



**LEASE CRUDE OIL PURCHASE AGREEMENT
(BASIC)
Effective Date: June 1, 2017**

ARP OKLAHOMA, LLC
Sypy Thomas
425 Houston St, Ste 300
Fort Worth, TX 76102
817 439-7570
sypythomas@atlasenergy.com

Dear Mr. Sypy Thomas,

This Lease Crude Oil Purchase Agreement ("Agreement") is between Phillips 66 Company ("Buyer") and ARP OKLAHOMA, LLC ("Seller") and covers the sale and delivery by Seller and the purchase and receipt by Buyer of the crude oil and/or condensate ("Product") specified below upon the following terms and conditions:

1. **TERM**

This Agreement shall be effective as of the Effective Date set forth above and shall continue thereafter on a month-to-month basis until cancelled by either party upon not less than thirty (30) days' prior written notice. Any termination shall be effective as of the last day of the month in which the termination notice was valid.

2. **PRODUCT**

Oklahoma Sweet Type Crude

3. **QUALITY**

Typical quality consistent with the Product specified above.

4. **PRICE**

Buyer will purchase the allowable marketable crude oil and/or condensate from the leases identified in the Exhibit(s) to this Agreement at the Price Schedule Description set forth in Exhibit A.

5. **QUANTITY**

Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller all of Seller's owned or controlled interest in the production from the leases identified in the Exhibit(s) to this Agreement.

6. **PAYMENTS**

On or before the fifteenth (15th) day of the month following the month of delivery, Buyer shall render to Seller a statement showing total net quantity of Product purchased hereunder during the month of delivery. Except as provided in Section 7 below, Buyer shall pay for such Product on or before the twentieth (20th) day of the month following the month of delivery.

7. **DIVISION ORDER**

(a) Buyer will hold the basic division order for each of the leases identified in the Exhibit(s) to this Agreement and will tender payments to interest owners in a manner consistent with division order executed by such interest owners. Seller shall: (i) furnish, at its expense, evidence of title reasonably acceptable to Buyer; (ii) provide to Buyer the names, social security numbers or tax identification numbers and current mailing addresses of all interest owners; (iii) indemnify Buyer from all liability resulting from payments made to interest owners identified by Seller pursuant to clause (ii) above including, but not limited to, attorney fees incurred by Buyer or judgments affecting Buyer in connection with any suit in respect of ownership of interests in any of the leases identified in the Exhibit(s) to this Agreement; and (iv) indemnify Buyer from all liability for interest on any payment withheld as permitted by this Agreement or applicable law or because, in the reasonable opinion of Buyer, title to an interest is not marketable.

(b) As used in clause (a)(i), above, the term “evidence of title reasonably acceptable to Buyer” may include a Division Order Title Opinion (and any necessary supplements thereto) prepared on the basis of an attorney’s examination of (i) complete abstract coverage of the lands included in the subject lease from the inception of title to a time subsequent to the date of the first delivery of the Product purchased by Buyer under this Agreement, certified by a bonded abstractor authorized to do business in the county or counties in which the lands are located, (ii) complete copies of the subject leases(s), together with receipts showing the proper payment of all delay rentals previously due and payable, and/or (iii) copies of all spacing, unitization, or other conservation orders affecting the subject lease(s), and/or such other evidence of title to said land or the production therefrom as may be reasonably required by Buyer. On or before the date that the Product is first delivered to Buyer hereunder, Seller shall provide such evidence of title to Buyer at the following address:

Phillips 66 Company
Division Order Dept.
P.O. Box 5400
Bartlesville, OK 74005-5400

(c) Notwithstanding anything to the contrary in this Agreement, with respect to payables, Buyer shall have the right to (i) withhold payment to any interest owner(s) until the total amount owed equals \$25, or until 12 months’ proceeds have accumulated, whichever occurs first, or as prescribed by applicable law; or (ii) initiate an action in the nature of interpleader with respect to any interest in dispute and may deposit payments in dispute with the court. If any interest has been suspended for more than 12 months, and in any event upon expiration or termination of this Agreement, Buyer shall have the right to tender any suspended payments in its possession directly to Seller which shall constitute full satisfaction of Buyer’s obligations with respect to such payments and in such case, Seller shall be solely responsible for remitting payment to the relevant interest owner(s).

8. **TAXES**

Buyer will collect, pay and report all applicable state taxes or fees as required by law on severance or production of the Product as the first purchaser of the Product. Buyer will report and, if required, withhold federal tax, on form 1099 or form 1042-s on the applicable royalty and interest owners paid by Buyer, based upon the information provided in the division order. If applicable, Buyer will also report, and if required, withhold state withholding tax on the royalty and/or interest owners paid by Buyer.

Seller acknowledges and agrees that it has an ongoing duty to promptly inform Buyer in writing (which may be sent electronically to the relevant Buyer email address set forth in Section 18) of any tax rate, tax incentive rate and/or tax exemption status (collectively referred to herein as “Tax Information”) applicable to the sale of the Product which is the subject of this Agreement. Seller agrees to hold Buyer harmless for any losses or costs Buyer incurs as a result of misinformation and/or failure to promptly apprise Buyer of the relevant Tax Information or any changes thereto.

9. **DELIVERY**

Title to all Product sold and delivered to Buyer hereunder shall pass from Seller to Buyer as such Product passes the outlet flange of Seller’s tankage on the lease or leases from which such Product is being purchased. Buyer agrees to promptly take delivery of the Product upon availability from Seller’s tanks or through a pipeline. If Buyer takes delivery by a third party common carrier, Buyer shall promptly notify Seller of the carrier’s name and address.

10. **WARRANTY AND INDEMNITY**

Seller warrants title, free and clear of all taxes, liens and encumbrances, to the Product delivered hereunder and warrants that Product has been produced, handled and transported to the delivery point in accordance with the laws, rules and regulations of all applicable local, state or federal authorities. Seller warrants that the Product delivered hereunder is not contaminated by chemicals foreign to virgin crude oil and/or condensate including, but not limited to, chlorinated and/or oxygenated hydrocarbons. Without prejudice to any other remedy available to Buyer, Buyer may reject Product which is found to be so contaminated, and may return contaminated Product to Seller at Seller’s expense, even after delivery to Buyer.

11. **MEASUREMENT AND TESTS**

Quantities of the Product delivered hereunder shall be delivered from tank gauges on 100% tank table basis, or by the use of mutually acceptable automatic measuring equipment. Volume and gravity (API) of said quantities shall be corrected for temperature to 60 degrees Fahrenheit in accordance with the latest – A.S.T.M.-I.P. Petroleum Measurement Tables. Product delivered hereunder shall be merchantable and acceptable to the carriers involved. Full deduction shall be made for all BS&W content as determined by tests conducted according to the latest A.S.T.M. standards. Each party shall have the right to have a representative present to witness all gauges, tests and measurements; however, in the absence of either party's representative, the gauges, tests and measurements of the testing party shall be deemed to be correct.

12. **ASSIGNMENT**

Neither party shall have the right to assign this Agreement without the prior written consent of the other party which shall not be unreasonably withheld.

13. **FORCE MAJEURE**

Neither party shall be liable to the other for failure to perform any other obligations herein imposed for the time and to the extent such failure is occasioned by an event or circumstance which prevents one party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Effective Date of this Agreement, which is not within the reasonable control of, or the result of the negligence of, the claiming party, and which, by the exercise of due diligence, the claiming party is unable to overcome or avoid or cause to be avoided (each, a "Force Majeure Event").

The affected party ("Affected Party") must give the other party prompt written notice of the Force Majeure Event stating the nature of the condition and when the condition began and must make commercially reasonable attempts to ameliorate, avoid or remove the effects of the Force Majeure Event and continue performance under this Agreement as soon as possible. During such Force Majeure Event, both parties shall be excused from the performance of its obligations under this Agreement (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure Event). The Affected Party must notify the other party when the Force Majeure Event no longer affects its ability to perform under this Agreement. Notwithstanding any provision in this Agreement to the contrary, in no event will a Force Majeure Event extend the term of this Agreement beyond the then-effective Term.

14. **HAZARDOUS OR UNSAFE CONDITIONS**

Seller shall inform Buyer if any Product has detectable levels of hydrogen sulfide gas (H₂S). Buyer may refuse to purchase Product from any lease location that Buyer determines to be dangerous, hazardous, or unsafe. Purchases will not resume until such concerns are addressed and repaired to the satisfaction and approval of Buyer. If such hazardous/unsafe conditions are not addressed and remediated to the satisfaction of Buyer, Buyer may terminate this Agreement with immediate effect and without penalty.

15. **LOGISTICS**

Buyer's designated transporter is:

Name of Transporter	Email	Contact Phone No.
Sentinel Dispatch: Route 3, Box 116, Hennessey, Oklahoma 73742	www.crudeoildispatch.com	800-814-1259 ext. 290

Seller shall notify Buyer when the Product is ready to be transported.

16. **TAXING AUTHORITY**

For deliveries in the States listed below. Seller shall advise the applicable state taxing authority that the Buyer is

For **Oklahoma** deliveries, Seller shall advise the **Oklahoma Tax Commission** that the oil purchaser is:

Phillips 66
Purchaser # 22985
Federal Tax ID# 37-1652702

17. **NOTICES**

All notices required or permitted to be given under this Agreement shall be in writing and deemed to be properly given if (a) delivered in person, or (b) sent by facsimile (provided that a positive transmittal sheet is generated and able to be provided), or (c) sent by United States certified mail with first class postage prepaid, or (d) delivered by private, prepaid courier, and addressed to the appropriate party. A party may change its address by providing written notice to the other Party, or to such other address as a party shall from time to time designate. The notice details of the parties are as follows:

If to BUYER:

Phillips 66
ATTN: CONTRACTS
201 NW 63RD St., Suite 300
Oklahoma City, OK 73116
Fax: 405-879-4855

If to SELLER:

As set forth at the beginning of this Agreement

18. BUYER CONTACTS

	<u>Name</u>	<u>Phone</u>	<u>Fax</u>
Division Order Contact:	Vicki Catlin (OK & KS)	(918) 977-6839	(918) 977-6006
	Greg Buie	(918) 977-5784	(918) 977-6007
	Pam Blake	(918) 977-5204	(918) 977-9007
Regulatory Issues:	Alex Leitch, Kansas/OK	(918) 977-4359	(918) 977-8084
	Kelsey Salinas	(918) 977-7382	
Owner Relations:	Royalty Interests Questions	A-K: (918) 977-6004	a-koru@p66.com
		L-Z: (918) 977-6004	l-zoru@p66.com
	Operator Questions Only	(918) 977-6030	

19. GOVERNING LAW/VENUE

This Agreement will be governed and construed in accordance with the laws of the State of Texas except for any choice of law requirement that otherwise may apply the law from another jurisdiction. Any dispute relating to, arising out of, or connected with this Agreement shall be exclusively filed and maintained in a State or Federal court located in Houston, Harris County, Texas.

20. SANCTIONS AND CONFLICT OF INTEREST

Sanctions. If either party or its owner(s) is or becomes identified on any government export denial, blocked, debarred, "Specially Designated National", or other similar list, the other party may terminate this agreement immediately upon written notice. Each party shall be excused from performance of any obligation under this agreement if such performance is prohibited under sanctions laws. Each party agrees to Indemnify the other for any fines, penalties, claims, losses, damages, costs (including legal costs), expenses, and liabilities that may arise as a result of the indemnifying party's breach of its obligations under these clauses.

Conflict of Interest. Neither party shall directly or indirectly, pay salaries, commissions, or fees, or make payments or rebates to employees or officers of the other Party, nor favor employees, officers, or the designees thereof of the other party with gifts or entertainment of unreasonable cost or value, or with services or goods sold at less than full market value, or enter into business arrangements with employees or officers of the other party, unless such employees or officers are acting as representatives of the other party.

Order of Preference. In the event of a conflict between this section and any other provision, the terms of this section shall prevail.

21. GTCs

All quantity and quality determinations shall be made in accordance with Phillips 66 Company's Quality Determination Guidelines (2014) ("Measurement Guidelines"). ConocoPhillips Company's General Provisions for Domestic Crude Oil Agreements, issued as of January 1, 1993, and amended as of August 1, 2009 ("GTCs") shall apply to this Agreement. The specific terms set forth in this Agreement, the GTCs and the Measurement Guidelines contain the entire agreement of the parties with respect to this transaction and no other promises, representations or warranties have been made by Seller or Buyer. In the event of a conflict between the Measurement Guidelines, the GTCs and/or this Agreement, the Measurement Guidelines shall govern unless specifically identified and negated in this Agreement. In the event of a conflict between the GTCs and this Agreement, this Agreement shall govern.

22. **IMAGED AGREEMENT/METHOD OF EXECUTION**

This Agreement may be scanned and stored electronically, or stored on computer tapes and disks, as may be practicable ("Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither party shall object to the admissibility of any Imaged Agreement (or photocopies of the transcription of such Imaged Agreement) on the basis that such were not originated or maintained in documentary form under either the hearsay rule, the best evidence rule or other rule of evidence. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

This Agreement may be delivered via facsimile or email/pdf, it being the express intent of the Parties that such Agreement delivered via facsimile or email/pdf shall have the same force and effect as if it was an original.

23. **GOVERNMENTAL OR REGULATORY REQUIRED PRICE ADJUSTMENTS**

Buyer and Seller agree that notwithstanding anything to the contrary in the Agreement, in the event that any governmental or regulatory entity (howsoever defined or described) exercising, or entitled or purporting to exercise, any administrative, executive, Judicial, legislative, regulatory or taxing authority or power over the parties and/or the transaction which is the subject of the Agreement, requires that Buyer make payments at a price higher than that which is stated in the Agreement, Seller agrees to make Buyer whole by reimbursing Buyer for the difference along with any associated penalties or interest payments required to be made by Buyer. Reimbursements for price differences shall be deducted by Buyer as a credit against any future payments to Seller or, at Buyer's option, payable by Seller within ten (10) business days after receipt of Buyer's invoice. Reimbursements for penalties or interest shall be payable by Seller within ten (10) business days after receipt of Buyer's invoice.

24. **MISCELLANEOUS**

Effective January 1, 2015, Phillips 66 Company has implemented a new system which has changed the way Seller's new lease numbers look. Sellers will still be able to use their existing owner numbers, as well as facility numbers in any place that have been used before. In the event of questions, please contact your Owner Relations representative.

This Agreement memorializes the understanding previously reached between the parties with respect to the purchase of crude oil set forth above. Please sign and send this Agreement back to us by US mail, email/PDF, fax or courier. However, if we do not receive a countersigned Agreement from you within FIVE (5) business days from the date of this Agreement, we shall assume your acceptance of the terms herein.

Best regards,
PHILLIPS 66 COMPANY

/s/ Danny Rodriguez
Danny Rodriguez
Lease Representative
Mobile (405) 476-8958
Work (405) 879-4831
Fax (405) 879-4855
Danny.R.Rodriguez@P66.com

Agreed:
ARP OKLAHOMA, LLC

WD

By: /s/ Sypy Thomas
Name: Sypy Thomas
Title: VP, Midstream & Marketing

