UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants. CASE NO.: 8:09-cv-0087-T-33CPT

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.
_____/

RECEIVER'S MOTION TO (1) SELL THE INTEREST OF QUEST ENERGY MANAGEMENT GROUP, INC. IN THE MUSSELMAN CADDO UNIT TO WEST CENTRAL TEXAS PETROLEUM PARTNERS-MCU, LLC; (2) RESOLVE THE CLAIMS OF VAN OPERATING, LTD.; (3) RESOLVE THE CLAIMS OF THE TEXAS TAXING AUTHORITIES; AND (4) PROVIDE FOR PAYMENT OF UNPAID GAS ROYALTIES

Burton W. Wiand (the "**Receiver**"), as Receiver for Quest Energy Management Group, Inc. ("**Quest**"), moves the Court to approve the sale of the Mussleman Caddo Unit ("**MCU**") to West Central Texas Petroleum Partners-MCU, LLC ("**West Central**"), which will resolve all of the approved claims submitted by Class 1 and Class 2 creditors. Specifically, through

this transaction, the Receiver will resolve the Class 1 claims submitted by several taxing authorities located in Texas (the "**Taxing Authorities**") and the Class 2 claim submitted by Van Operating, Ltd. ("**Van Operating**"). These are the only remaining approved but unresolved Class 1 and Class 2 claims. As the Receiver has previously advised the Court and other claimants, there are no assets available to satisfy any unsecured claims; consequently, Class 3 claimants will not receive any proceeds from this transaction. Importantly, however, this transaction leaves the Quest Receivership with some vehicles and equipment that the Receiver is in the process of liquidating or otherwise disposing. Remaining leases will also be assigned or abandoned with the next 30 to 90 days. When these activities are completed, the Receiver will file a motion with the Court to close the Quest Receivership.

Relevant here, the agreement between the Receiver and West Central provides that West Central will pay the Receiver $50,000 in cash at closing and, if closing occurs, will assume and satisfy up to $43,456.79 of unpaid gas royalties owed by Quest to royalty owners in the MCU. If closing occurs, West Central will also assume Van Operating's Class 2 claim in the principal amount of $496,614.52, together with interest, and, by separate agreement between West Central and Van Operating, will also satisfy Van Operating's Class 2 claim. As a further part of the transaction, the Taxing Authorities will receive $50,000 in satisfaction of their Class 1 claim.

Van Operating submitted a claim for $795,201.59 based on a loan Quest assumed in 2007. *See* Claim No. 6. The Receiver recommended that Van Operating's claim be allowed but only in the amount of the outstanding principal balance of the Renewal Note at the time of the Receiver's appointment – *i.e.*, $496,614.52. *See* Doc. 1383; Ex. C. Van Operating did not object to the Receiver's determination. West Central has entered into an agreement with Van

Operating pursuant to which Van Operating's claim, principal and interest, will be satisfied and released upon the transfer by the Receiver to West Central of all of Quest's interest in the MCU on the terms contemplated by the agreement between the Receiver and West Central. These transactions will satisfy Van Operating's claim.

The only other unsatisfied Class 1 or 2 claim relating to the MCU belongs to the Taxing Authorities, and that claim will also be satisfied as part of this transaction. The Receiver initially agreed that the Taxing Authorities' claim would be approved in the amount of $300,000, but the Taxing Authorities recognized that Quest lacked funds to pay that amount and that any payment could only be made from the sale of Quest's assets. *See* Docs. 1402, 1406. The Receiver and the Taxing Authorities have subsequently agreed to resolve the claim by the payment of $50,000 to be derived from the sale of leases held by Quest. This agreement is contingent on the completion of the transaction with West Central regarding the MCU. These two transactions together will result in the satisfaction of claims totaling almost $800,000. They will also allow the removal of liens and encumbrances on other Receivership property that may facilitate the Receiver's sale of those assets.

This transaction substantially benefits the Receivership. First, as noted above, it resolves almost $800,000 in claims and frees other assets of the Receivership. Second, because West Central will assume obligations as the new operator of the MCU, the Receivership will be relieved of legal obligations for plugging wellbores on the property that could amount to at least $230,000 if all wells were required to be plugged immediately. Thus, it will assure benefits to the Receivership and the MCU landowners on whose land the unplugged wellbores remain. To achieve these ends, the Receiver seeks an order:

- Approving the Purchase and Sale Agreement between Quest and West Central Texas Petroleum Partners – MCU, LLC, attached to this Motion as **Exhibit 1** ("**MCU PSA**"), which will (1) dispose of certain oil and gas leases known as the Musselman Caddo Unit; (2) provide cash to resolve the Class 1 claims submitted by the Taxing Authorities; (3) assign Quest's responsibility for the Class 2 claim submitted by Van Operating; and (4) provide for the payment of certain past-due gas royalties; and

- Approving the agreement between the Receiver and the Taxing Authorities, attached to this Motion as **Exhibit 2**, which will resolve their Class 1 claims.

A proposed order containing the foregoing relief is attached as **Exhibit 3**. Importantly, the SEC does not oppose this motion, which will amicably resolve all outstanding Class 1 and Class 2 claims. Unfortunately, as the Receiver has repeatedly warned, there will be no funds available to make a distribution to Class 3 claimants.

BACKGROUND

On January 21, 2009, the Securities and Exchange Commission ("**SEC**") initiated this action to prevent the defendants from further defrauding investors in hedge funds the defendants operated. That same day, the Court entered an order appointing Burton W. Wiand as Receiver for defendants Scoop Capital, LLC, and Scoop Management, Inc., and relief defendants Scoop Real Estate, L.P.; Valhalla Investment Partners, L.P.; Valhalla Management, Inc.; Victory Fund, Ltd.; Victory IRA Fund, Ltd.; Viking IRA Fund, LLC; Viking Fund, LLC; and Viking Management, LLC. Doc. 8. The Court subsequently granted several motions to expand the scope of the Receivership to include other entities owned or controlled by Arthur Nadel ("**Nadel**"). *See generally* Docs. 17, 44, 68, 81, 153, 172, 454, 911, 916, 1024. All of the entities in receivership are collectively referred to as the "**Receivership Entities**." The Court directed the Receiver to, among other things, administer and manage the business affairs, funds, assets, and any other property of the Receivership Entities. *See, e.g.,* Doc. 8.

Quest And Its Assets

Quest is an oil and gas exploration and production company based in Texas. Paul Downey was its Chief Executive Officer, and his son Jeff Downey was its Chief Operating Officer (collectively, the "**Downeys**"). Viking Oil & Gas, LLC ("**Viking Oil**") is a Florida limited liability company formed in January 2006 by Neil and Christopher Moody (the "**Moodys**") to make investments in Quest. The Moodys funded Viking Oil with proceeds from Nadel's scheme, and as a result, the Court expanded the Receivership to include Viking Oil on July 15, 2009. Doc. 153. Between February 2006 and April 2007, through Viking Oil, the Moodys invested at least $4 million in Quest. As a result, the Receiver filed a motion to expand the Receivership to include Quest (Doc. 993), and the Court granted that motion on May 24, 2013 (Doc. 1024). Although Quest is one of the Receivership Entities, the Receiver has administered Quest independently, as directed by the Hon. Richard A. Lazzara (the "**Quest Receivership**" and the "**Quest Estate**").

The Receiver's Prior Sales Efforts Support The Transactions At Issue

Since the inception of the Quest Receivership in May 2013, the Receiver has managed and operated Quest, including its oil and gas leases. The company generates revenue by selling its production, but that revenue has historically varied sharply with oil and gas prices. Until earlier this year, Quest's revenue had not exceeded its operating costs by a material margin. The Receiver has long sought to sell Quest to monetize its assets for the Quest Estate and eventual distribution to creditors. The Receiver's efforts, however, have been complicated by the fact that the Downeys were engaged in an investment fraud, initially unbeknownst to the

Receiver, thorough their operation of Quest. *See, e.g., S.E.C. v. P. Downey et al.*, Case No. 1:14-cv-185 (N.D. Tex.).[1]

The Receiver's marketing efforts began with communications with various individuals with ties to the oil and gas exploration industry to generate referrals of interested buyers and through communications with potential buyers familiar with Quest. The Receiver sought advice from various individuals with knowledge of the oil and gas exploration industry to determine the best way to market Quest for sale. As a result of those efforts, two marketing firms submitted proposals to the Receiver. After careful consideration, the Receiver determined that selling Quest through a private sale with the assistance of WhiteHorse Partners, LLC ("**WhiteHorse**")[2] was in the best interests of the Quest Estate, as he believed it

[1] The SEC asserted claims against the Downeys for their violations of the anti-fraud provisions of the federal securities laws in connection with their activities on behalf of Quest. On July 25, 2016, the court presiding over the enforcement action entered an order granting summary judgment in favor of the SEC on its claims against the Downeys. On September 29, 2016, the court granted the SEC's motion for remedies and entered final judgments as to all defendants. In addition to entering final judgments, the court also made specific findings as to the defendants, including that Jeff and Paul Downey (1) "raised $4.9 million from 17 investors in a fraudulent offering of securities"; (2) "acted with a high level of scienter, knowingly deceiving investors about virtually every aspect of the investment"; (3) concealed the Receiver's appointment from Quest's investors; and (4) exhibited "misconduct [that] was extremely egregious." *S.E.C. v. P. Downey et al.*, Case No. 1:14-cv-185, order granting SEC's motion for summary judgment, Doc. 117 at 2-3 (N.D. Tex. Sept. 29, 1996). The court ordered the Downeys to disgorge $4.9 million plus $1.1 million in interest and to pay a civil penalty of $178,156 each. As far as the Receiver is aware, the Downeys have not paid anything toward the disgorgement or penalty.

[2] WhiteHorse is a boutique advisory firm based in Nashville, Tennessee familiar with the oil and gas industry. It has marketed and sold (or is currently marketing and in the process of selling) companies similar to Quest. On October 28, 2014, the Receiver filed a renewed motion for leave to retain WhiteHorse. Doc. 1144. On November 12, 2014, the Court granted the Receiver's motion. Doc. 1148.

would provide the best opportunity to market Quest to the widest audience for the most value. WhiteHorse's marketing strategy for Quest included:

- A complete review of the documentation related to Quest's current and past operations including its current and past accounting databases so consolidated financial statements could be prepared;
- A determination of Quest's market value;
- The development of a marketing plan aimed at locating qualified purchasers;
- The preparation of a marketing memorandum which outlined relevant details about Quest;
- The execution of a marketing initiative;
- The qualification of potential buyers to ensure their financial ability to conclude a transaction to buy Quest and a review of their prior transactions and experience with entities such as Quest;
- Conducting tours of Quest's properties and speaking with personnel;
- The analysis of all offers;
- Assisting with the negotiation of a letter of intent or purchase offer; and
- Working on closing the sale transaction, including due diligence.

Efforts by WhiteHorse and the Receiver led to multiple inquiries and offers from potential purchasers. Indeed, the Receiver entered into contracts to sell Quest on two prior occasions, but for various reasons (due diligence, market conditions, the potential purchaser's inability to obtain financing, *etc.*), the sales fell through before the Court's approval was acquired.

The Prior Attempt To Sell Quest And Subsequent Negotiations

In mid-2019, the Receiver entered into an additional asset purchase agreement with an entity he believed would purchase substantially all of Quest's assets for $1 million. While prior negotiations with potential purchasers contemplated greater purchase amounts, oil and gas prices subsequently declined, substantially decreasing the value of Quest's assets. On July

24, 2019, the Receiver filed his Verified Motion For Approval Of Private Sale Of Assets Of Quest Energy Management Group, Inc. Doc. 1403. With full knowledge that the Receiver had complied with pertinent statutory requirements and that the motion was pending before the Court, the purchaser cancelled the transaction shortly before the Court granted the motion approving the sale. Doc. 1407. Brief litigation ensued regarding the Receiver's ability to retain the purchaser's $100,000 earnest money deposit, but the Court ultimately ruled that the purchaser was entitled to the finds, which the Receiver returned in accordance with the Court's order. *See* Docs. 1419, 1423, 1424, 1425, 1426, 1427, 1428. On December 10, 2019, to clarify the record regarding the ownership and operation of Quest, the Court granted the Receiver's motion to vacate the order approving the sale. *See* Docs. 1429, 1430.

In his May 15, 2020 status report (Doc. 1434), the Receiver advised the Court regarding the impact of the buyer's non-performance and prevailing economic conditions: "Given these developments, the Receiver continues to manage Quest and its employees. The company has historically generated enough revenue from oil and gas production to fund its daily operations but given world events and the impact of the Covid-19 virus, that is no longer possible. Current oil and gas prices will not support continued operations, especially considering regulatory maintenance requirements." Doc. 1434 at 3. These events also caused the Receiver to conclude that any sale of Quest's assets was unlikely. The Receiver warned that he might have to abandon Quest but was nevertheless communicating with its secured creditors in the hope of reaching an "agreement between those creditors" that might avoid abandonment. *Id.* at 4. This motion is the result of those communications. The Receiver believes the relief requested below will lead to the termination of the Quest Receivership soon in the most efficient way possible

REQUESTED RELIEF

I. Approval Of The Musselman Caddo Unit Purchase And Sale Agreement

As noted above, the MCU PSA between Quest (through the Receiver) and West Central will, among other things, dispose of the MCU oil and gas leases. Because the terms of the MCU PSA are detailed, the Receiver will only highlight certain principal components. First, West Central will pay the Receiver a total purchase price for the assigned leases of $590,071.31, consisting of (i) $50,000.00 in immediately available funds, payable to the Receiver at closing; (ii) West Central's assumption of Quest's obligation to pay the remaining principal balance of $496,614.52 owed on Van Operating's Class 2 claim, and (iii) West Central's assumption of Quest's obligation to pay unpaid gas royalties attributable to the MCU up to a maximum amount of $43,456.79. *See* Ex. 1 § 2. The cash from the transaction will be used to resolve the Taxing Authorities' Class 1 claim, as described in more detail below. Second, West Central will assume Quest's obligation to Van Operating, pursuant to an agreement between those entities, which will resolve Van Operating's Class 2 claim. Third, West Central will pay approximately $43,456.79 in past-due gas royalties thus compensating landowners, as required under pertinent contracts.[3] The transaction is conditioned on the Court's approval. Given Quest's operational issues, the difficulty of liquidating Quest's assets, and the ability to resolve Class 1 and Class 2 claims, the Receiver believes the transaction set forth in this motion is in the best interests of the Quest Estate.

[3] Quest has historically paid these royalties as ordinary operating expenses, but its ability to make payments has diminished with its revenues, resulting in past-due amounts.

II. Approval Of The Agreement For Resolution Of Tax Claims

As noted above, the Receiver and the Taxing Authorities have also reached an agreement that will resolve the Class 1 claims submitted by the Taxing Authorities. The Court previously approved a claim settlement agreement between the Receiver and the Taxing Authorities, but that agreement expressly noted that Quest lacked sufficient funds to make any distribution, and its ability to do so was dependent on a pending sale of certain Quest assets. *See* Docs. 1402, 1406. The buyer failed to perform, and the Receiver was thus unable to make a distribution to the Taxing Authorities. The instant agreement recognizes that history and Quest's current circumstances. As a result, the Taxing Authorities have agreed to accept $50,000 in full settlement of their Class 1 claims and tax liability, penalties, and interest through 2019. If closing occurs under the MCU PSA, West Central will be responsible for 2020 and future taxes. Given Quest's operational issues, the difficulty of liquidating Quest's assets, and the ability to resolve these Class 1 claims, the Receiver believes this arrangement is in the best interests of the Quest Estate.

MEMORANDUM IN SUPPORT

The relief requested in this motion will promote the orderly and prompt resolution of the Quest Receivership in an expeditious manner. As explained below, the Court should approve the transactions described in this motion.

I. THE COURT SHOULD APPROVE THE SALE OF QUEST'S ASSETS

In receivership actions, private sales of real property or interests therein are governed by 28 U.S.C. § 2001(b) ("**Section 2001(b)**"):

> After a hearing, of which notice to all interested parties shall be given by publication or otherwise as the court directs, the court may order the sale of such realty or interest or any part thereof at private sale for cash or other

> consideration and upon such terms and conditions as the court approves, if it finds that the best interests of the estate will be conserved thereby. Before confirmation of any private sale, the court shall appoint three disinterested persons to appraise such property or different groups of three appraisers each to appraise properties of different classes or situated in different localities. No private sale shall be confirmed at a price less than two-thirds of the appraised value. Before confirmation of any private sale, the terms thereof shall be published in such newspaper or newspapers of general circulation as the court directs at least ten days before confirmation. The private sale shall not be confirmed if a bona fide offer is made, under conditions prescribed by the court, which guarantees at least a 10 per centum increase over the price offered in the private sale.

28 U.S.C. § 2001(b).[4] In other words, Section 2001(b) has three primary components: (1) publishing the proposed sale in a newspaper of general circulation at least ten days before confirmation of the sale; (2) obtaining three appraisals of the assets to be sold; and (3) setting a hearing to approve the sale. *Id.*

To comply with the first prong of Section 2001(b), the Receiver will publish a notice of the proposed sale for one day in the Abilene Reporter-News, which is regularly issued and of general circulation in the district where Quest is located. The Receiver will also publish this motion and the notice on his website – www.nadelreceivership.com. No less than 10 days after publication of the notice, the Receiver will inform the Court whether any potential purchaser submitted a "bona fide offer," as contemplated by Section 2001(b).

Second, the Receiver asks the Court to grant this motion without requiring him to obtain three formal appraisals. To ensure the fairness of the sale to the Quest Estate, the Receiver previously obtained an asset valuation, dated May 18, 2019, from Jordan Taylor Buckingham, a petroleum engineer – a copy of which is attached hereto as **Exhibit 4** (the "**Valuation**"). As

[4] Section 2001(b) governs because Quest's most valuable assets are its oil and gas leases (here, the MCU), which are interests in real property.

documented in the Valuation, Mr. Buckingham performed a "decline curve analysis on producing leases using historical production data from the TX Railroad Commission (RRC), historical WTI oil and gas pricing, operations expense data from Quest EMG, Inc., and known standard well operating costs in RRC District 7B." *Id.* at 3. Based on this analysis, Mr. Buckingham's highest valuation of the MCU assets was $1,151,221.93. The Valuation, however, assumed oil prices of $55.87 per barrel and gas prices of $3.13 per Mcf, while Quest is currently receiving approximately $39.25 per barrel of oil and approximately $1.84 per Mcf. The gas/oil reserve ratio of the MCU is approximately 70% gas and 30% oil. The Valuation also does not account for plugging liabilities that could be at least $230,000 if all wells were required to be plugged immediately. Given these developments and adjustments, the Receiver believes the transactions described in this motion are still consistent with the Valuation and will result in a sale at a price substantially greater than two-thirds of the adjusted Valuation. In any event, there is simply no money for additional appraisals. The Receiver and WhiteHorse have marketed Quest and/or its assets for many years, and the Receiver has not been able to consummate a transaction at a higher price. The provisions of 28 U.S.C § 2001 requiring publication and an opportunity interested parties to submit "bona fide offers" will assure that fair value is received for the MCU asset.

The Court has previously either waived or determined the Receiver substantially complied with the appraisal provisions in Section 2001(b) under similar circumstances, including in connection with the Receiver's prior motion to sell Quest's assets. *See, e.g.,* Docs 1368 & 1370 (finding substantial compliance based on "an opinion of value letter" from a land specialist); 1300 & 1301 (same based on a single appraisal); 1229 & 1230 (same); 1150 & 1151 (same); 1109 & 1110 (finding substantial compliance regarding the Receiver's sale of

the assets of Tradewind, LLC – an operating business – based on a single valuation); 1074 & 1075 (waiving requirements of Section 2001(b) and requiring no appraisals of assets belonging to Respiro, Inc. – a medical device company – due to limited value). The Court's waiver or modification of Section 2001(b) is also consistent with decisions from other courts considering these issues. *See, e.g., S.E.C. v. Kirkland,* 2009 WL 1439087, at *3 (M.D. Fla. May 22, 2009) (recommending approval of sale based on one appraisal); *S.E.C. v. Billion Coupons, Inc.*, 2009 WL 2143531, *3 (D. Hawaii 2009) (authorizing sale without obtaining any appraisals given sufficient safeguards).

Third, the Receiver asks the Court to dispense with the need for a hearing and to grant this motion on the papers, assuming no party files an opposition necessitating a hearing and no potential purchaser submits a "bona fide offer" necessitating a hearing. This will conserve the parties' and the Court's resources. The Receiver will inform the Court whether any party has submitted a "bona fide offer" promptly after completing the publication and notice requirements of Section 2001(b). All (or almost all) of the Receiver's motions to approve the private sale of personal or real property in this action have been decided on the papers. For example, when the Receiver sold the assets of Tradewind, LLC, the Court found that the Receiver "had not received any bona fide offer as described in 28 U.S.C. § 2001(b) [and] … in lieu of a hearing on the [m]otion, the filing of the [m]otion in the Court's public docket and its publication on the Receivership's website and in the Newnan Times Herald provided sufficient notice and opportunity for any party to be heard in accordance with 28 U.S.C. § 2001(b)." Doc. 1110. The Receiver asks that the Court defer ruling on this motion until the Receiver has filed a notice indicating whether any individual or entity submitted a "bona fide offer" under the statute.

CONCLUSION

For the reasons explained above, the Receiver respectfully requests the Court enter an order in substantially the form as Exhibit 3:

1. Approving sale and transfer of the MCU and related assets to West Central on the terms of the MCU PSA;

2. Approving the Receiver's agreement with the Taxing Authorities;

3. Deeming the Class 1 claims submitted by the Taxing Authorities and the Class 2 claim submitted by Van Operating satisfied by the transactions described in this motion; and

4. After the closing of the transaction between Quest and West Central, relieving the Receiver of all duties, obligations, and liabilities with respect to the MCU.

LOCAL RULE 3.01(G) CERTIFICATION

The undersigned counsel for the Receiver has conferred with counsel for the SEC and is authorized to represent to the Court that the SEC has no objection to the relief sought herein. The Receiver is also authorized to represent to the Court that West Central, Van Operating, and the Taxing Authorities agree to the transactions set forth in this motion. A copy of this motion is being served on a representative of each of those entities.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 21st day of August 2020, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system. I also served a copy of the foregoing by email and U.S. Mail on the following nonparties:

Tara LeDay
McCreary Veselka Braggs & Allen, P.C.
700 Jeffrey Way, Suite 100
Round Rock, TX 78665
Email: Tara.LeDay@mvbalaw.com
Counsel for the Taxing Authorities

West Central Texas Petroleum Partners – MCU, LLC
c/o Momentum Operating Co., Inc.
P.O. Box 2439
224 S. Main Street
Albany, Texas 76430
Attn: Mike Parsons
Email: mike@momentumoperating.com
Email: prwahl@sbcglobal.net

Don Fitzgibbons
Van Operating Ltd.
216 Hill Street
Albany, TX 76430
Email: DFitzgibbons@VanOperating.com

s/Jared J. Perez
Jared J. Perez, FBN 0085192
jperez@wiandlaw.com
WIAND GUERRA KING P.A.
5505 West Gray Street
Tampa, FL 33609
Tel.: (813) 347-5100
Fax: (813) 347-5198
Attorney for Burton W. Wiand, as Receiver

EXHIBIT 1

PURCHASE AND SALE AGREEMENT

This Agreement is dated as of August 19, 2020 between **Quest Energy Management Group, Inc.**, a Delaware corporation, doing business as **Quest EMG, Inc.** ("*Seller*"), acting through Burton W. Wiand, Receiver in Case No. 8:09-cv-0087-T-33CPT, *Securities and Exchange Commission v. Arthur Nadel, et al.*, United States District Court, Middle District of Florida, Tampa Division ("*Court*"), and **West Central Texas Petroleum Partners – MCU, LLC**, a Texas limited liability company, P.O. Box 2439, Albany, Texas 76430 ("*Buyer*"). Seller and Buyer are also referred to as a "*Party*" or the "*Parties*." The proceeding described in this paragraph is referred to as the "*Nadel Case*" and the receivership for Seller in the Nadel Case is referred to as the "*Quest Receivership*."

For sufficient value received and subject to the Court's approval of this Agreement and the transactions contemplated by this Agreement ("*Order*") and the terms of this Agreement, Seller and Buyer agree as follows:

SECTION 1
PURCHASE AND SALE

1.1 Purchase and Sale. Seller agrees to sell to Buyer the Properties defined in the Assignment of Oil and Gas Leases attached to this Agreement as Exhibit A ("*Assignment*"), and Buyer agrees to purchase and pay for the Properties. Unless otherwise defined, capitalized terms used in this Agreement have the same meanings given them in the Assignment. Except as expressly provided in this Agreement or the Assignment, the sale of the Properties will be free of all legal and equitable claims, demands, causes of action, losses, damages, costs, liabilities, fines, penalties, liens, security interests, and encumbrances, including those that were filed or made or could have been filed or made in connection with the Nadel Case or the Quest Receivership, and free of all civil, criminal or administrative actions, arbitrations, mediations, hearings, investigations, or lawsuits before any governmental authority, arbitrator, mediator or other authorized decision-making authority, including the Nadel Case and the Quest Receivership ("*Proceedings*"). Seller will retain all production and revenues from or attributable to the Properties before the Effective Date and will, as between Seller and Buyer, be responsible for all costs and expenses attributable to the Properties before the Effective Date. Buyer will receive all production and revenues from or attributable to the Properties on or after the Effective Date and will, as between Seller and Buyer, be responsible for all costs and expenses attributable to the Properties on or after the Effective Date.

1.2 Conditions. The effectiveness of this Agreement is subject to compliance with 28 USC § 2001(b) involving the sale of an interest in realty at a private sale for cash and other consideration, including the publication requirements and the non-receipt of a bona fide offer under conditions prescribed by the Court ("*Bona Fide Offer*"), and the entry by the Court of the Order approving this Agreement and the transactions contemplated by this Agreement ("*Transactions*").

1.3 Effective Date. The sale will be effective on the Closing Date at 7:00 a.m. local time where the Leases are located ("*Effective Date*").

SECTION 2
PURCHASE PRICE

The "*Purchase Price*" for the Properties is $590,071.31 (not counting accrued interest on the Van Operating Lien), consisting of (i) US $50,000.00 in immediately available funds, payable to Seller at Closing ("*Cash Consideration*"), (ii) Buyer's assumption of Seller's obligation to pay the remaining principal balance of $496,614.52 and interest due under the Modification and Renewal of Promissory Note and Mineral Deed of Trust, Security Agreement and Assignment effective December 29, 2011, between Quest Energy Management Group, Inc. and Van Operating, Ltd., recorded at Volume 551, Page 694, Official Public Records, Shackelford County, Texas ("*Van Operating Lien*"), and (iii) Buyer's assumption of Seller's obligation to pay past due gas royalties attributable to the Properties up to a maximum amount of $43,456.79 (up to that amount, "*Gas Royalties*").

SECTION 3
REPRESENTATIONS; DUE DILIGENCE; DISCLAIMERS

3.1 Seller's Representations. Except as disclosed on Exhibit C, Seller represents to Buyer that the following are true as of the date the Order is entered approving this Agreement and as of the Effective Date:

(a) Seller. Seller is duly organized, validly existing and in good standing under the Laws of the State of Delaware and is qualified to do business in Texas. Execution and delivery of this Agreement, consummation of the Transactions, and performance of all obligations under this Agreement have been authorized by all necessary action on the part of or affecting Seller, including by the Court having jurisdiction over the Nadel Case and the Quest Receivership. Execution and delivery of this Agreement does not, and the Transactions will not, violate or be in conflict with any agreement, instrument or Law by which Seller or the Properties is bound. Subject to Laws and equitable principles generally affecting the rights of creditors, this Agreement is a binding obligation of Seller, enforceable according to its terms.

(b) Financial Condition of Seller. Seller is a company in Receivership, and this transaction is part of the resolution of Seller's obligations. After the Closing, Seller expects that it will have limited assets and operations. Seller has unsuccessfully attempted to sell the Properties for over six years in a manner customary in the oil and gas business for assets similar to the Properties and has concluded that the Purchase Price to be paid by Buyer, together with the other terms of this Agreement, will constitute an exchange of fair consideration and reasonably equivalent value for the Properties, and Buyer is not an affiliate of or an insider of Seller, as those terms are defined or used in one or more of the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act, or the Uniform Voidable Transactions Act, and other similar laws of the

United States or the State of Texas. Seller has not entered into this Agreement in bad faith or with any intent to hinder, delay or defraud any creditor, claimant or other party interested in the Properties, Seller or Seller's estate in the Quest Receivership. The business of Seller will be resolved through the Receivership proceeding and no bankruptcy filing is anticipated.

(c) Power and Authority. Seller has the power and authority to execute this Agreement and to perform its obligations under this Agreement.

(d) Litigation. Except for the Nadel Case and the Quest Receivership, no Proceeding that involves the acts or omissions of Seller or its Affiliates is pending or, to Seller's knowledge, is threatened, that affects the ownership, operation, use or value of the Properties. "*Affiliates*" are (i) any Person directly or indirectly controlling, controlled by or under common control with the named Party, (ii) any officer, director, partner, member, employee or agent of the named Party, or a Person described in (i), and (iii) the heirs, successors, legal representatives or assigns of the named Party or a Person described in (i) or (ii). "*Person*" is to be construed in its broadest sense and includes individuals, corporations, limited liability companies, joint ventures, partnerships, trusts and all other legal entities. Control, for purposes of the Affiliate definition, is the power to direct management, actions or policies through the ownership of voting rights, by contract, voting trust, membership in management, by operation of Law, or otherwise through business relationships or other arrangements.

(e) Compliance with Laws. Seller is in compliance with all applicable Laws affecting the Properties. Seller has obtained all permits, consents, licenses and other approvals required by applicable Laws that are required for the ownership, operation or use of the Properties. Seller has not received notice of any material violation of any such approvals that has not been resolved.

(f) Payments. All payments attributable to ownership, operation or use of the Properties that Seller has been required to make have been paid or are resolved by the Order. With the exception of the Gas Royalties, all working interests, royalties, overriding royalties, production payments, net profits interests and other payments associated with production from or attributable to the Properties that Seller has been required to make have been paid, excluding items held in suspense. All costs and expenses incurred by Seller and attributable to the ownership, operation or use of the Properties have been paid or are resolved by the Order.

(g) Delivery of Substances. Seller is not obligated to deliver Substances after the Effective Date without receiving full payment within a commercially customary time following delivery. No person has a call upon or option to purchase any portion of the Properties or oil, gas or other minerals to be produced from the Properties. There are no sales, purchase, transportation, processing or gathering agreements that are not terminable, without penalty, upon 31 days' notice or less.

(h) AFE's; Non-Consent; Obligations. There are no outstanding authorities for expenditure, or other oral or written commitments or proposals to conduct an operation affecting the Properties. There are no Properties in which Seller's interest is subject to recoupment,

relinquishment or forfeiture due to operations to which Seller is or was a non-consenting party. Except as required by the Leases, there are no obligations to drill additional wells on the Properties or to engage in any other operation known to the Seller.

(i) Taxes; Tax Partnership. All taxes based on or measured by the ownership or value of a Property, the production of hydrocarbons from a Property or the receipt of proceeds from a Property that have become due have been paid or resolved by the Order None of the Properties are subject to an arrangement that is treated as a partnership for federal or state income tax purposes, or for which a partnership tax return is required to be filed under Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended.

(j) No Suspense. Seller is timely receiving its share of proceeds from the sale of oil, gas and other minerals produced from the Leases, without suspense, counterclaim or setoff.

(k) Payouts. There are no payout balances affecting Seller's interests in the Properties that are not resolved by the Order.

(l) Imbalances. There is no production, pipeline, gathering, storage, processing or other production-related overproduction, underproduction, overdelivery or underdelivery affecting the Properties.

(m) Wells and Equipment. All Wells and Equipment producing or in use are in an operable state of repair that is adequate for normal operations in accordance with past practices, ordinary wear and tear excepted. No Well is currently subject to a reduction in its allowable. There are no shut-in wells on the Properties. Seller has received no notice of Wells on the Properties that have not been plugged in accordance with the Leases, Contracts, Surface Rights or applicable Laws.

(n) Title. There are no known Title Defects affecting the Properties.

(o) Environmental. There are no known Environmental Defects affecting the Properties.

(p) Operations. Between June 15, 2020 and the date the Order approving this Agreement is entered, Seller has conducted operations on or related to the Properties in a manner that would otherwise comply with Seller's obligations in Section 4.1.

(q) Hedges. There are no options, swaps, collars, caps, floors, hedges or similar contracts and arrangements that will be binding on the Properties or Buyer after Closing.

(r) No Fees. Seller has incurred no liability for broker's, finder's, attorney's, accountant's, investment banker's, consultant's, receiver's or other fees related to this Agreement or the Transactions for which Buyer will be liable.

3.2 Buyer's Representations. Buyer represents to Seller that the following are true as of the date the Order is entered approving this Agreement and as of the Effective Date:

(a) Buyer. Buyer is duly organized, validly existing and in good standing under the Laws of the State of Texas and is qualified to do business in Texas. Execution and delivery of this Agreement, the Transactions, and performance of all obligations under this Agreement have been authorized by all necessary action, corporate, partnership and otherwise, on the part of Buyer. Execution and delivery of this Agreement does not, and the Transactions will not, violate or be in conflict with any agreement, instrument or Law by which Buyer is bound. Subject to Laws and equitable principles generally affecting the rights of creditors, this Agreement is a binding obligation of Buyer, enforceable according to its terms.

(b) Power and Authority. Buyer has the power and authority to execute this Agreement and to perform its obligations under this Agreement.

(c) Ability to Perform. Buyer has sufficient cash, available lines of credit or other sources of immediately available funds to enable it to perform its obligations under this Agreement.

(d) Independent Evaluation. Buyer is a sophisticated investor with expertise and experience in financial and business matters that enable it to evaluate the merits and risks of this Agreement and the Transactions. Buyer is an "accredited investor," as the term is defined in Regulation D of the Securities Act of 1933, as amended, and is purchasing the Properties for its own account and not with the intent to sell or distribute the Properties in violation of applicable Laws.

(e) No Fees. Buyer has incurred no liability for broker's, finder's, attorney's, accountant's, investment banker's, consultant's and other fees related to this Agreement or the Transactions for which Seller will be liable.

3.3 Due Diligence. Buyer will have the right until the Closing Date to conduct a due diligence examination and inspection of the Properties, including to determine whether Title Defects or Environmental Defects exist. Seller will make all Records in Seller's possession or control available to Buyer in Albany, Texas. Seller will also allow Buyer access to the Leases. Seller will cooperate with Buyer in furnishing materials and information, answering questions and otherwise facilitating Buyer's due diligence review and inspections. All actions taken by Buyer under this Section 3.3 will be at Buyer's sole cost, risk and expense. Seller will not be obligated to update title materials or to incur any other costs in connection with Buyer's due diligence or inspections.

3.4 Title Defects.

(a) A "*Title Defect*" is any lien, security interest, financing statement, assignment of production, pledge, collateral assignment or similar arrangement ("*Lien*"), encumbrance, encroachment, irregularity or other defect in Seller's title, excluding Permitted

Encumbrances, which causes Seller's title to be less than Defensible Title. "*Defensible Title*" means such Record Title held by Seller that, subject to Permitted Encumbrances, (i) entitles Seller to receive from its aggregate ownership interest in the "*Musselman Caddo Unit*," described in Unit Agreement dated January 1, 1985, recorded at Volume 314, Page 1, Official Public Records, Shackelford County, Texas, not less than a 78.64% Net Revenue Interest over productive life of the Musselman Caddo Unit, with respect only to the "*Caddo formation*" encountered between the depths of 3,420 feet and 3,870 feet below KB on the Schlumberger Dual Induction SFL log dated August 9, 1980 run in the Westland Oil Development Corporation – Musselman "27" No. 1 well located on Section 27, Blind Asylum Land, Shackelford County, Texas, (ii) obligates Seller to bear 100% of the aggregate share of the costs and expenses attributable to the exploration, development, maintenance and operation of the Musselman Caddo Unit ("*Working Interest*"), with respect only to the Caddo formation, over the productive life of the Musselman Caddo Unit, and (iii) is free, at all depths, of all Liens, encumbrances, encroachments, irregularities or other defects in title. "*Record Title*" means title that is filed or referenced in the real property records of Shackelford County, Texas in a manner which, under applicable Texas Law, constitutes constructive notice of Seller's interests to Persons seeking to purchase an interest in the Property from Seller for value. "*Net Revenue Interest*" is Seller's share of all Substances produced from and allocated to the Well, Lease or unit listed on Exhibit A, after deduction of Seller's share of all royalties, overriding royalties, net profits interests or other burdens owned by Persons other than Seller that are measured by production of Substances from the Well, Lease or unit.

(b) "*Permitted Encumbrances*" are:

(1) the terms of the Leases, Contracts and Surface Rights and all royalties, overriding royalties, production payments, net profits interests, reversionary interests and similar burdens that (i) will not, over the productive life of the Well, Lease or unit listed on Exhibit A, individually or in the aggregate, reduce Seller's Net Revenue Interest below the Net Revenue Interest in the Caddo formation shown on Exhibit A or increase Seller's Working Interest in the Caddo formation above the Working Interest shown on Exhibit A (unless the circumstance causing the Working Interest to increase will cause the corresponding Net Revenue Interest to increase in the same proportion), and (ii) would be acceptable to a reasonably prudent buyer of oil and gas interests similar to the affected Property, with knowledge of all relevant circumstances and appreciation of their significance;

(2) the Van Operating Lien;

(3) all consents, notices, approvals or other actions associated with the sale or transfer of assets such as the Properties if customarily obtained or done after the sale or transfer;

(4) Liens to be released at Closing;

(5) rights of any governmental authority to control or regulate any of the Properties in any manner, together with applicable Laws; and

(6) surface or subsurface easements, rights-of-way, leases, conditions, uses or other surface use restrictions, if they would be acceptable to a reasonably prudent buyer of oil and gas interests similar to the affected Property, with knowledge of all relevant circumstances and appreciation of their significance.

3.5 Environmental Defects. An "*Environmental Defect*" is a condition, contamination or pollution affecting any of the Properties that arises under Environmental Laws, including (i) lack of compliance, (ii) the existence of a circumstance that (1) interferes with or terminates continued compliance, (2) forms the basis for a Claim, (3) requires a change in the present condition or operation of a Property, (4) requires mitigation, remediation or monitoring, or (5) results in the diminution in value of a Property or impairs its operation or use, (iii) a Release or threat of a Release of Hazardous Materials, or (iv) the presence of underground storage tanks, "PCBs" or "PCB items" as defined in the Environmental Laws, asbestos or naturally occurring radioactive material or naturally occurring radioactive waste. "*Hazardous Material*" means "hazardous substance", "pollutant or contaminant", and "petroleum and natural gas liquids", as those terms are defined or used in Environmental Laws. "*Release*" means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or otherwise disposing. "*Environmental Laws*" are all federal, state and local Laws in effect as of the Effective Date relating to the prevention of pollution, the preservation and restoration of environmental quality, the protection of human health, the remediation or mitigation of contamination, the generation, handling, treatment, storage, transportation, disposal or release into the environment of waste materials, including hydrocarbons, the regulation of or exposure to hazardous, toxic or other harmful substances, and Laws that could adversely affect the ownership, operation or use of a Property such as the presence of wetlands, endangered species, species that have been proposed as endangered, or archeological resources. To determine whether Environmental Defects exist, Buyer will have the right, at its sole cost and expense, to conduct all or a portion of a Phase I Environmental Site Assessment (as described in ASTM International standard E1527-13) affecting the Properties and, if Buyer deems it reasonably necessary, all or a portion of a Phase II Environmental Site Assessment (as described in ASTM International standard E1903-11). Seller will have the right to be present during any environmental assessment and will have the right to split samples with Buyer.

3.6 Disclaimers. WITH THE EXCEPTION OF THE REPRESENTATIONS IN SECTION 3.1 AND THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, BUYER HAS RELIED AND WILL RELY FOR ALL PURPOSES SOLELY ON ITS OWN DUE DILIGENCE, REVIEWS, INSPECTIONS, INVESTIGATIONS AND JUDGMENTS CONCERNING THIS AGREEMENT AND THE PROPERTIES, AND SOLELY ON THE ADVICE OF ITS OWN EMPLOYEES, ATTORNEYS AND OTHER ADVISORS. EXCEPT AS EXPRESSLY STATED IN SECTION 3.1 AND IN THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, SELLER MAKES NO REPRESENTATIONS, COVENANTS OR WARRANTIES CONCERNING THE PROPERTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING NO REPRESENTATIONS, COVENANTS OR WARRANTIES CONCERNING (i) MERCHANTABILITY, (ii) FITNESS FOR A PARTICULAR PURPOSE, (iii) CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (iv) PHYSICAL CONDITION OR STATE OF REPAIR, (v) COMPLIANCE WITH LAWS, (vi) THE

EXISTENCE OF HAZARDS, POLLUTANTS OR OTHER RISKS IN, ON OR UNDER THE PROPERTIES OR THAT MAY BE ASSOCIATED WITH OWNERSHIP, OPERATION OR USE OF THE PROPERTIES, (vii) ANY RESERVE REPORT, ENVIRONMENTAL REPORT, OR OTHER DATA, INFORMATION OR INTERPRETATIONS RELATING TO THE PROPERTIES, (viii) RESERVES, DECLINE RATES, EXPLORATION, DEVELOPMENT OR RECOMPLETION POTENTIAL, HYDROCARBON PRICES, COSTS AND TAXES, AND (ix) TITLE. BUYER WILL BE DEEMED TO HAVE CONDUCTED A CUSTOMARY INSPECTION OF THE PHYSICAL CONDITION OF THE PROPERTIES BEFORE CLOSING. EXCEPT AS EXPRESSLY STATED IN SECTION 3.1 WITH RESPECT TO MATTERS THAT WOULD NOT HAVE BEEN DISCLOSED BY A CUSTOMARY INSPECTION AND IN THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, THE PROPERTIES ARE CONVEYED AS IS, WHERE IS, WITH ALL FAULTS AND IN THEIR CURRENT CONDITION, LOCATION AND STATE OF REPAIR AS OF THE EFFECTIVE DATE.

SECTION 4
PRE-CLOSING OBLIGATIONS

4.1 Seller's Obligations.

(a) Unless otherwise required by the terms of a Lease, Contract, Surface Right, or by governmental authority, and to the extent consistent with reasonably prudent practices in the oil and gas industry for the area and operation involved, from the date the Order is entered approving this Agreement to the Closing Date, Seller will:

(1) continue to own and operate the Properties in substantially the same manner that it previously owned and operated the Properties;

(2) maintain in force licenses, permits and authorizations of governmental authority, and insurance that is now in force with respect to the Properties;

(3) upon its receipt of actual notice, promptly notify Buyer of any claim, demand, casualty or condemnation affecting the Properties, or against Seller arising out of its ownership, operation or use of the Properties;

(4) make payments that Seller is obligated to make in connection with the Properties as they become due, except for costs and expenses Seller contests in good faith and the Gas Royalties, and otherwise comply with the terms of the Leases, Contracts and Surface Rights; and

(5) reasonably cooperate with Buyer in connection with Buyer's performance of its obligations and other actions under this Agreement.

(b) Unless otherwise required by the terms of a Lease, Contract, Surface Right, or by governmental authority, from the date the Order is entered approving this Agreement to the Closing Date, Seller will not do any of the following without Buyer's prior consent:

(1) plug any well that is capable of producing;

(2) release, surrender, assign or otherwise transfer all or any portion of a Lease, Contract or Surface Right unless required to do so by the Lease, Contract or Surface Right or applicable Laws;

(3) commence, consent to or propose any operation not committed to before execution of this Agreement, excluding emergency operations, operations under presently existing contractual obligations and operations undertaken to avoid a penalty or forfeiture;

(4) create a Lien, production burden or other encumbrance that will not be released at Closing;

(5) sell or dispose of a Property, unless the Property is produced or consumed in the ordinary course of operations or is replaced by equivalent property;

(6) amend a Lease, Contract or Surface Right or enter into new Leases, Contracts or Surface Rights;

(7) waive, compromise or settle a Claim against a Property that would affect ownership, operation, use or value of the Property after Closing; or

(8) agree to take any action prohibited in this Section 4.1.

4.2 Buyer's Obligations. Buyer will conduct its due diligence, inspections and other activities under this Agreement in a good and workmanlike manner, consistent with prudent practices in the oil and gas industry, and in prompt compliance with all applicable Laws. Buyer will reasonably cooperate with Seller in connection with Seller's performance of its obligations and other actions under this Agreement.

4.3 Filings with Governmental Authorities. In cooperation with each other, Seller and Buyer will timely and properly make all required filings and applications, conduct any negotiations and take other actions involving applications and filings with a governmental authority that are appropriate to consummate the Transactions. Seller and Buyer will respond promptly to inquiries from a governmental authority concerning the filings and applications and will comply in all material respects with the requirements of applicable Laws affecting the filings and applications. Seller and Buyer will promptly furnish all information to the other Party that is reasonably necessary for the other Party's compliance. Seller and Buyer will keep each other fully informed with respect to any requests from or communications with a governmental authority concerning any filings and applications involving this Agreement and will consult with each other with respect to all communications with a governmental authority involving the Properties.

SECTION 5
CONDITIONS TO CLOSING

5.1 Seller's Conditions. Seller's obligations at Closing are subject, at Seller's option, to the satisfaction on or before the Closing Date of the following conditions (materiality will be determined in the context of the entire transaction contemplated by this Agreement):

(a) The Court has entered an Order substantially containing the terms contained in the order attached to this Agreement as Exhibit B, the Order has become final and non-appealable, and all other action has occurred that is required in the Nadel Case, the Quest Receivership and under applicable Law to authorize and give full effect to this Agreement and the Transactions, including compliance with 28 USC § 2001(b) and non-receipt of a Bona Fide Offer.

(b) All of Buyer's representations are true in all material respects as of Closing.

(c) Buyer has performed or complied with, in all material respects, the obligations in this Agreement that Buyer was required to perform or comply with on or before the Closing Date.

(d) Except for matters not customarily obtained before a closing, Seller has received evidence, in form satisfactory to its counsel, that all material permits, consents, approvals, licenses, qualifications and orders required by governmental authority, the Leases, Contracts or Surface Rights to be obtained before Closing have been obtained or waived.

(e) There is no Proceeding pending or threatened seeking to restrain or prohibit this Agreement or the Transactions or to obtain material damages from Seller arising out of this Agreement or the Transactions.

5.2 Buyer's Conditions. Buyer's obligations at Closing are subject, at Buyer's option, to the satisfaction on or before the Closing Date of the following conditions (materiality will be determined in the context of the entire transaction contemplated by this Agreement):

(a) The Court has entered an Order substantially containing the terms contained in the order attached to this Agreement as Exhibit B, the Order has become final and non-appealable, and all other action has occurred that is required in the Nadel Case, the Quest Receivership and under applicable Law to authorize and give full effect to this Agreement and the Transactions, including compliance with 28 USC § 2001(b) and non-receipt of a Bona Fide Offer;

(b) All of Seller's representations are true in all material respects as of Closing.

(c) Seller has performed or complied with, in all material respects, the obligations in this Agreement that Seller was required to perform or comply with on or before the Closing Date.

(d) Except for matters not customarily obtained before a closing, Buyer has received evidence, in form satisfactory to its counsel, that all material permits, consents, approvals, licenses, qualifications and orders required by governmental authority, the Leases, Contracts or Surface Rights to be obtained before Closing have been obtained or waived.

(e) There is no material Proceeding pending or threatened seeking to restrain or prohibit this Agreement or the Transactions or to obtain material damages from Buyer arising out of this Agreement or the Transactions.

(f) The Properties are free of Title Defects and Environmental Defects.

(g) Since June 15, 2020, no portion of a Property has been damaged or destroyed by fire, wind or other casualty, or taken under the right of eminent domain.

(h) Since June 15, 2020, no undisclosed Material Adverse Condition has arisen or occurred. "*Material Adverse Condition*" is any fact, condition, or event that, individually or in the aggregate, reduces the total value of the Properties by more than $10,000.00, excluding facts, conditions, or events arising out of general changes in hydrocarbon prices, general changes in the oil and gas industry, general economic conditions, general political conditions, general changes in Laws or regulatory policy, and matters related to the Covid-19 pandemic.

SECTION 6
CLOSING

6.1 Closing Date. The consummation of the Transactions ("*Closing*") will occur at Buyer's office in Albany, Texas at 10:00 a.m., local time on the first Business Day following 30 days after the Court has entered the Order contemplated by this Agreement, or any other date and time mutually agreed by the Parties ("*Closing Date*"). A "*Business Day*" is Monday through Friday, excluding any day on which the First National Bank of Albany, Texas is closed for business.

6.2 Closing Obligations. At Closing, the following will occur, each being a condition to the others and each being deemed to have occurred simultaneously:

(a) Seller and Buyer will execute the Assignment and Seller will deliver it to Buyer, together with all forms required by governmental authority in connection with the Transactions (as between the Parties the terms of the Assignment will control over the terms of any governmental form);

(b) Seller and Buyer will execute a closing statement, and Buyer will deliver the Cash Consideration to Seller by wire transfer, as directed by Seller.

(c) Seller will execute transfer orders or letters-in-lieu on forms prepared by Buyer and satisfactory to Seller directing purchasers of production to make payment to Buyer as contemplated by this Agreement.

(d) Seller will deliver releases of all Liens affecting the Properties other than the Van Operating Lien, including Liens held by the First National Bank of Albany, Texas. Seller will also deliver a tax certificate showing that there are no ad valorem taxes, penalties and interest assessed against the Properties by Shackelford County, Texas taxing authorities for tax year 2019 and prior years.

(e) Seller will deliver exclusive possession of the Properties to Buyer.

(f) Buyer's Affiliate, Momentum Operating Co., Inc., will assume operations on Properties that Seller or an Affiliate operates, and Seller, its Affiliate, Buyer and Momentum Operating Co., Inc. will execute all forms and other documents required by governmental authority in connection with the transfer of operations on Properties that Seller or an Affiliate operates.

(g) Buyer will be deemed to have accepted responsibility for suspended funds held by Seller that are attributable to the Properties to the extent the funds are transferred to Buyer at Closing.

(h) Seller will deliver an executed statement described in Treasury Regulation §1.1445-2(b)(2) certifying that Seller is not a foreign person within the meaning of the Internal Revenue Code of 1986, as amended.

(i) Buyer will deliver a certificate certifying that the conditions stated in Section 5.1(b), (c) and (e) have been satisfied. Seller will deliver a certificate executed by an authorized officer certifying that the conditions stated in Section 5.2(b), (c) and (e) have been satisfied.

SECTION 7
TERMINATION AND BREACH

7.1 Termination. This Agreement and the Transactions may be terminated before Closing in the following situations; however, a Party does not have the right to terminate this Agreement if the Party is then in material breach of this Agreement that causes the conditions to the obligations of the other Party to have not been satisfied:

(a) by Seller if the conditions contained in Section 5.1 and Section 6.2 are not satisfied or waived as of the Closing Date; or

(b) by Buyer if the conditions contained in Section 5.2 and Section 6.2 are not satisfied or waived as of the Closing Date, or if Closing has not occurred on or before October 30, 2020.

7.2 Effect of Termination or Breach. Except as provided in this Section 7.2, if termination occurs under Section 7.1, Seller and Buyer will have no obligations or liabilities to each other under this Agreement and Seller will be free to own, operate, use and dispose of the Properties without any obligation to Buyer or restriction associated with this Agreement. If termination is due to the failure of conditions stated in Section 5.1(b) or (c) or to Buyer's material failure to perform under Section 6.2, or if Buyer otherwise fails to consummate the Transactions in material breach of this Agreement, Seller will accept the sum of $10,000.00 as liquidated damages ("*Liquidated Damages*") and its sole legal and equitable remedy. The Parties stipulate for all purposes that Seller's damages for Buyer's breach would be difficult or impossible to accurately determine, that the Liquidated Damages are a reasonable forecast of just compensation for the harm caused by Buyer's breach and that the Liquidated Damages are not a penalty. Seller waives and unconditionally releases Buyer and its Affiliates from, and agrees not to commence or to participate in any Proceeding against Buyer or its Affiliates for, all legal and equitable remedies against Buyer and its Affiliates for Buyer's breach, other than for the Liquidated Damages. If Seller fails to consummate the Transactions in breach of this Agreement, Buyer will have the right to pursue specific performance of this Agreement. Buyer waives and unconditionally releases Seller and its Affiliates from, and agrees not to commence or to participate in any Proceeding against Seller and its Affiliates for, all legal and equitable remedies against Seller and its Affiliates other than specific performance for Seller's failure to consummate the Transactions in breach of this Agreement.

SECTION 8
OBLIGATIONS AFTER CLOSING

8.1 Subsequent Adjustments. Seller and Buyer recognize that a Party may receive funds or pay expenses after Closing that are owned by or the obligation of the other Party. Until the Quest Receivership is closed by the Court, once each calendar quarter, or upon accumulation of net proceeds or net expenses due to or payable by one Party to the other Party in the amount of at least $1,000.00, whichever occurs first, such Party will submit a statement showing the items of income and expense. Payment by the appropriate Party to the other Party will be made within 30 days of receipt of the statement.

8.2 Files and Records. Immediately after Closing, Seller will permit Buyer to take possession, at Buyer's sole cost, risk and expense, of all Records. Seller may retain copies of the Records. From time to time as requested by Seller, Buyer will make the Records available to Seller for inspection and copying during Buyer's normal business hours.

8.3 Taxes and Fees. Buyer will pay all applicable transfer, sales, use, excise, registration, documentary, stamp, filing, recording and other taxes and fees attributable to this Agreement under Texas Law within the time required, together with any interest, fine, penalty or additions to tax or fees imposed by governmental authority in connection with such taxes and fees. Promptly after Closing, Buyer will file the Assignment in the real property records of Shackelford County, Texas.

8.4 Further Assurances. After Closing or termination, Seller and Buyer will promptly execute and deliver such instruments and take other action as may be necessary or advisable to carry out the purposes of this Agreement.

8.5 Assumed Obligations and Retained Obligations. Subject to the exceptions described in this Section 8.5, if Closing occurs Buyer will be deemed to have assumed and will perform and discharge all of Seller's duties, obligations and liabilities (i) that are attributable to acts, omissions, conditions or events that occur on or after the Effective Date under the Leases, Contracts or Surface Rights listed on Exhibit A, and under applicable Laws affecting the Properties, (ii) that arise before or after the Effective Date to plug, abandon, remove and dispose of all Wells and Equipment in compliance with Leases, Contracts or Surface Rights listed on Exhibit A, and applicable Laws, (iii) to pay the remaining principal and interest due under the Van Operating Lien, (iv) to pay the Gas Royalties to the appropriate royalty owners in the Properties, (v) to pay ad valorem taxes assessed against the Properties for tax year 2020 and later years, and other property, severance, production or similar taxes and assessments accruing to the Properties after the Effective Date based on the ownership or value of property, or the quantity or value of production, together with any interest, fine, penalty or additions to tax or fees imposed in connection with such taxes and assessments, and (vi) to properly account for suspended funds that are transferred to Buyer at Closing ("*Assumed Obligations*"). Notwithstanding anything in this Agreement, the Assignment or arising by operation of Law to the contrary, Assumed Obligations do not include and Buyer does not assume or agree to pay, perform or discharge any Claims, as defined below, arising out of or related to:

(a) matters that are barred or discharged by the Order, or that are otherwise barred or discharged in connection with the Nadel Case or the Quest Receivership;

(b) personal or bodily injury, illness or death, or property damage attributable to acts or omissions of any Person other than Buyer or its Affiliates.

(c) Seller's or an Affiliate's violation of Laws;

(d) Environmental Laws to the extent attributable to acts or omissions of any Person other than Buyer or its Affiliates, or to the extent attributable to conditions or events arising or occurring before the Effective Date;

(e) goods or services acquired by or furnished to any Person other than Buyer or its Affiliates;

(f) except for the obligation to pay the Gas Royalties, nonpayment or incorrect payment to royalty, working interest and other owners for their shares of production attributable to the Properties before the Effective Date;

(g) joint interest and similar audits attributable to periods before the Effective Date;

(h) any Proceeding, including the Nadel Case and the Quest Receivership, that involves the acts or omissions of Seller or its Affiliates;

(i) Seller's or an Affiliate's employment, independent contractor or fiduciary relationships, including any employee benefit plans;

(j) costs and expenses incurred by Seller or an Affiliate arising out of this Assignment or the Transactions;

(k) all of Seller's and its Affiliates' income, capital gains and franchise taxes, and other federal, state and local taxes unless such other taxes are expressly assumed by Buyer in this Section 8.5;

(l) to any Affiliate of Seller, lender to Seller or an Affiliate, equity interest owner in Seller or an Affiliate, or receiver, creditor, claimant, party or other interested Person in the Nadel Case or the Quest Receivership;

(m) Seller's and its Affiliates' general and administrative expenses and overhead; and

(n) indemnification, defense, contribution, or reimbursement with respect to matters described in (a) through (m) above.

Except as expressly assumed by Buyer in clauses (ii), (iii), (iv), (v) and (vi) of the first paragraph of this Section 8.5, Buyer does not assume, and Seller retains and will timely pay, perform and discharge, all of Seller's duties, obligations and liabilities arising out of or related to ownership, operation or use of the Properties that are attributable to acts, omissions, conditions or events that arose or occurred before the Effective Date ("*Retained Obligations*").

SECTION 9
MISCELLANEOUS

9.1 Notices. All notices contemplated by this Agreement will be effective upon receipt if personally delivered, if mailed by registered or certified mail, or by confirmed overnight delivery service, postage prepaid, if directed to the Parties as follows:

To Seller: Burton W. Wiand, Receiver for Quest Energy Management Group, Inc.
c/o Wiand Guerra King P.A.
5505 Gray Street
Tampa, Florida 33609
Attn: Jeffrey C. Rizzo
813 347 5123
JRizzo@Wiandlaw.com

To Buyer: West Central Texas Petroleum Partners – MCU, LLC
c/o Momentum Operating Co., Inc.
P.O. Box 2439
224 S. Main Street
Albany, Texas 76430
325.762.2366
Attn: Mike Parsons
Email: mike@momentumoperating.com

A Party may give written notice of a change in the address or contact for notice purposes.

9.2 Expenses; Fees. All fees, costs and expenses incurred by the Parties related to this Agreement and the Transactions will be paid by the Party that incurred them.

9.3 Amendment; Waiver. The provisions of this Agreement may be altered, amended or waived only by a written agreement containing an express statement to that effect, specifically describing the section being amended, executed by the Party to be charged. No waiver of any provision of this Agreement or any other right or interest of a Party will be a continuing waiver of the provision, right or interest. Nothing in this Agreement or in any other action taken by a Party is intended to ratify, revive or recognize any right, title or interest that is otherwise ineffective or unenforceable.

9.4 Assignment. No Party may assign or otherwise transfer or encumber all or any portion of its rights or delegate all or any portion of its duties under this Agreement. For purposes of this Section 9.4, a change of control of a Party through acquisition, merger, consolidation or otherwise will be deemed to be a transfer. Actions in breach of this Section 9.4 will be void as to the other Party. There are no consents required or other restrictions, limitations or prohibitions applicable to conveyances, encumbrances or other transfers of all or any portion of the Properties after Closing.

9.5 Conditions. The inclusion in this Agreement of conditions to the Parties' obligations at Closing are not covenants of any Party to satisfy the conditions to the other Party's obligations at Closing.

9.6 Headings. Headings are for convenience only and do not affect the terms of this Agreement.

9.7 Counterparts. This Agreement may be executed in counterparts, each of which will be an original and which, taken together, will constitute one Agreement. The Parties may execute this Agreement by an exchange of signed, scanned and emailed copies of the identical Agreement.

9.8 References; Including; Will. References and defined terms include the masculine, feminine, singular and plural forms of the words used. Where the terms "including" and "include" are associated with a list, the terms will also mean "including, without limitation" and "include,

without limitation." Provisions that a Person "will" or "will not" take an action obligate the Person to take the action or to not take the action.

9.9 Governing Law; Venue; WAIVER OF JURY TRIAL. The substantive Laws of the State of Texas will govern this Agreement and the Transactions, without giving effect to any substantive Law that might require application of the Law of another jurisdiction. All disputes arising out of this Agreement will be exclusively litigated as a summary proceeding before the Court in the Nadel Case, in Hillsborough County, Florida, to the exclusion of any other court, and the Parties irrevocably submit to the exclusive jurisdiction of the Court in any Proceeding arising out of this Agreement. The Parties irrevocably waive any objection to venue in the Court and any claim that the Proceeding has been brought in an inconvenient forum. A final judgment in such a Proceeding will be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by applicable Law. **THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION ARISING UNDER THIS AGREEMENT.**

9.10 Entire Agreement. This Agreement is the entire understanding between Seller and Buyer concerning the subject matter of this Agreement. This Agreement supersedes all negotiations, discussions, representations, warranties, covenants, agreements and understandings, whether oral or written, concerning the subject matter of this Agreement, including all letters or expressions of intent.

9.11 Binding Effect; Parties. This Agreement is not binding on or enforceable by either Party until it is actually signed by both Parties in the signature lines of this Agreement and approved by the Court in the Order. Once signed and approved, this Agreement will be binding on and will inure to the benefit of Seller and Buyer and, except where prohibited, their successors, legal representatives and assigns. Except as expressly provided in this Agreement, no Person or governmental authority other than a Party is intended to have any legal or equitable benefits, rights or remedies under this Agreement. Except as expressly provided in this Agreement, there are no stipulations, admissions, waivers or releases arising out of this Agreement that may be asserted or enforced by any Person or governmental authority other than a Party.

9.12 Incorporation. All Exhibits attached to this Agreement are incorporated into this Agreement for all purposes.

9.13 Severance. If any provision of this Agreement is illegal or unenforceable, the other terms of this Agreement will remain in effect and this Agreement will be construed as if the illegal or unenforceable provision had not been included.

9.14 Interest. Interest will accrue on all amounts due a Party under this Agreement, from the date a payment is due until paid, at the lesser of (i) 8% per annum, or (ii) the maximum non-usurious rate allowed by Texas law.

9.15 Time of the Essence. Time is of the essence of this Agreement.

9.16 Joint Drafting. This Agreement will be deemed to be drafted by both Parties and will not be construed on the basis of a Party's role in drafting this Agreement.

9.17 No Merger. The terms of this Agreement survive Closing and execution of the Assignment. The Parties do not intend that their rights, obligations or liabilities under this Agreement merge into the Assignment or be extinguished.

Seller:

Quest Energy Management Group, Inc., d/b/a **Quest EMG, Inc. Ltd.**

By: _____
Burton W. Wiand, Receiver

Buyer:

West Central Texas Petroleum Partners – MCU, LLC, by Momentum Operating Co., Inc., Manager

By: _____
Michael J. Parsons, President

Exhibit A

Purchase and Sale Agreement dated August 19, 2020
between Quest Energy Management Group, Inc. and
West Central Texas Petroleum Partners – MCU, LLC

ASSIGNMENT OF OIL AND GAS LEASES

STATE OF TEXAS
COUNTY OF SHACKELFORD

1. Grant. For sufficient value received, **Quest Energy Management Group, Inc.**, a Delaware corporation, doing business as **Quest EMG, Inc.** ("*Seller*"), acting through Burton W. Wiand, Receiver in Case No. 8:09-cv-0087-T-33CPT, *Securities and Exchange Commission v. Arthur Nadel, et al.*, United States District Court, Middle District of Florida, Tampa Division ("*Nadel Case*"), conveys to **West Central Texas Petroleum Partners – MCU, LLC**, a Texas limited liability company, P.O. Box 2439, Albany, Texas 76430 ("*Buyer*"), all of Seller's right, title and interest in the following ("*Properties*"):

(a) the oil, gas and mineral leases and other oil and gas properties described on Exhibit A to this Assignment, at all depths, together with (i) all rights and interests at all depths in or related to oil, gas and other minerals in, on, under or that may be produced from lands covered by the leases and properties described on Exhibit A, or from lands within the surface boundary of the Musselman Caddo Unit described in Unit Agreement dated January 1, 1985, recorded at Volume 314, Page 1, Official Public Records, Shackelford County, Texas, as it may have been revised, enlarged, ratified or amended, including fee, leasehold, working, operating, mineral, royalty, overriding royalty, net revenue, net profits, production payment, reversionary and any other interest in oil, gas or other minerals, (ii) all ratifications, amendments, renewals and extensions of any Property described in this Section 1(a), and (iii) all other rights and interests arising by operation of applicable laws, rules, regulations, orders, judgments, common law or other legal requirements of any federal, state or local governmental authority having jurisdiction ("*Laws*"), or otherwise, in connection with the pooling, unitization or communitization of any of the other Properties described in this Section 1(a) ("*Leases*");

(b) all oil, gas, water, CO_2, disposal, injection and other types of wells, and other personal property, equipment, fixtures, facilities and improvements, which are located on, appurtenant to, used or held in connection with the Leases on or after June 15, 2020, including (i) the wells listed on Exhibit A to this Assignment, and (ii) tanks, pumps, compressors, meters, heater treaters, gun barrels, tubing, rods, pipe racks, pipelines, gathering lines, flow lines, production, transportation, treatment and processing facilities, utility lines and facilities, and other such items located at Battery 1 (South Central), Battery 2 (North East), or Battery 3 (South West), Musselman Caddo Unit, or on the location of Well #291, but excluding (x) all wells that were plugged before the Execution Date, (y) all wells, personal property, equipment, fixtures, facilities and improvements located on or under the tract containing 13.94 acres, more or less, described as Tract

No. 15 in Exhibit A of the Unit Agreement described in Section 1(a), and (z) the Excluded Vehicles and Trailers listed on Exhibit A to this Assignment ("*Wells and Equipment*");

(c) all agreements, contracts and other rights and interests relating to the Properties, including those listed on Exhibit A to this Assignment, insofar as they involve acts, omissions, conditions or events that occur on or after the Effective Date ("*Contracts*");

(d) all surface interests, rights-of-way, easements, surface leases, permits, licenses, access rights and other similar interests, which are appurtenant to, used or held in connection with the Leases on or after June 15, 2020 ("*Surface Rights*");

(e) all severed oil, gas, other hydrocarbons and other minerals produced from the Leases and (i) in storage or in pipelines at the Effective Date, or (ii) produced on or after the Effective Date;

(f) proceeds, accounts, rights to payment, credits, receivables, suspended or unpaid funds, refunds, adjustments, reimbursements, offsets, audit rights, warranties, indemnities, contribution rights, defenses, claims, causes of action, liens and security interests attributable to acts, omissions, conditions or events affecting the Properties that arose or occurred on or after the Effective Date; and

(g) files, records, data and information relating to the Properties that are in Seller's possession or control, the transfer of which is not either prohibited or subject to Seller's attorney-client privilege (excluding title opinions), including geological, geophysical and engineering data and interpretations, well and production records, land, title, contract and accounting files, and revenue and expense records.

2. Claims; Assumption; Burdens. As provided in the Order in the Nadel Case approving and authorizing Seller's execution and delivery of this Assignment, the Properties are conveyed to Buyer free of all legal and equitable claims, demands, causes of action, losses, damages, costs, liabilities, fines, penalties, liens, security interests, and encumbrances, including those that were filed or made or could have been filed or made in connection with the Nadel Case or the receivership for Seller in the Nadel Case, and free of all civil, criminal or administrative actions, arbitrations, mediations, hearings, investigations, or lawsuits before any governmental authority, arbitrator, mediator or other authorized decision-making authority, insofar as they are attributable to acts, omissions, conditions or events that arose or occurred before the Effective Date; however, subject to the limitations on assumption contained in Section 8.5 of the PSA, Buyer assumes and will perform and discharge all of Seller's duties, obligations and liabilities (i) that are attributable to acts, omissions, conditions or events that occur on or after the Effective Date under the Leases, Contracts or Surface Rights listed on Exhibit A, and under applicable Laws affecting the Properties, (ii) that arise before or after the Effective Date to plug, abandon, remove and dispose of all Wells and Equipment in compliance with Leases, Contracts or Surface Rights listed on Exhibit A, and applicable Laws, (iii) to pay the remaining principal and interest due under the Modification and Renewal of Promissory Note and Mineral Deed of Trust, Security Agreement and Assignment effective December 29, 2011, 2020, between Quest Energy Management Group, Inc. and Van Operating, Ltd., recorded at Volume 551, Page 694, Official Public Records,

Shackelford County, Texas ("*Van Operating Lien*"), (iv) to pay Gas Royalties as required by the PSA to the appropriate royalty owners in the Properties, (v) to pay ad valorem taxes assessed against the Properties for tax year 2020 and later years, and other property, severance, production or similar taxes and assessments accruing to the Properties after the Effective Date based on the ownership or value of property, or the quantity or value of production, together with any interest, fine, penalty or additions to tax or fees imposed in connection with such taxes and assessments, and (iv) to properly account for suspended funds that are transferred to Buyer and attributable to the Properties.

This Assignment is subject to the terms of the Leases, Contracts, Surface Rights and the Van Operating Lien, and to all royalties, overriding royalties, production payments, and other burdens on production affecting the Properties, but only to the extent that Buyer is otherwise charged with legal notice of such items as of the Effective Date under Texas Law, and only to the extent that such items are otherwise valid and enforceable. Nothing in this Assignment or otherwise ratifies, revives or recognizes any right, title or interest that is otherwise ineffective or unenforceable as of the Execution Date.

3. Special Warranty; No Quitclaim. Without limiting the Properties that are conveyed to Buyer, Seller warrants and agrees to defend title to the Leases to Buyer against every person or entity lawfully claiming or to claim all or any part of a Lease, by, through or under Seller, but not otherwise, to the extent of the working interest and net revenue interest in the Caddo formation of the Musselman Caddo Unit that are described in Section 3.4 of the Purchase and Sale Agreement dated August 19, 2020, between Seller and Buyer ("*PSA*"). Seller also transfers to Buyer the benefit of and the right to enforce all warranties and covenants that Seller is entitled to enforce insofar as they affect the Properties. This Assignment is a conveyance of interests in real property and not a quitclaim.

4. Miscellaneous.

(a) This Assignment may be executed in multiple counterparts, all of which, taken together, will be one instrument.

(b) This Assignment is binding upon and will inure to the benefit of Seller and Buyer and, as applicable, their successors, legal representatives and assigns. Except as expressly provided in this Assignment, no other person or entity will have any benefits, rights or remedies under this Assignment.

(c) If any provision of this Assignment is found to be illegal or unenforceable, the other terms of this Assignment will remain in effect and this Assignment will be construed as if the illegal or unenforceable provision had not been included.

(d) References and defined terms include the masculine, feminine, singular and plural forms of the words used. Where the terms "including" and "include" are associated with a list, the terms will also mean "including, without limitation" and "include, without limitation." Provisions that a Person "will" or "will not" take an action obligate the Person to take the action or to not take the action.

Executed and effective as of 7:00 a.m. local time on _____, 2020 at the location of the Leases ("*Effective Date*").

Quest Energy Management Group, Inc., d/b/a **Quest EMG, Inc. Ltd.**

By:_____
Burton W. Wiand, Receiver

West Central Texas Petroleum Partners - MCU, LLC, by Momentum Operating Co., Inc., Manager

By:_____
Michael J. Parsons President

STATE OF FLORIDA
COUNTY OF _____

This instrument was executed before me on _____, 2020, by Burton W. Wiand, in his capacity as Receiver for Quest Energy Management Group, Inc., a Delaware corporation, in Case No. 8:09-cv-0087-T-33CPT, *Securities and Exchange Commission v. Arthur Nadel, et al.*, United States District Court, Middle District of Florida, Tampa Division, on behalf of the corporation.

_____
Notary Public, State of Florida

STATE OF TEXAS
COUNTY OF SHACKELFORD

This instrument was executed before me on _____, 2020, by Michael J. Parsons, President of Momentum Operating Co., Inc., acting in its capacity as Manager of West Central Texas Petroleum Partners – MCU, LLC, a Texas limited liability company, on behalf of the limited liability company.

_____
Notary Public, State of Texas

EXHIBIT A

Assignment of Oil and Gas Leases
dated _____, 2020, from Quest Energy Management Group, Inc.
to West Central Texas Petroleum Partners – MCU, LLC

LEASES:

All oil, gas and mineral leases described in Section I and/or covering lands described in Section II of Exhibit A to Assignment and Bill of Sale dated January 1, 2007, from Musselman Petroleum and Land Company to Quest Energy Management Group, Inc., recorded at Volume 517, Page 717, Official Public Records, Shackelford County, Texas

WELLS:

API#	WELL	LEASE	FIELD
41739256	251H	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41736736	251	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41735559	260	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41735202	280	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41735201	282	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41735185	274	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41734879	273	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41734834	272	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41733443	290	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41733405	271	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41700947	250	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41780017	281	MUSSELMAN CADDO UNIT	MUSSELMAN CADDO
41732413	291J	MUSSELMAN "29"	SHACKELFORD CO REGULAR

CONTRACTS:

Unit Agreement for the Musselman Caddo Unit dated January 1, 1985, executed by Westland Oil Development Corporation et al., recorded at Volume 314, Page 1, Official Public Records, Shackelford County, Texas, together with all related revisions, enlargements, ratifications and amendments, and the Unit Operating Agreement for the Musselman Caddo Unit dated January 1, 1985, as amended

Gas Purchase Agreement No. 025173 dated April 1, 2014, between Quest EMG, Inc. and Targa Midstream Services, as amended

EXCLUDED VEHICLES AND TRAILERS:

Big Tex 30' pipe trailer
Maxey 20' utility trailer
Maxey 12' utility trailer
Big Tex 22' Gooseneck flatbed trailer
GMC 2-ton winch truck
1993 International 2-ton water truck w/40 bbl tank
John Deere model 310B Backhoe
Volvo Model MC70B Skid Steer

EXHIBIT B

Purchase and Sale Agreement dated August 19, 2020 between Quest Energy Management Group, Inc. and West Central Texas Petroleum Partners – MCU, LLC

FORM OF ORDER

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants. CASE NO.: 8:09-cv-0087-T-33CPT

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.
_____/

ORDER

Before the Court is the Receiver's Motion To (1) Sell The Interest Of Quest Energy Management Group, Inc. In The Musselman Caddo Unit To West Central Texas Petroleum Partners-MCU, LLC; (2) Resolve The Claims Of Van Operating, Ltd.; (3) Resolve The Claims Of The Texas Taxing Authorities; And (4) Provide For Payment Of Unpaid Gas Royalties (the

"Motion") (Dkt. ___) filed on _____, 2020. No parties or creditors have filed an objection to the Motion. Upon due consideration of the Receiver's powers as set forth in the Order Appointing Receiver (Dkt. 8), the Orders Reappointing Receiver (Dkts. 140, 316, 493, 935, and 984), and applicable law, it is **ORDERED AND ADJUDGED** that the Motion is **GRANTED.** The Court finds that the transaction reflected in the Purchase and Sale Agreement attached to the Motion as Exhibit __ is in the best interest of the Quest Estate for the reasons detailed in the Motion. The Court also finds that the Motion includes sufficient grounds for waiving the appraisal requirements of 28 U.S.C. § 2001(b), given the Valuation attached to the Motion as Exhibit ____. In lieu of a hearing on the Motion, the Court finds that the filing of the Motion in the Court's public docket, its publication on the Receiver's website, and the publication of the terms of this transaction in accordance with 28 U.S.C. § 2001(b) provided sufficient notice and opportunity for any interested party to be heard.

The Court specifically approves the sale of the Properties of Quest Energy Management Group, Inc. to West Central Texas Petroleum Partners – MCU, LLC as defined in and on the terms of the Purchase and Sale Agreement attached to the Motion as Exhibit ____. The Receiver is hereby directed to convey all of the right, title and interest of Quest Energy Management Group, Inc. in the Properties to West Central Texas Petroleum Partners – MCU, LLC pursuant to the Purchase and Sale Agreement, free and clear of all claims, liens, security interests, and other encumbrances, except for the Assumed Obligations defined in the Purchase and Sale Agreement. With the exception of the Assumed Obligations, any other claims, liens, security interests or other encumbrances, including tax liens and any taxes, penalties, interest or fees due for tax years before 2020, on the Properties transferred pursuant to the Purchase and Sale Agreement are being resolved through this order and the tax agreement attached to the Motion as Exhibit [__] or have been

resolved in a prior claims proceeding before this Court. (Dkt. 1406). With the exception of the Assumed Obligations, West Central Texas Petroleum Partners – MCU, LLC shall not be responsible for any claims, liens, security interests or other encumbrances, including tax liens, property taxes, penalties or interest assessed for any tax year before 2020. All past due obligations for gas royalties attributable to the Properties shall be satisfied by West Central Texas Petroleum Partners – MCU, LLC, up to the amount of $43,456.79, as provided in the Motion and the Purchase and Sale Agreement.

Furthermore, Quest Energy Management Group, Inc.'s rights, titles, interests, and obligations in the Properties, including under the various oil and gas leases among the Properties, as more particularly described in and contemplated by the Motion and Purchase and Sale Agreement, are hereby assigned and transferred to West Central Texas Petroleum Partners – MCU, LLC on the terms of the Purchase and Sale Agreement.

DONE and **ORDERED** in chambers in Tampa, Florida this ____ day of _____, 2020.

_____
UNITED STATES DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

EXHIBIT C

Purchase and Sale Agreement dated August 19, 2020
between Quest Energy Management Group, Inc. and
West Central Texas Petroleum Partners – MCU, LLC

EXCEPTIONS TO SELLER'S REPRESENTATIONS

3.1(m) The following wells on the Properties are shut-in: #251, #271, #273, #280, #282, #290, and #0251H.

EXHIBIT 2

AGREEMENT FOR RESOLUTION OF TAX CLAIMS

This Agreement entered into this 18th day of August 2020 is an Agreement to resolve tax claims between the Brown County Appraisal District, the Callahan County Appraisal District, the Guadalupe County Appraisal District, the Shackleford County Appraisal District, and the Denton County Appraisal District (the "**Taxing Authorities**") and Quest Energy Management Group, Inc. ("**Quest**"), a company that is in Receivership pursuant to an order of the United States District Court for the Middle District of Florida.

WHEREAS, on June 16, 2019, an agreement was entered into between Quest and the Taxing Authorities to resolve claims that had been made in the Quest Receivership;

WHEREAS, the agreement was made with the anticipation that a separate agreement that had been entered into by the Receiver and a purchaser of Quest's leases would provide money to fund the satisfaction of the Taxing Authorities' claims;

WHEREAS, the purchaser of the Quest's leases subsequently failed to perform under the purchase agreement;

WHEREAS, by order of the United States District Court for the Middle District of Florida, all of the leases with respect to the "Hatchett Ranch" were terminated, and the remaining properties suffered a significant decrease in oil prices and production;

WHEREAS, due to these challenges, Quest is no longer able to operate as a viable entity, and thus Quest does not have funds to satisfy the claims that were approved by the court in the Securities and Exchange Commission v. Arthur Nadel, Case No. 8:09-cv-0087-VMC-CPT (Md. Fla.), which circumstances also make it unlikely that any significant revenues from Quest's operations or the sale of assets will become available;

WHEREAS, the Receiver has negotiated resolutions of claims of the preferred status in the Receivership in order to provide an equitable distribution of the remaining

assets of Quest and has entered into an agreement to assign a certain lease that Quest retains;

WHEREAS, this agreement, which is part of the resolution of the Receivership and the preferred claims against Quest, will result in cash proceeds to Quest of $50,000;

WHEREAS, the parties wish to resolve the claims between the Taxing Authorities and Quest;

NOW THEREFORE, it is agreed between the Taxing Authorities and Quest that:

1. Upon the completion of an agreement between a new operator and Quest to operate certain of the Quest leases, Quest will pay to the Taxing Authorities the cash sum of $50,000.

2. The Taxing Authorities will be responsible for allocating the amount amongst themselves. Upon receipt of those funds by the Taxing Authorities, all claims of the Taxing Authorities will be deemed satisfied, and the new operator will be responsible for taxes due with respect to the leases for 2020.

3. After the execution of this Agreement, the Receiver shall promptly request the Court to approve this Agreement and other related agreements to bring this matter to a conclusion. Obligations of this Agreement are conditioned on Court approval.

4. The Taxing Authorities and the Receiver understand and agree that each party shall bear its own costs and attorneys' fees incurred in the resolution of this matter.

5. The Receiver and the Taxing Authorities agree that this Agreement shall be governed and enforceable under the laws by the State of Florida in the United States District Court for the Middle District of Florida, Tampa Division.

6. The Receiver and the Taxing Authorities agree that electronically transmitted copies of signature pages will have full force and effect of original signed pages;

7. The undersigned counsel for the Taxing Authorities represents that she has the authority to execute this Agreement and enter into the settlement of claims on behalf of each Taxing Authority; and

In witness whereof, the parties have set their hands as of the dates indicated.

For the Taxing Authorities:

s/ Tara LeDay
(Authorized Electronic Signature)

Date: August 18, 2020

Quest Energy Management Group, Inc.:

By: _____
Burton W. Wiand
Receiver

Date: 8-18-2020

EXHIBIT 3

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants. CASE NO.: 8:09-cv-0087-T-33CPT

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.
_____/

ORDER

Before the Court is the Receiver's Motion To (1) Sell The Interest Of Quest Energy Management Group, Inc. In The Musselman Caddo Unit To West Central Texas Petroleum Partners-MCU, LLC; (2) Resolve The Claims Of Van Operating, Ltd.; (3) Resolve The Claims Of The Texas Taxing Authorities; And (4) Provide For Payment Of Unpaid Gas Royalties (the "Motion") (Dkt. ___) filed on August 21, 2020. No parties or creditors have filed an objection to the Motion. Upon due consideration of the Receiver's powers as set forth in the Order Appointing Receiver (Dkt. 8), the Orders Reappointing Receiver (Dkts. 140, 316, 493, 935, and 984), and applicable law, it is **ORDERED AND ADJUDGED** that the Motion is **GRANTED.** The Court

finds that the transaction reflected in the Purchase and Sale Agreement attached to the Motion as Exhibit 1 is in the best interest of the Quest Estate for the reasons detailed in the Motion. The Court also finds that the Motion includes sufficient grounds for waiving the appraisal requirements of 28 U.S.C. § 2001(b), given the Valuation attached to the Motion as Exhibit 4. In lieu of a hearing on the Motion, the Court finds that the filing of the Motion in the Court's public docket, its publication on the Receiver's website, and the publication of the terms of this transaction in accordance with 28 U.S.C. § 2001(b) provided sufficient notice and opportunity for any interested party to be heard.

The Court specifically approves the sale of the Properties of Quest Energy Management Group, Inc. to West Central Texas Petroleum Partners – MCU, LLC as defined in and on the terms of the Purchase and Sale Agreement attached to the Motion as Exhibit 1. The Receiver is hereby directed to convey all of the right, title and interest of Quest Energy Management Group, Inc. in the Properties to West Central Texas Petroleum Partners – MCU, LLC pursuant to the Purchase and Sale Agreement, free and clear of all claims, liens, security interests, and other encumbrances, except for the Assumed Obligations defined in the Purchase and Sale Agreement. With the exception of the Assumed Obligations, any other claims, liens, security interests or other encumbrances, including tax liens and any taxes, penalties, interest or fees due for tax years before 2020, on the Properties transferred pursuant to the Purchase and Sale Agreement are being resolved through this order and the tax agreement attached to the Motion as Exhibit 2 or have been resolved in a prior claims proceeding before this Court. (Dkt. 1406). With the exception of the Assumed Obligations, West Central Texas Petroleum Partners – MCU, LLC shall not be responsible for any claims, liens, security interests or other encumbrances, including tax liens, property taxes, penalties or interest assessed for any tax year before 2020. All past due obligations for gas royalties

attributable to the Properties shall be satisfied by West Central Texas Petroleum Partners – MCU, LLC, up to the amount of $43,456.79, as provided in the Motion and the Purchase and Sale Agreement.

Furthermore, Quest Energy Management Group, Inc.'s rights, titles, interests, and obligations in the Properties, including under the various oil and gas leases among the Properties, as more particularly described in and contemplated by the Motion and Purchase and Sale Agreement, are hereby assigned and transferred to West Central Texas Petroleum Partners – MCU, LLC on the terms of the Purchase and Sale Agreement.

DONE and **ORDERED** in chambers in Tampa, Florida this ____ day of _____, 2020.

_____
UNITED STATES DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

EXHIBIT 4

ASSET VALUATION

Quest EMG, Inc.

COMPLETED BY:

Jordan Taylor Buckingham

Petroleum Engineer

University of Texas at Austin

Cockrell School of Engineering

05/18/19

TABLE OF CONTENTS

SUMMARY

This document has been prepared to estimate the value of assets provided on an Exhibit "A" describing the assets of Quest EMG, Inc., holding TX RRC Oil and Gas Operator Number 684615. The final valuation amounts on this report were calculated using decline curve analysis on producing leases using historical production data from the TX Railroad Commission (RRC), historical WTI oil and gas pricing, operations expense data from Quest EMG, Inc., and known standard operation well costs in RRC District 7B.

Generally, production revenue estimates for the sale of oil and gas leases are projected as 36 months, 42 months, or 48 months of net profit. After analysis, I estimate the total value of the assets of Quest EMG, Inc. described on mentioned Exhibit "A" as the value described in Table 1 below. This is based on 48 months of net profit.

TABLE 1

QUEST EMG, INC ASSET VALUATION	
Projected Value of Assets	**$ 964,457.54**

In summary, while there is promising production and revenue potential in these leases, they bring with them a tremendous amount of operations expense and plugging liability due to the number of wells involved and the ratio of producing wells to non-producing wells. The following pages will describe in detail how this valuation was calculated. This report includes valuations of 36 months, 42 months, and 48 months. Generally, 48 months of net profit is considered an excellent value for the seller.

LEASE ANALYSIS

The first step was to take all of the leases and pull production data on each from the Texas Railroad Commission website. Upon evaluation of nineteen separate leases, I found that only five showed recent production data. Most that showed previous production data showed no production numbers in the past five years. Table 2 below provides the production status of each lease.

TABLE 2

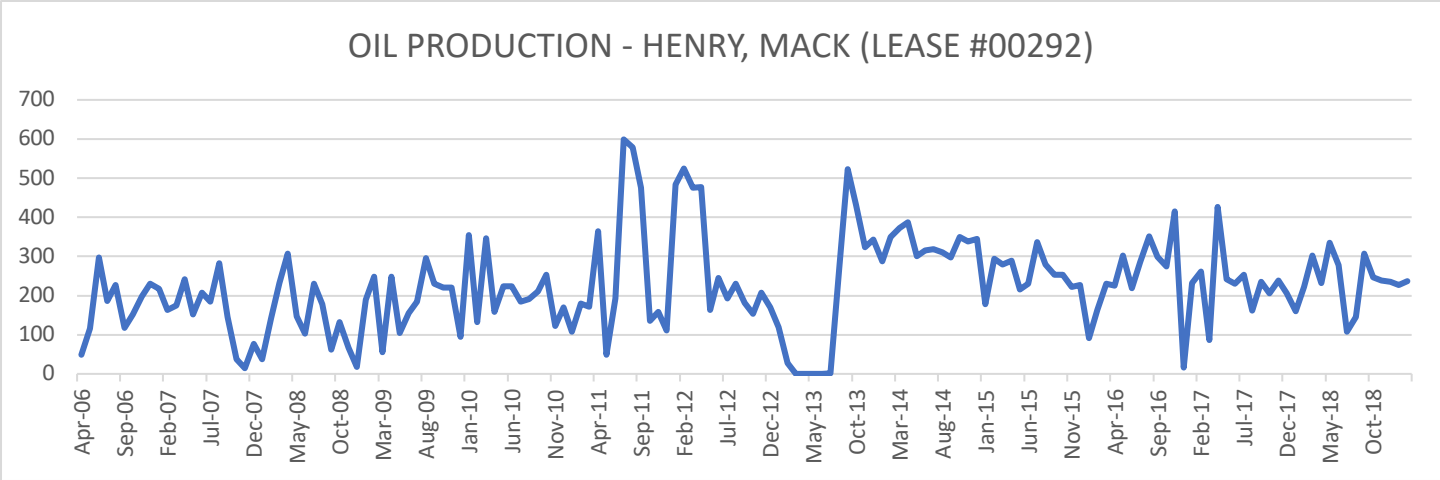
LEASE NUMBER	LEASE NAME BY TX RRC	WELL NUMBERS	PRODUCTION STATUS	LAST PRODUCTION DATA	NUMBER OF WELLS
00292	HENRY, MACK	3, 7, 13	PRODUCING	February-19	3
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	PRODUCING	February-19	10
25905	COLLIER, V.H.	1	PRODUCING	February-19	1
25964	V. H. "B"	1	PRODUCING	February-19	1
28136	KILGORE, E.P. K-100	2, 3, 7	PRODUCING	February-19	3
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	NOT PRODUCING	January-13	7
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	NOT PRODUCING	November-06	4
18449	KILGORE "B"	2, 5, 9, W1	NOT PRODUCING	May-13	4
21979	SHULTS, HOLLIS "B"	10	NOT PRODUCING	August-12	1
26252	KILGORE, E.	6	NOT PRODUCING	NONE	1
26390	KILGORE, E. P. "F"	2, 3A	NOT PRODUCING	November-06	2
26581	ARMSTRONG, ROY	15	NOT PRODUCING	December-10	1
26589	KILGORE, J.C. "B"	1	NOT PRODUCING	NONE	1
26752	KILGORE "G"	1, 3, 4	NOT PRODUCING	NONE	3
27628	K & Y "A"	1	NOT PRODUCING	May-13	1
28567	K & Y -A-	2, 5	NOT PRODUCING	August-12	2
29782	SNYDER RANCH	1	NOT PRODUCING	August-11	1
017788	MUSSELMAN CADDO UNIT	281	NOT PRODUCING	May-07	1
241787	MUSSELMAN "29"	291J	NOT PRODUCING	April-08	1

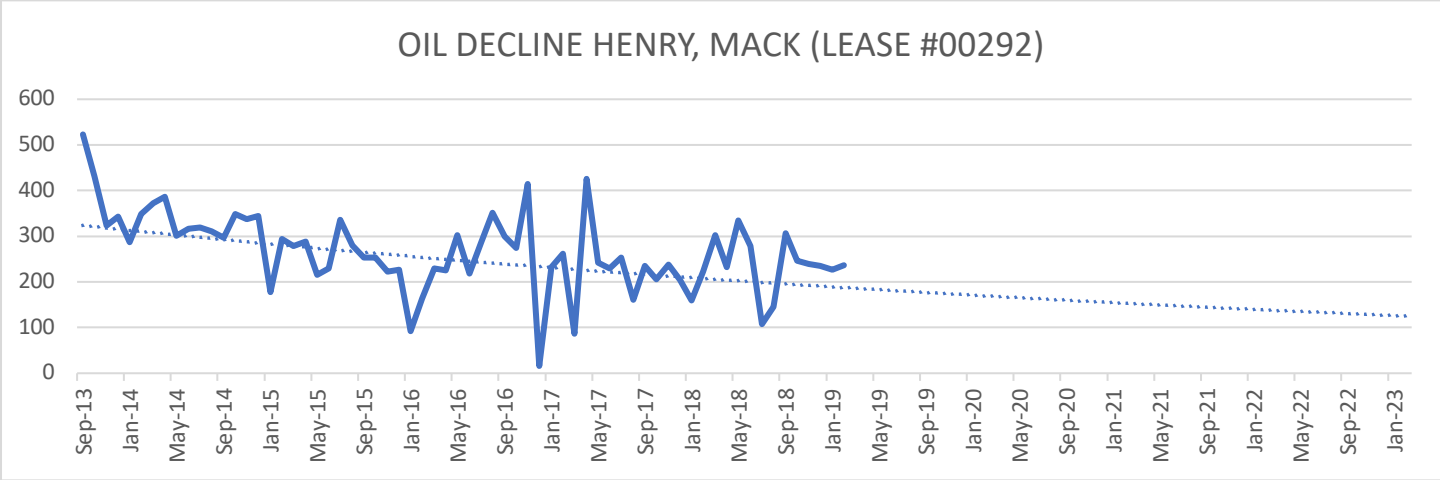
After speaking with the asset management team and production superintendent, I found that the production was coming from ten active wells in the five producing fields.

DECLINE CURVE ANALYSIS

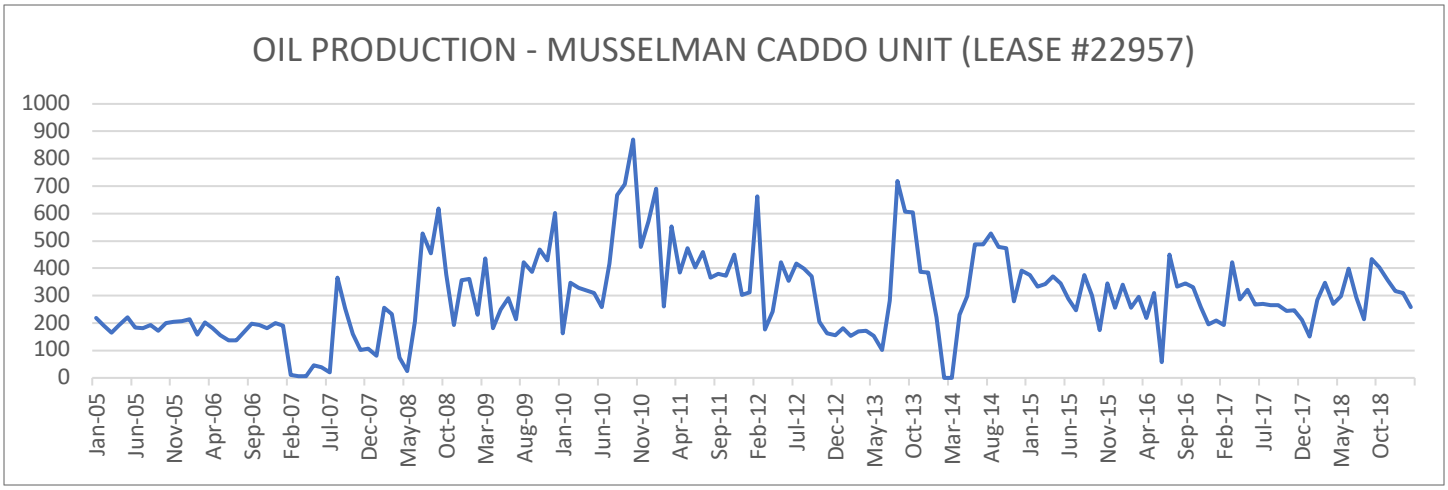
I pulled production data on each lease and completed a decline curve analysis on the five which showed production data. The following charts show the production plot and plotted exponential decline curve of each of the five producing properties.

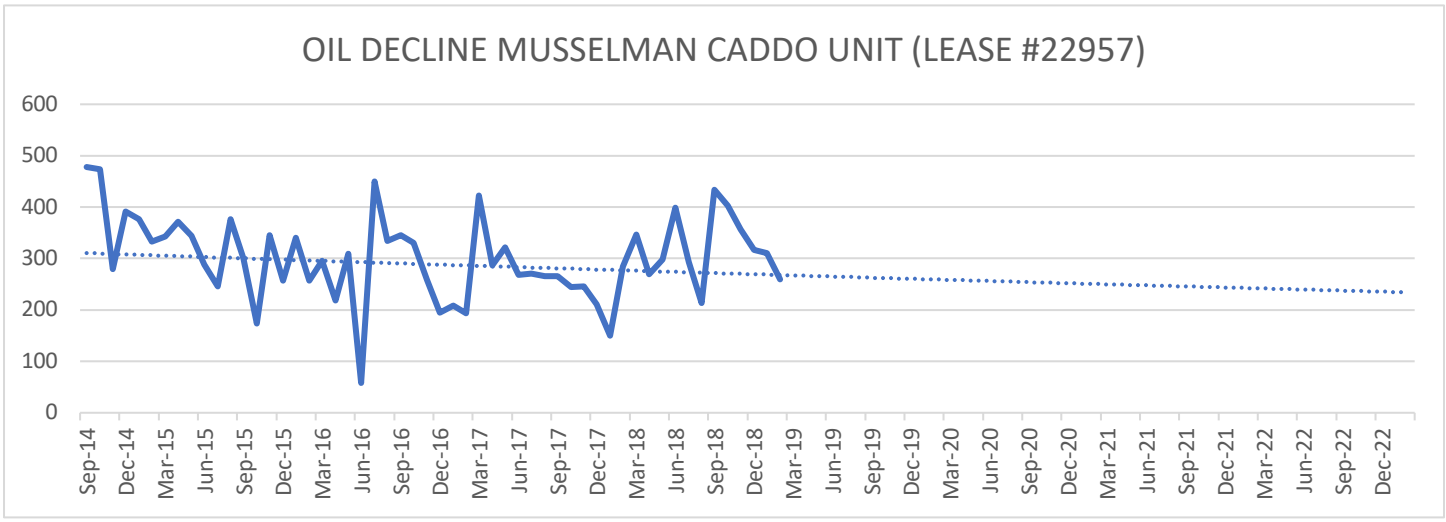
Looking at the historical data on the HENRY, MACK (LEASE #00292), I found oil production, but no gas production. I chose a starting point of September 2013 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.

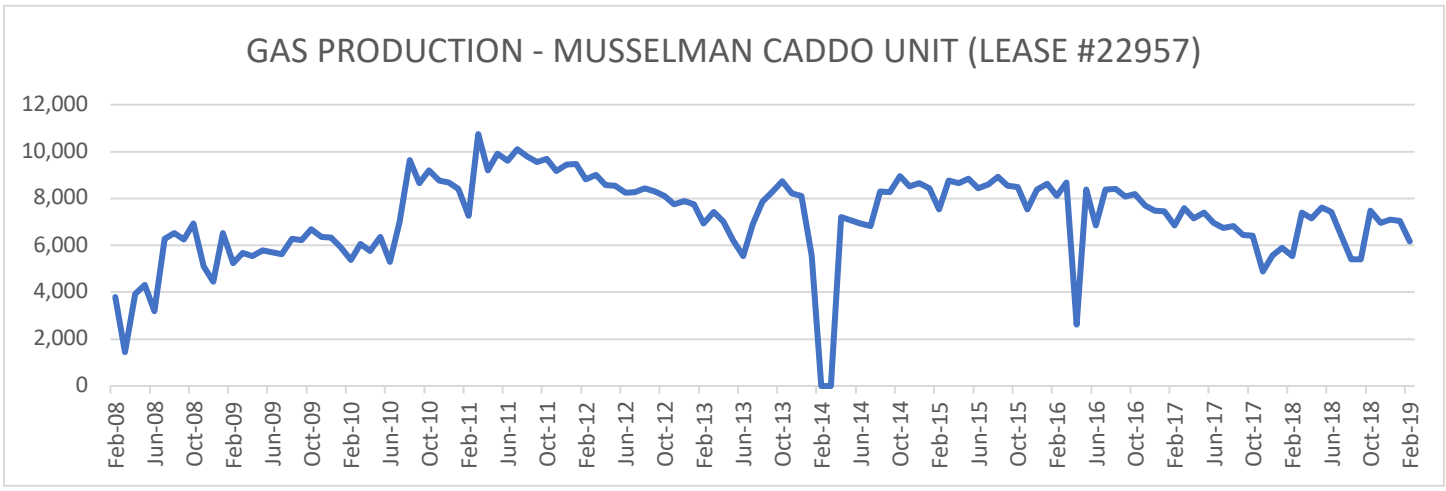


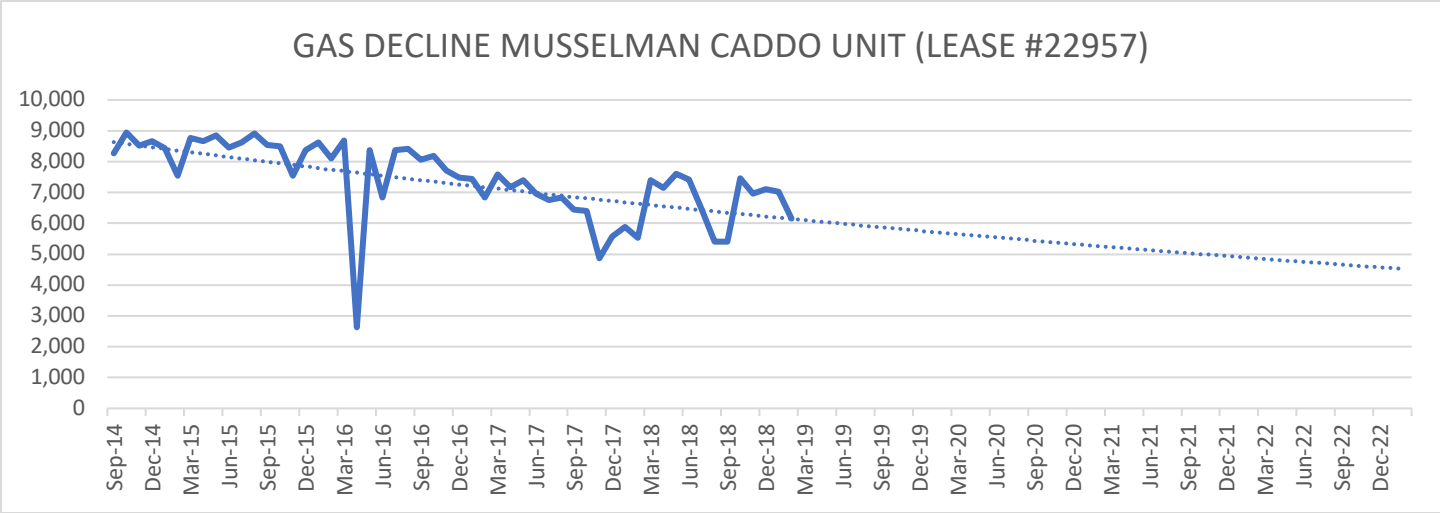


Looking at the historical data on the MUSSELMAN CADDO UNIT (LEASE #22957), I found both oil and gas production. I chose a starting point of September 2014 for the decline curve analysis on the oil and also September 2014 for the decline curve analysis on the gas. You can see on the charts the likely trend for the production to continue 48 monthly periods into the future.

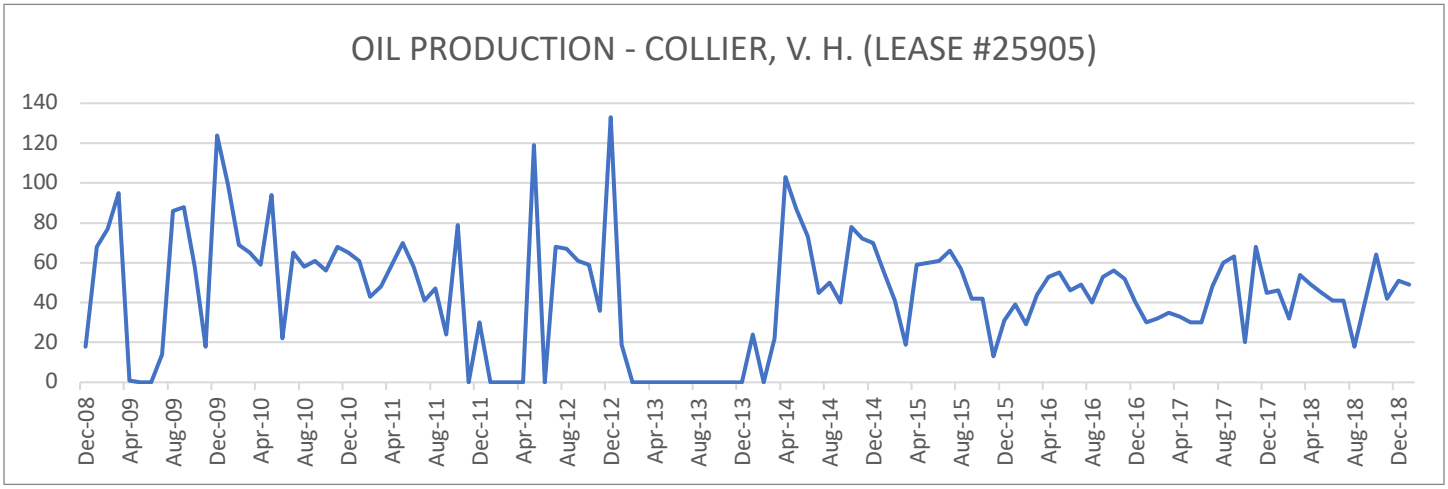

OIL PRODUCTION - MUSSELMAN CADDO UNIT (LEASE #22957)
1000
900
800
700
600
500
400
300
200
100
0
Jan-05
Jun-05
Nov-05
Apr-06
Sep-06
Feb-07
Jul-07
Dec-07
May-08
Oct-08
Mar-09
Aug-09
Jan-10
Jun-10
Nov-10
Apr-11
Sep-11
Feb-12
Jul-12
Dec-12
May-13
Oct-13
Mar-14
Aug-14
Jan-15
Jun-15
Nov-15
Apr-16
Sep-16
Feb-17
Jul-17
Dec-17
May-18
Oct-18

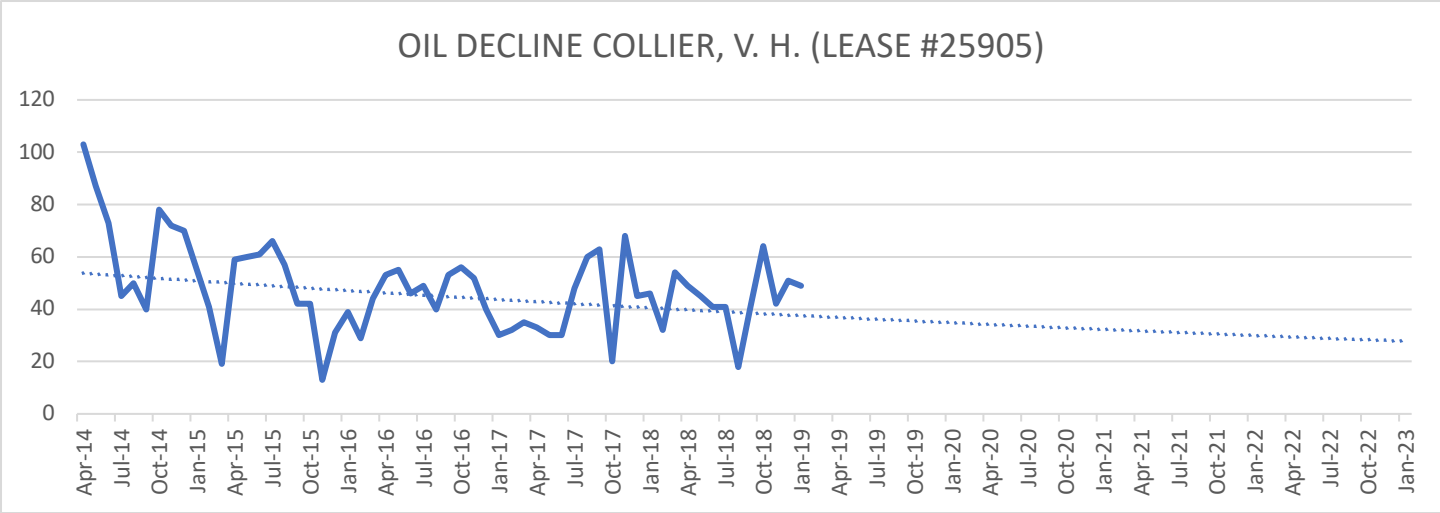

OIL DECLINE MUSSELMAN CADDO UNIT (LEASE #22957)
600
500
400
300
200
100
0
Sep-14
Dec-14
Mar-15
Jun-15
Sep-15
Dec-15
Mar-16
Jun-16
Sep-16
Dec-16
Mar-17
Jun-17
Sep-17
Dec-17
Mar-18
Jun-18
Sep-18
Dec-18
Mar-19
Jun-19
Sep-19
Dec-19
Mar-20
Jun-20
Sep-20
Dec-20
Mar-21
Jun-21
Sep-21
Dec-21
Mar-22
Jun-22
Sep-22
Dec-22


GAS PRODUCTION - MUSSELMAN CADDO UNIT (LEASE #22957)
12,000
10,000
8,000
6,000
4,000
2,000
0
Feb-08
Jun-08
Oct-08
Feb-09
Jun-09
Oct-09
Feb-10
Jun-10
Oct-10
Feb-11
Jun-11
Oct-11
Feb-12
Jun-12
Oct-12
Feb-13
Jun-13
Oct-13
Feb-14
Jun-14
Oct-14
Feb-15
Jun-15
Oct-15
Feb-16
Jun-16
Oct-16
Feb-17
Jun-17
Oct-17
Feb-18
Jun-18
Oct-18
Feb-19

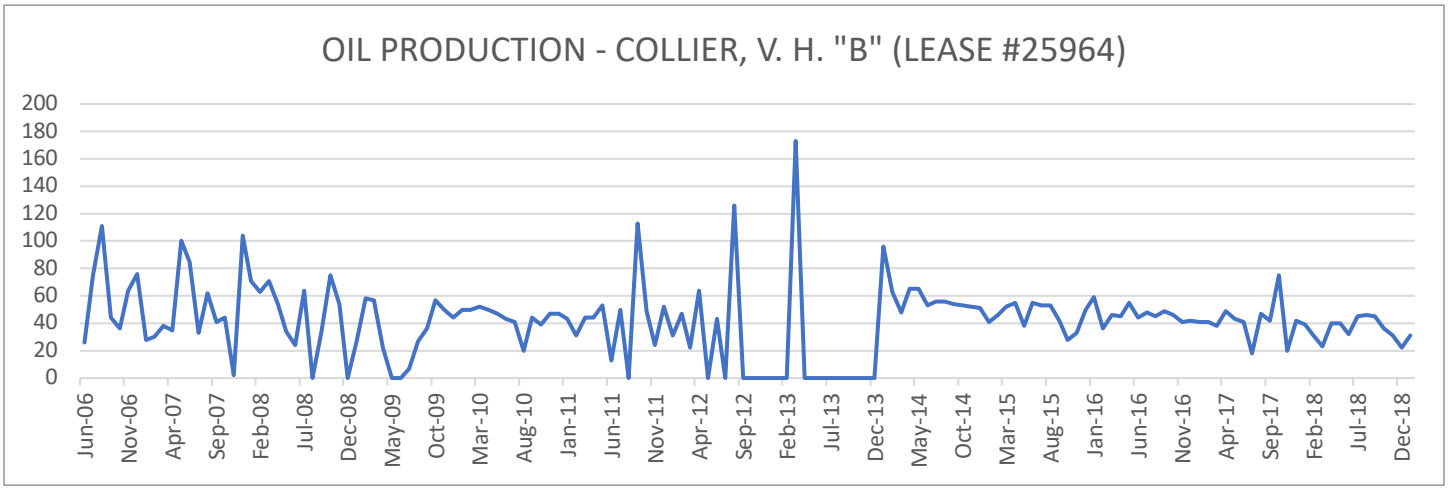


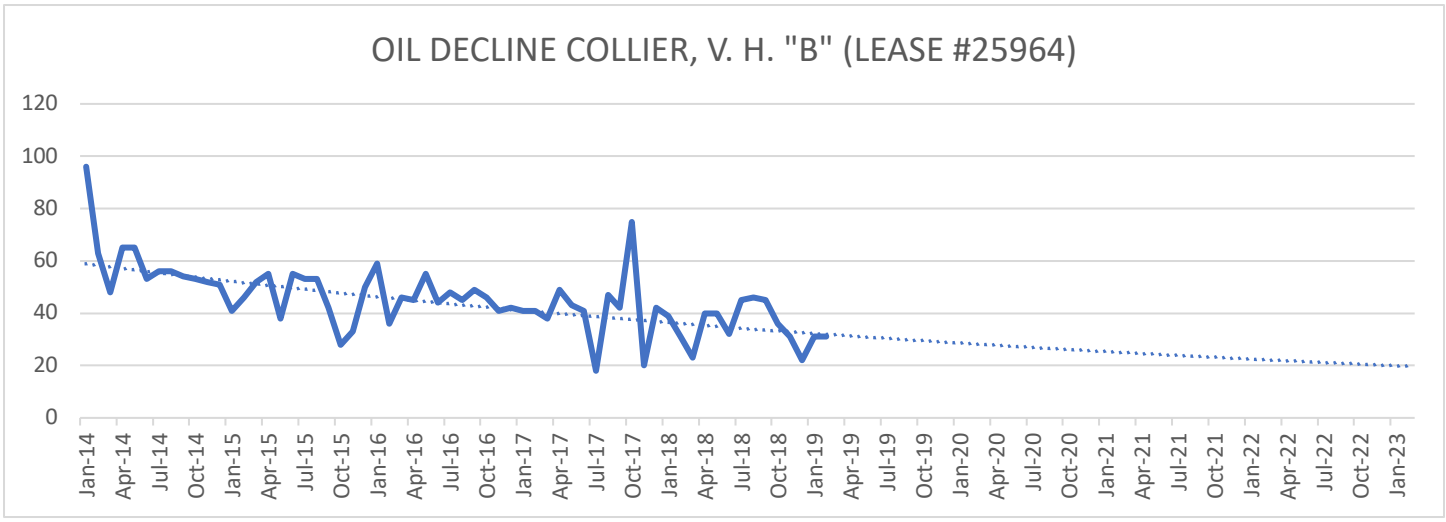
Looking at the historical data on the COLLIER, V. H. (LEASE #25905), I found oil production, but no gas production. I chose a starting point of April 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.



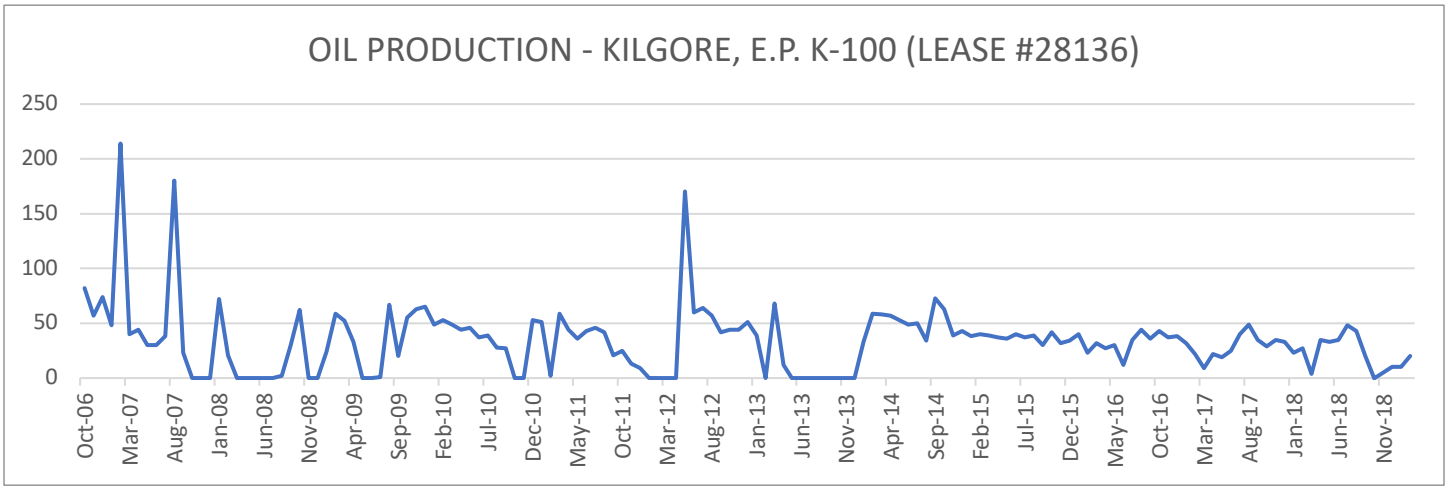


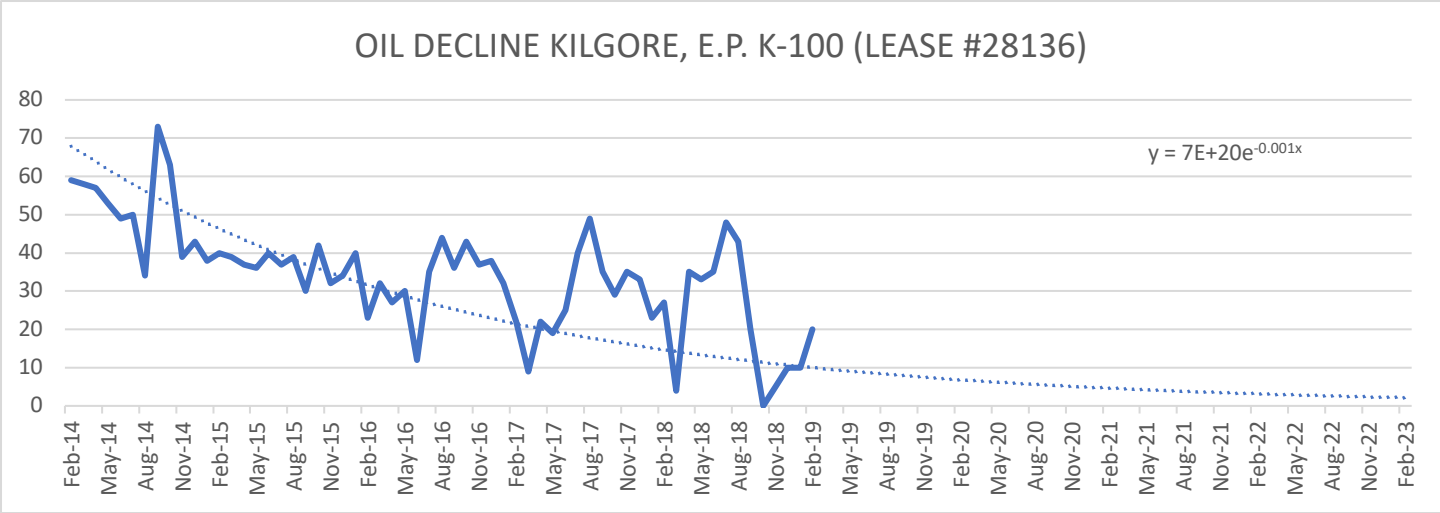
Looking at the historical data on the COLLIER, V. H. "B" (LEASE #25964), I found oil production, but no gas production. I chose a starting point of January 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.





Finally, looking at the historical data on the KILGORE, E.P. K-100 (LEASE #28136), I found oil production, but no gas production. I chose a starting point of February 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.





NET REVENUE ANALYSIS

With the decline curve analysis complete, I was able to extrapolate into the future to estimate potential net revenue using net revenue interest after royalty interest payments but before operating expenses and liabilities were factored in. Ownership interest was obtained from the Division of Interest provided by Transoil Marketing, LLC. These numbers were calculated with a three-year average WTI oil price of $55.87/BBL and a three-year average WTI gas price of $3.13/MCF. In addition, the start point of the decline was taken as the six-month average of the last production on record September 2018-February 2019. From there, 36 month, 42 month, and 48 month potential revenues were calculated using exponential decline constants derived from the data seen in the decline curve analysis charts above. Table 3 below shows the revenues as described.

TABLE 3

36 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL REVENUE	GAS REVENUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	$ 433,233.88	$ -	$ 433,233.88	74.640000%	$ 323,365.77
22957	MUSSELMAN CADDO UNIT	$ 652,483.46	$ 704,473.40	$ 1,356,956.86	78.640647%	$ 1,067,119.65
25905	COLLIER, V.H.	$ 91,281.31	$ -	$ 91,281.31	80.250000%	$ 73,253.25
25964	V. H. "B"	$ 59,672.08	$ -	$ 59,672.08	80.250000%	$ 47,886.84
28136	KILGORE, E.P. K-100	$ 13,374.27	$ -	$ 13,374.27	79.000000%	$ 10,565.68
		$ 1,250,045.01	$ 704,473.40	$ 1,954,518.41		$ 1,522,191.20

42 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL VALUE	GAS VALUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	$ 493,558.02	$ -	$ 493,558.02	74.640000%	$ 368,391.70
22957	MUSSELMAN CADDO UNIT	$ 752,792.81	$ 812,775.40	$ 1,565,568.21	78.640647%	$ 1,231,172.97
25905	COLLIER, V.H.	$ 105,125.64	$ -	$ 105,125.64	80.250000%	$ 84,363.33
25964	V. H. "B"	$ 67,686.98	$ -	$ 67,686.98	80.250000%	$ 54,318.80
28136	KILGORE, E.P. K-100	$ 14,485.95	$ -	$ 14,485.95	79.000000%	$ 11,443.90
		$ 1,433,649.39	$ 812,775.40	$ 2,246,424.79		$ 1,766,602.99

48 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL VALUE	GAS VALUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	$ 550,922.12	$ -	$ 550,922.12	74.640000%	$ 411,208.27
22957	MUSSELMAN CADDO UNIT	$ 850,835.22	$ 918,629.84	$ 1,769,465.06	78.640647%	$ 1,391,518.77
25905	COLLIER, V.H.	$ 118,605.88	$ -	$ 118,605.88	80.250000%	$ 95,181.22
25964	V. H. "B"	$ 75,233.98	$ -	$ 75,233.98	80.250000%	$ 60,375.27
28136	KILGORE, E.P. K-100	$ 15,410.14	$ -	$ 15,410.14	79.000000%	$ 12,174.01
		$ 1,611,007.34	$ 918,629.84	$ 2,529,637.18		$ 1,989,323.05

These numbers obviously increase as you take them out from 36 to 42 to 48 months. This would be the collected revenues before operations expense and liabilities are factored in.

OPERATIONS EXPENSE & PLUGGING LIABILITY

With the decline curve and revenue analysis complete, we now move on to the operations expense. There are many factors that play into operations expense. I will note that if an operator with an active P-5 with the TX RRC is involved in purchasing these wells, that can definitely make it more economic for purchase due to being able to operate the wells in house. For this valuation, I am assuming that the purchaser would not be operating, and the investment group would have to pay operations expenses at the going rate per well along with standard expenses associated with electricity, water hauling, workover, routine maintenance, etc.

Standard operating rates on a per well basis in RRC District 7B at this well depth generally range from $150.00 to $300.00 per well per month. These are in place even on non-producers, because the paperwork and filings must still be completed on wells and leases as required by the TX RRC. In this scenario, the cost of $200.00 per well per month was utilized. Electricity and water hauling expenses were spread across the producing leases relative

to their number of producing wells at an average of $2,400 per month provided by the operator. I assumed one workover per producing well in the 36-48 month period with each workover calculated at $5,000.00.

As for plugging liability, that is a rather large calculation due to the number of non-producing wells that come along with these leases. The expense of plugging wells depends on the depth of fresh water and the number of plugs required by the TX RRC. Generally in this depth range, plugging expense ranges from $7,500.00 to $20,000.00 per well. The plugging liability in this scenario is calculated at $10,000 per well. Table 4 below reveals the plugging liability and operations expense associated with the leases.

TABLE 4

36 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	$ 30,000.00	$ 21,600.00	$ 25,920.00	$ 15,000.00
22957	MUSSELMAN CADDO UNIT	$ 100,000.00	$ 72,000.00	$ 25,920.00	$ 15,000.00
25905	COLLIER, V.H.	$ 10,000.00	$ 7,200.00	$ 8,640.00	$ 5,000.00
25964	V. H. "B"	$ 10,000.00	$ 7,200.00	$ 8,640.00	$ 5,000.00
28136	KILGORE, E.P. K-100	$ 30,000.00	$ 21,600.00	$ 17,280.00	$ 10,000.00
00222	KILGORE, E. P.	$ 70,000.00	$ 50,400.00	$ -	$ -
25003	KILGORE, J. C. "A"	$ 40,000.00	$ 28,800.00	$ -	$ -
18449	KILGORE "B"	$ 40,000.00	$ 28,800.00	$ -	$ -
21979	SHULTS, HOLLIS "B"	$ 10,000.00	$ 7,200.00	$ -	$ -
26252	KILGORE, E.	$ 10,000.00	$ 7,200.00	$ -	$ -
26390	KILGORE, E. P. "F"	$ 20,000.00	$ 14,400.00	$ -	$ -
26581	ARMSTRONG, ROY	$ 10,000.00	$ 7,200.00	$ -	$ -
26589	KILGORE, J.C. "B"	$ 10,000.00	$ 7,200.00	$ -	$ -
26752	KILGORE "G"	$ 30,000.00	$ 21,600.00	$ -	$ -
27628	K & Y "A"	$ 10,000.00	$ 7,200.00	$ -	$ -
28567	K & Y -A-	$ 20,000.00	$ 14,400.00	$ -	$ -
29782	SNYDER RANCH	$ 10,000.00	$ 7,200.00	$ -	$ -
017788	MUSSELMAN CADDO UNIT	$ 10,000.00	$ 7,200.00	$ -	$ -
241787	MUSSELMAN "29"	$ 10,000.00	$ 7,200.00	$ -	$ -
		$ 480,000.00	$ 345,600.00	$ 86,400.00	$ 50,000.00

42 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	$ 30,000.00	$ 25,200.00	$ 30,240.00	$ 15,000.00
22957	MUSSELMAN CADDO UNIT	$ 100,000.00	$ 84,000.00	$ 30,240.00	$ 15,000.00
25905	COLLIER, V.H.	$ 10,000.00	$ 8,400.00	$ 10,080.00	$ 5,000.00
25964	V. H. "B"	$ 10,000.00	$ 8,400.00	$ 10,080.00	$ 5,000.00
28136	KILGORE, E.P. K-100	$ 30,000.00	$ 25,200.00	$ 20,160.00	$ 10,000.00
00222	KILGORE, E. P.	$ 70,000.00	$ 58,800.00	$ -	$ -
25003	KILGORE, J. C. "A"	$ 40,000.00	$ 33,600.00	$ -	$ -
18449	KILGORE "B"	$ 40,000.00	$ 33,600.00	$ -	$ -
21979	SHULTS, HOLLIS "B"	$ 10,000.00	$ 8,400.00	$ -	$ -
26252	KILGORE, E.	$ 10,000.00	$ 8,400.00	$ -	$ -
26390	KILGORE, E. P. "F"	$ 20,000.00	$ 16,800.00	$ -	$ -
26581	ARMSTRONG, ROY	$ 10,000.00	$ 8,400.00	$ -	$ -
26589	KILGORE, J.C. "B"	$ 10,000.00	$ 8,400.00	$ -	$ -
26752	KILGORE "G"	$ 30,000.00	$ 25,200.00	$ -	$ -
27628	K & Y "A"	$ 10,000.00	$ 8,400.00	$ -	$ -
28567	K & Y -A-	$ 20,000.00	$ 16,800.00	$ -	$ -
29782	SNYDER RANCH	$ 10,000.00	$ 8,400.00	$ -	$ -
017788	MUSSELMAN CADDO UNIT	$ 10,000.00	$ 8,400.00	$ -	$ -
241787	MUSSELMAN "29"	$ 10,000.00	$ 8,400.00	$ -	$ -
		$ 480,000.00	$ 403,200.00	$ 100,800.00	$ 50,000.00

48 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	$ 30,000.00	$ 28,800.00	$ 34,560.00	$ 15,000.00
22957	MUSSELMAN CADDO UNIT	$ 100,000.00	$ 96,000.00	$ 34,560.00	$ 15,000.00
25905	COLLIER, V.H.	$ 10,000.00	$ 9,600.00	$ 11,520.00	$ 5,000.00
25964	V. H. "B"	$ 10,000.00	$ 9,600.00	$ 11,520.00	$ 5,000.00
28136	KILGORE, E.P. K-100	$ 30,000.00	$ 28,800.00	$ 23,040.00	$ 10,000.00
00222	KILGORE, E. P.	$ 70,000.00	$ 67,200.00	$ -	$ -
25003	KILGORE, J. C. "A"	$ 40,000.00	$ 38,400.00	$ -	$ -
18449	KILGORE "B"	$ 40,000.00	$ 38,400.00	$ -	$ -
21979	SHULTS, HOLLIS "B"	$ 10,000.00	$ 9,600.00	$ -	$ -
26252	KILGORE, E.	$ 10,000.00	$ 9,600.00	$ -	$ -
26390	KILGORE, E. P. "F"	$ 20,000.00	$ 19,200.00	$ -	$ -
26581	ARMSTRONG, ROY	$ 10,000.00	$ 9,600.00	$ -	$ -
26589	KILGORE, J.C. "B"	$ 10,000.00	$ 9,600.00	$ -	$ -
26752	KILGORE "G"	$ 30,000.00	$ 28,800.00	$ -	$ -
27628	K & Y "A"	$ 10,000.00	$ 9,600.00	$ -	$ -
28567	K & Y -A-	$ 20,000.00	$ 19,200.00	$ -	$ -
29782	SNYDER RANCH	$ 10,000.00	$ 9,600.00	$ -	$ -
017788	MUSSELMAN CADDO UNIT	$ 10,000.00	$ 9,600.00	$ -	$ -
241787	MUSSELMAN "29"	$ 10,000.00	$ 9,600.00	$ -	$ -
		$ 480,000.00	$ 460,800.00	$ 115,200.00	$ 50,000.00

These expenses will be deducted from the previously stated revenues calculated from the net revenue interest in the final valuation.

OTHER ASSETS AND FINAL VALUATION

Now that the operations expense and plugging liability have been covered, it is time to tie it all together with a valuation. Also on the Exhibit "A" is a list of remaining assets that will be transferred with the leases. I am a petroleum engineer, not an equipment specialist, but I have been around this equipment and seen it sold and purchased. I have not seen this exact equipment, but from its age and use in the oilfield, I can imagine the shape it is in. I am including a $100,000 valuation for all of this equipment combined in the final valuation. This is spread across all leases. If a second opinion was to be had on something in this report, I would recommend starting with a full valuation of the equipment on the list that will be transferred with the lease.

That being said, all of the valuations and operations expenses from above added together gives you the final valuation data shown in Table 5 below.

TABLE 5

36 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	$ 323,365.77	$ 5,263.16	$ 92,520.00	$ 236,108.93
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	$ 1,067,119.65	$ 5,263.16	$ 212,920.00	$ 859,462.81
25905	COLLIER, V.H.	1	$ 73,253.25	$ 5,263.16	$ 30,840.00	$ 47,676.41
25964	V. H. "B"	1	$ 47,886.84	$ 5,263.16	$ 30,840.00	$ 22,310.00
28136	KILGORE, E.P. K-100	2, 3, 7	$ 10,565.68	$ 5,263.16	$ 78,880.00	$ (63,051.17)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	$ -	$ 5,263.16	$ 120,400.00	$ (115,136.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	$ -	$ 5,263.16	$ 68,800.00	$ (63,536.84)
18449	KILGORE "B"	2, 5, 9, W1	$ -	$ 5,263.16	$ 68,800.00	$ (63,536.84)
21979	SHULTS, HOLLIS "B"	10	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
26252	KILGORE, E.	6	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
26390	KILGORE, E. P. "F"	2, 3A	$ -	$ 5,263.16	$ 34,400.00	$ (29,136.84)
26581	ARMSTRONG, ROY	15	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
26589	KILGORE, J.C. "B"	1	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
26752	KILGORE "G"	1, 3, 4	$ -	$ 5,263.16	$ 51,600.00	$ (46,336.84)
27628	K & Y "A"	1	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
28567	K & Y -A-	2, 5	$ -	$ 5,263.16	$ 34,400.00	$ (29,136.84)
29782	SNYDER RANCH	1	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
017788	MUSSELMAN CADDO UNIT	281	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
241787	MUSSELMAN "29"	291J	$ -	$ 5,263.16	$ 17,200.00	$ (11,936.84)
			$ 1,522,191.20	$ 100,000.00	$ 962,000.00	$ 660,191.20

42 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	$ 368,391.70	$ 5,263.16	$ 100,440.00	$ 273,214.86
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	$ 1,231,172.97	$ 5,263.16	$ 229,240.00	$ 1,007,196.13
25905	COLLIER, V.H.	1	$ 84,363.33	$ 5,263.16	$ 33,480.00	$ 56,146.48
25964	V. H. "B"	1	$ 54,318.80	$ 5,263.16	$ 33,480.00	$ 26,101.96
28136	KILGORE, E.P. K-100	2, 3, 7	$ 11,443.90	$ 5,263.16	$ 85,360.00	$ (68,652.94)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	$ -	$ 5,263.16	$ 128,800.00	$ (123,536.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	$ -	$ 5,263.16	$ 73,600.00	$ (68,336.84)
18449	KILGORE "B"	2, 5, 9, W1	$ -	$ 5,263.16	$ 73,600.00	$ (68,336.84)
21979	SHULTS, HOLLIS "B"	10	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
26252	KILGORE, E.	6	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
26390	KILGORE, E. P. "F"	2, 3A	$ -	$ 5,263.16	$ 36,800.00	$ (31,536.84)
26581	ARMSTRONG, ROY	15	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
26589	KILGORE, J.C. "B"	1	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
26752	KILGORE "G"	1, 3, 4	$ -	$ 5,263.16	$ 55,200.00	$ (49,936.84)
27628	K & Y "A"	1	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
28567	K & Y -A-	2, 5	$ -	$ 5,263.16	$ 36,800.00	$ (31,536.84)
29782	SNYDER RANCH	1	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
017788	MUSSELMAN CADDO UNIT	281	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
241787	MUSSELMAN "29"	291J	$ -	$ 5,263.16	$ 18,400.00	$ (13,136.84)
			$ 1,749,690.70	$ 100,000.00	$ 1,034,000.00	$ 815,690.70

48 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	$ 411,208.27	$ 5,263.16	$ 108,360.00	$ 308,111.43
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	$ 1,391,518.77	$ 5,263.16	$ 245,560.00	$ 1,151,221.93
25905	COLLIER, V.H.	1	$ 95,181.22	$ 5,263.16	$ 36,120.00	$ 64,324.38
25964	V. H. "B"	1	$ 60,375.27	$ 5,263.16	$ 36,120.00	$ 29,518.43
28136	KILGORE, E.P. K-100	2, 3, 7	$ 12,174.01	$ 5,263.16	$ 91,840.00	$ (74,402.83)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	$ -	$ 5,263.16	$ 137,200.00	$ (131,936.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	$ -	$ 5,263.16	$ 78,400.00	$ (73,136.84)
18449	KILGORE "B"	2, 5, 9, W1	$ -	$ 5,263.16	$ 78,400.00	$ (73,136.84)
21979	SHULTS, HOLLIS "B"	10	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
26252	KILGORE, E.	6	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
26390	KILGORE, E. P. "F"	2, 3A	$ -	$ 5,263.16	$ 39,200.00	$ (33,936.84)
26581	ARMSTRONG, ROY	15	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
26589	KILGORE, J.C. "B"	1	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
26752	KILGORE "G"	1, 3, 4	$ -	$ 5,263.16	$ 58,800.00	$ (53,536.84)
27628	K & Y "A"	1	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
28567	K & Y -A-	2, 5	$ -	$ 5,263.16	$ 39,200.00	$ (33,936.84)
29782	SNYDER RANCH	1	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
017788	MUSSELMAN CADDO UNIT	281	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
241787	MUSSELMAN "29"	291J	$ -	$ 5,263.16	$ 19,600.00	$ (14,336.84)
			$ 1,970,457.54	$ 100,000.00	$ 1,106,000.00	$ 964,457.54

CLOSING COMMENTS

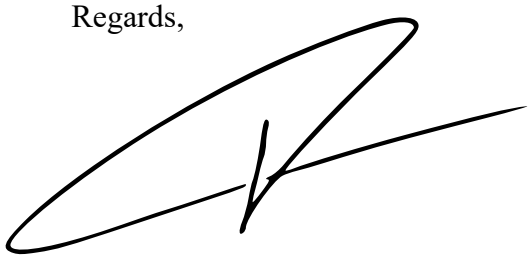
In closing, I would like to make a few points about the details of the final valuation. There are a few obvious factors, including the volatility of oil and gas pricing. The oil and gas dollar amounts used were a three-year average WTI oil price of $55.87/BBL and a three-year average WTI gas price of $3.13/MCF stretching from June 15, 2016 to May 15, 2019. If these values are high or low, it could drastically affect the valuation. In addition, if these wells were purchased by an active operator with P-5 with the TX RRC, the operations expenses associated with this valuation could be reduced by absorbing the additional wells into an already competent staff. Also, the workover numbers could be drastically different in reality with the age of these wells and no additional expenses were calculated for unforeseen incidents that could create more expense down the road. I have also not calculated any potential upside for stimulating wells or bringing old non-producing leases back online.

With all of this being said, we know the oil and gas space is a volatile world full of ups and downs and certain uncertainty. With an optimistic view, I'd say that this will be a long-term winner by whoever purchases it. Best case scenario would be to have an existing operating company in the mix to reduce the overhead expense of the lease and utilize revenues over time to reduce plugging liability without feeling the hit as hard as it shows up here on paper.

And finally, this is just my opinion as a petroleum engineer. This exact data given to several other engineers and valuation experts could yield entirely different results depending on the parameters chosen and calculations made.

Thank you for reading.

Regards,



Jordan Taylor Buckingham
Petroleum Engineer
University of Texas at Austin
Cockrell School of Engineering