purchase Price, unless otherwise required by applicable Laws.

ARTICLE 8 TERMINATION

8. Termination

8.1 Termination Rights

. This Agreement may be terminated at any time prior to the Closing:

8.1.1 by mutual written consent of Buyer and Seller;

8.1.2 (i) by Buyer, if Buyer is not then in material breach of its obligations under this Agreement and Seller breaches or fails to perform any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.3, and (B) has not been waived by Buyer, or (ii) by Seller, if Seller is not then in material breach of its obligations under this Agreement and Buyer breaches or fails to perform any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.4 and (B) has not been waived by Seller;

8.1.3 by Buyer if the Merger Agreement is terminated pursuant to Section 7.1(c) thereof;

8.1.4 by Seller if the Merger Agreement is terminated pursuant to Section 7.1(d) thereof; or

8.1.5 by either Seller or Buyer (i) if the Closing shall not have occurred by the 30th day following delivery of the Closing Notice by Seller to Buyer; provided that the right to terminate this Agreement under this Section 8.1.5 shall not be available if the failure of the Party so requesting termination to fulfill any obligation under this Agreement shall have been the primary cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date or (ii) on or after the Merger Agreement Closing Date.

The party seeking to terminate this Agreement pursuant to this Section 8 (other than Section 8.1.1) shall give prompt written notice of such termination to the other party.

8.2 Effect of Termination

. In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party except (a) for the provisions of Section 1.2 relating to interpretation, Section 9.2 relating to notices, Section 9.5 relating to third-party beneficiaries, Section 9.7 relating to governing law, Section 9.18 relating and confidentiality, Section 9.19 relating to press releases, Section 5.15 relating to set offs and this Section 8.2 and (b) that nothing herein shall relieve either party from liability for any breach of this Agreement or any agreement made as of the date hereof or subsequent thereto pursuant to this Agreement.

ARTICLE 9 MISCELLANEOUS

9. Miscellaneous

. It is further agreed as follows:

9.1 Time

. This Agreement contains a number of dates and times by which performance or the exercise of rights is due, and the Parties intend that each and every such date and time be the firm and final date and time, as agreed. For this reason, each Party hereby waives and relinquishes any right it might otherwise have to challenge its failure to meet any performance or rights election date applicable to it on the basis that its late action constitutes substantial performance, to require the other Party to show prejudice, or on any equitable grounds. Without limiting the foregoing, time is of the essence of this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

9.2 Notices

. All notices and communications required or permitted under this Agreement shall be in writing addressed as indicated below, and any communication or delivery hereunder shall be deemed to have been duly delivered upon the earliest of: (a) actual receipt by the Party to be notified; (b) if sent by U.S. certified mail, postage prepaid, return receipt requested, then the date shown as received on the return notice; (c) if by email, then upon an affirmative reply by email by the intended recipient that such email was received (*provided that*, for the avoidance of doubt, an automated response from the email account or server of the intended recipient shall not constitute an affirmative reply); or (d) if by Federal Express overnight delivery (or other reputable overnight delivery service), the date shown on the notice of delivery. Addresses for all such notices and communication shall be as follows:

To Buyer:
Contango Oil & Gas Company
717 Texas Avenue, Suite 2900

Houston, Texas 77002
Attention: Chad McLawhorn
Facsimile: (713) 236-4540
E-mail: Chad.McLawhorn@contango.com

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

Gibson, Dunn & Crutcher LLP
811 Main Street, Suite 3000
Houston, Texas 77002
Attention: Tull R. Florey
Facsimile: (346) 718-6901
E-mail: TFlorey@gibsondunn.com

To Seller:

Mid-Con Energy Properties, LLC
2431 East 61st Street, Suite 800
Tulsa, Oklahoma 74136
Attention: Sherry L. Morgan
E-mail: smorgan@mceplp.com

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

Pillsbury Winthrop Shaw Pittman, LLP
1200 Seventeenth Street NW
Attention: Robert B. Robbins
Facsimile: (202) 513-8050
E-mail: robert.robbins@pillsburylaw.com

Either Party may, upon written notice to the other Party, change the address(es) and person(s) to whom such communications are to be directed.

9.3 Survival

. The Fundamental Representations of Seller shall survive the Closing indefinitely, all other representations and warranties of Seller contained in this Agreement and Seller's covenants and agreements to be performed prior to or at Closing shall survive the Closing for twenty four (24) months, and Seller's covenants and agreements to be performed after Closing shall survive the Closing until fully performed (as applicable, the "**Expiration Date**"); *provided, however*, any representation, warranty, covenant or agreement as to which a claim shall have been asserted prior to the Expiration Date shall survive until such claim and the indemnity with respect thereto are resolved. The special warranty of Defensible Title set forth in the Assignment and the Deed will survive the Closing indefinitely. Subject to the foregoing, the remainder of this Agreement shall survive Closing indefinitely.

9.4 Cooperation

. Prior to termination of this Agreement and at all times following the consummation of this Agreement, the Parties agree to execute and deliver, or cause to be executed and delivered, such documents and do, or cause to be done, such other acts and things as might

reasonably be requested by any Party to this Agreement to assure that the benefits of this Agreement are realized by the Parties.

9.5 No Third Party Beneficiaries

. Except for the indemnification rights of Seller Indemnified Parties and Buyer Indemnified Parties under Section 7 and the right of set off of Affiliates of Seller set forth in Section 5.15, nothing in this Agreement, express or implied, is intended to confer upon anyone, other than the Parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement or to constitute any Person a Third Party beneficiary of this Agreement.

9.6 Cumulative Remedies

. Subject to the other provisions hereof, no failure on the part of any Party to this Agreement to exercise and no delay in exercising any right hereunder will operate as a waiver thereof, nor will any single or partial exercise by any Party hereto of any right hereunder preclude any other or further right of exercise thereof or the exercise of any other right.

9.7 Choice of Law

9.7.1 This Agreement and all claims and disputes arising out of or related to this Agreement or the formation, validity, alleged breach or termination thereof, or in any way relating to the subject matter of this Agreement or the relationship between the Parties created by this Agreement, whether sounding in contract, tort or otherwise, and the applicable statute of limitations with respect to all such matters, shall be governed by and construed under the Laws of the State of Texas (excluding any conflict of laws provision that would require the application of the Law of any other jurisdiction). As to matters relating to title to the Properties, the Laws of the State of Wyoming apply as to the Property located in (or otherwise subject to the laws of) such state.

9.7.2 The Parties agree that the appropriate, exclusive and convenient forum for any disputes between any of the Parties arising out of or relating to this Agreement shall be in any state or federal court in Dallas, Texas and each of the Parties irrevocably submits to the jurisdiction of such courts solely in respect of any proceeding arising out of or related to this Agreement. The Parties further agree, to the extent permitted by Law, that a final and nonappealable judgment against a Party in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and amount of such judgment.

9.7.3 To the extent that any Party or any of its Affiliates has acquired, or hereafter may acquire, any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party (on its own behalf and on behalf of its Affiliates) hereby irrevocably (i) waives such immunity in respect of its obligations with respect to this Agreement and (ii) submits to the personal jurisdiction of any court described in Section 9.7.2.

9.8 Entire Agreement

. This Agreement and the Exhibits and Schedules attached hereto, the Assignment, the Merger Agreement and the other documents contemplated by this Agreement,

together with the Non-Disclosure Agreement, constitute the entire agreement between the Parties with respect to the subject matter hereof and there are no agreements, understandings, warranties or representations except as set forth herein or therein. In the event of a conflict between the Non-Disclosure Agreement and this Agreement, the terms and provisions of this Agreement shall prevail.

9.9 Assignment

. It is agreed that neither Party may assign such Party's rights nor delegate such Party's duties under this Agreement without the express written consent of the other Party, and any attempted such assignment without such express written consent shall be void. Notwithstanding the foregoing, Buyer may assign its rights under this Agreement to any direct or indirect wholly-owned subsidiary of Buyer without Seller's consent; provided that no such assignment shall limit or affect Buyer's obligations hereunder.

9.10 Amendment

. Neither this Agreement, nor any of the provisions hereof can be changed, waived, discharged or terminated, except by an instrument in writing signed by the Party against whom enforcement of the change, waiver, discharge or termination is sought.

9.11 Severability

. If any clause or provision of this Agreement is illegal, invalid or unenforceable under any present or future Law, the remainder of this Agreement will not be affected thereby. It is the intention of the Parties that if any such provision is held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provisions as is possible to make such provision legal, valid and enforceable.

9.12 Waiver

. Any failure by any party or parties hereto to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the party or parties to whom such compliance is owed. Waiver of performance of any obligation or term contained in this Agreement by any Party, or waiver by one Party of the other's default hereunder will not operate as a waiver of performance of any other obligation or term of this Agreement or a future waiver of the same obligation or a waiver of any future default.

9.13 Counterparts; Facsimiles; Electronic Transmission

. This Agreement may be executed in multiple counterparts, each of which will be an original instrument, but all of which will constitute one agreement. The execution and delivery of this Agreement by any Party may be evidenced by facsimile or other electronic transmission (including scanned documents delivered by email), which shall be binding upon all Parties.

9.14 JOINT ACKNOWLEDGMENT

. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.15 WAIVER OF JURY TRIAL, SPECIAL DAMAGES, ETC.

EACH OF BUYER AND SELLER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY (A) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME

ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR ASSOCIATED HERewith, (B) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, EXCEPT TO THE EXTENT AN INDEMNIFIED PARTY IS REQUIRED TO PAY "SPECIAL DAMAGES," AS DEFINED BELOW TO A THIRD PARTY THAT IS NOT AN INDEMNIFIED PARTY (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION, IN EACH CASE IT BEING THE EXPRESS INTENT, UNDERSTANDING, AND AGREEMENT OF THE PARTIES THAT SUCH WAIVERS ARE TO BE GIVEN THE FULLEST EFFECT, NOTWITHSTANDING THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY PARTY. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY AND PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANOTHER PARTY HERETO OR ANY CLAIMS OF ANY PERSON FOR WHICH ONE PARTY HAS AGREED TO PROVIDE INDEMNIFICATION UNDER THIS AGREEMENT.

9.16 Mutuality

. The Parties acknowledge and declare that this Agreement is the result of extensive negotiations between them. Accordingly, if there is any ambiguity in this Agreement, there shall be no presumption that this instrument was prepared solely by any Party.

9.17 Schedules

. The inclusion of any information (including Dollar amounts) in any section of the disclosure Schedules hereto shall not be deemed to be an admission or acknowledgment by Seller that such information is required to be listed on such Schedule or is material to or outside the Ordinary Course of Business of Seller. The information contained in this Agreement, the Exhibits and the Schedules hereto is disclosed solely for purposes of this Agreement, and no information contained herein or therein shall be deemed to be an admission by any Party hereto to any Third Party of any matter whatsoever (including any violation of a legal requirement or breach of contract). Matters may be disclosed on a Schedule to this Agreement for purposes of information only. Matters disclosed in each Schedule shall only qualify the representation and warranty in which such Schedule is referenced.

9.18 Confidentiality

. Buyer acknowledges that, pursuant to its right of access to the Records and the Properties, 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 Non-Disclosure Agreement.

9.19 Press Releases

. Neither Party shall make any press release or other public announcements concerning this transaction, without the written consent of the other Party, which

consent shall not be unreasonably withheld. Any Party desiring or required to make a public announcement shall first give the other Party 24 hours written notification of its desire or requirement to make such a public announcement. The written notification shall include (a) a request for consent to make the announcement, and (b) a written draft of the text of such public announcement. Nothing contained herein shall prohibit any Party hereto from issuing or making a public announcement or statement if such Party deems it necessary to do so in order to comply with any applicable Law, or the rules of any stock exchange upon which the Party's capital stock is traded, provided, however, that the foregoing procedure of written notification shall first be followed.

9.20 Sale or Use Tax, Recording Fees, and Similar Taxes and Fees

. Each of Buyer and Seller shall bear one half of any sales, use, excise, real property transfer, gross receipts, goods and services, registration, capital, documentary, stamp or transfer Taxes, recording fees and similar Taxes and fees incurred and imposed upon, or with respect to, the property transfers or other transactions contemplated hereby ("**Transfer Taxes**").

9.21 Expenses

. All expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, the conveyances delivered hereunder and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including all fees and expenses of counsel, accountants and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and all such expenses incurred by Buyer shall be borne solely and entirely by Buyer.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller has executed this Agreement effective as of the execution of this Agreement.

SELLER:

MID-CON ENERGY PROPERTIES, LLC

By: MID-CON ENERGY PARTNERS, LP, its sole member

By: MID-CON ENERGY GP, LLC, its general partner

By:

Name: Sherry L. Morgan

Title: Chief Executive Officer

Signature Page to Purchase and Sale Agreement

IN WITNESS WHEREOF, Buyer has executed this Agreement effective as of the execution of this Agreement.

BUYER:

CONTANGO OIL & GAS COMPANY

By:

Name: Farley Dakan

Title: President

Signature Page to Purchase and Sale Agreement

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sherry L. Morgan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mid-Con Energy Partners, LP;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - (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.

Date: November 16, 2020

/s/ Sherry L. Morgan

Sherry L. Morgan

Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jodie L. DiGiacomo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mid-Con Energy Partners, LP;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - (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.

Date: November 16, 2020

/s/ Jodie L. DiGiacomo

Jodie L. DiGiacomo

Chief Accounting Officer

as Principal Financial Officer

**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 accompanying report on Form 10-Q for the period ended September 30, 2020, of Mid-Con Energy Partners, LP (the "Partnership"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sherry L. Morgan, Chief Executive Officer of Mid-Con Energy GP, LLC, the general partner of the Partnership, hereby certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 Partnership.

Date: November 16, 2020

/s/ Sherry L. Morgan

Sherry L. Morgan

Chief Executive Officer

**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 accompanying report on Form 10-Q for the period ended September 30, 2020, of Mid-Con Energy Partners, LP (the "Partnership"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jodie L. DiGiacomo, Chief Accounting Officer of Mid-Con Energy GP, LLC, the general partner of the Partnership, hereby certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 Partnership.

Date: November 16, 2020

/s/ Jodie L. DiGiacomo

Jodie L. DiGiacomo

Chief Accounting Officer

as Principal Financial Officer