COURT FILE NUMBER	1001-13659
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
IN THE MATTER OF	The Companies' Creditors Arrangement Act, RSC 1985, c C-36, as amended, and
AND IN THE MATTER OF	An Application under section 46 and following of the Companies Creditors Arrangement Act, RSC 1985, c C-36, as amended
DOCUMENT	**THIRD REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS COURT-APPOINTED INFORMATION OFFICER OF PETROFLOW ENERGY LTD.**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**Information Officer**</u> ERNST & YOUNG INC. 1000, 440 – 2nd Avenue S.W. Calgary, AB T2P 5E9 Neil Narfason / Orest Konowalchuk Telephone: (403) 206-5067 / (403) 206-5698 Email: Neil.Narfason@ca.ey.com Orest.Konowalchuk@ca.ey.com <u>**Counsel**</u> Scott Watson PARLEE McLAWS LLP 3400, 150 – 6TH Avenue SW Calgary, Alberta T2P 3Y7 Phone: 403-294-7038 Fax: 403-265-8263 Email: swatson@parlee.com File: 68789-3

CLERK OF THE COURT
Clerk's Stamp
MAY 19 2011
CALGARY, ALBERTA

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INTRODUCTION

1. On September 17, 2010, Petroflow Energy Ltd. ("Petroflow") obtained an order from the Alberta Court of Queen's Bench (the "Canadian Court") recognizing the bankruptcy proceedings commenced by Petroflow in the United States Bankruptcy Court for the District of Delaware (the "U.S. Court"), pursuant to a chapter 11 of the United States Bankruptcy Code (the "U.S. Bankruptcy Code") and administered with Petroflow's related debtor' proceedings (the "U.S. Proceedings"), as a "foreign main proceeding" for the purposes of section 47 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "CCAA") (the "Recognition Order").

2. Pursuant to the Recognition Order, Ernst & Young Inc. was appointed information officer ("IO") of Petroflow during these CCAA proceedings.

3. The purpose of this third report of the IO (the "Third Report") is to provide this Honourable Court with an update in respect of the following:

   a) Petroflow's request for recognition from the Canadian Court of an order granted by the U.S. Court on May 17, 2011 (the "Settlement Agreement and Asset Transfer Order") authorizing the Debtors' (as defined below) to:

      i. enter into, and approving, a settlement agreement dated April 23, 2011 (the "Settlement Agreement") between the Debtor's, Equal Energy U.S. Inc. and its related affiliates (collectively, "Equal") and Texas Capital Bank, N.A. and Compass Bank (collectively, the "Lenders"); and

      ii. transfer certain assets pursuant to an asset sale agreement with Equal (the "Equal APA") dated April 23, 2011; and

   b) the IO's recommendations.

BACKGROUND

4. Petroflow is a Canadian company and the parent company of North American Petroleum Corporation USA ("NAPCUS"), a Delaware corporation and directly owns all of its equity interests. NAPCUS has one wholly-owned subsidiary, Prize Petroleum, LLC ("Prize") which is an Oklahoma limited liability company

5. Petroflow's assets consist predominately of its equity interest in NAPCUS.

6. Petroflow, NAPCUS and Prize (collectively, the "Debtors") operate an independent exploration and production company that predominately engages in unconventional well drilling operations for natural gas extraction in certain locations in Oklahoma.

7. The IO has posted various information regarding the U.S. Proceeding, including the Recognition Order and the September 14th Schott Affidavit, on its website at: www.ey.com/ca/petroflow . Further information may also be obtained from the debtors' website relating to the U.S. Proceedings at: http://dm.epiq11.com/NAP/Project/default.aspx .

SETTLEMENT AGREEMENT AND ASSET TRANSFER ORDER

8. As discussed in the second report of the IO (the "Second Report"), the Debtors have been focused on resolving complex litigious issues with Equal and other constituents. In particular, on July 14, 2010, the Lenders initiated an adversary proceeding against the Debtors seeking a declaratory judgment regarding, among other key issues, the extent of the Debtors' indebtedness to the Lenders and the nature and extent of the Lender's collateral interest in the Debtors' oil and gas assets. As a result of the Lender's actions, the Debtors' initiated adversary proceedings against Equal on July 15, 2010 (the "Debtors' Adversary Proceedings", and, collectively with the Lender Adversary Proceeding, the "Adversary Proceeding") and Equal filed a motion for payment of administrative expenses.

9. The Debtors' originally were prepared to have a hearing on all seven counts raised (the "Counts") in their Adversary Proceedings, as well as, Equal's administrative expense claims, as early as October 2010. As discussed in the Second Report, three of the seven Counts were heard in November 2010 and the remaining four Counts were to be heard in April 2011. In various court orders, particularly the March 4, 2011 order, the U.S. Court came to a decision on the various Counts and the administrative costs (discussed above) that were for and against the Debtors and Equal, which had the effect of causing all parties to reassess the costs and advantages of further litigation and ultimately had the parties enter into settlement negotiations.

10. After weeks of negotiation, the parties reached the Settlement Agreement, whereby the parties agreed on the Debtors' assets that would transfer to Equal, the consideration to be paid by Equal for such transfer, the payments to be made to the Lenders in satisfaction of their secured claims and final settlement of the Debtor's and their estates', Equal's, and the Lender's outstanding claims against one another. A copy of the Settlement Agreement is attached as Appendix A to this Third Report.

11. As previously reported in the Second Report, the relief sought by the Debtors and granted by the U.S. Court on March 17, 2011, was to extend the filing of a chapter 11 restructuring plan, sale or other transaction (the "Plan") through and including July 31, 2011 and the Debtor's exclusive right to solicit acceptances for that Plan through and including September 30, 2011.

12. The IO understands that the Settlement Agreement and the Equal APA represents the final steps necessary for the Debtors before the Debtors can submit a viable Plan and emerge from the U.S. Proceedings.

The Settlement Agreement

13. The Receiver has summarized the main terms and conditions of the Settlement Agreement:

a) Transfer of Assets. The Settlement Agreement memorializes the parties' resolution of outstanding claims and is contingent upon the Debtors transfer of their Oklahoma assets to Equal in exchanges for cash consideration pursuant to the Equal APA;

b) Release of Claims. Equal, the Debtors (including their estates) and the Lenders each will mutually grant each other of the other two parties to the Settlement Agreement a release of all claims, including those arising under various operating, farm-out and credit agreements and any claims arising in the Adversary Proceedings;

c) Dismissal of Adversary Proceedings. Within one business day of the effective date of the Settlement Agreement, the parties agree to file a joint notice with the U.S. Court dismissing the Adversary Proceedings;

d) Funding of Escrow Account for Lenders. The Debtors' plan to transfer substantially all of its Oklahoma assets in exchange for $93.5 million in cash less certain amounts asserted by Equal, in an amount not less than $5.8 million, that are owed to Equal for certain joint interest billing statements under the joint operating agreement and certain other adjustments as provided for in the Equal APA;

e) Satisfaction of certain credit agreement claims;

f) Conditions to close the Settlement Agreement, include approval by the U.S. Court of the Settlement Agreement and the Equal APA, continued stay of the Adversary Proceedings; required documents and funds for closing the Equal APA; and

g) The Settlement Agreement shall be null and void unless the effective date of the settlement does not occur on or before June 1, 2011.

14. The receiver understands that the Debtors believe this Settlement Agreement is in its and its creditors best interests, as it maximizes the value of the assets transferred under the Equal APA for its stakeholders, and provides the means by which a viable business can be reorganized for such stakeholders. This agreement also resolves the long standing litigation issue with Equal.

Basis of the relief sought for the Settlement Agreement

15. The Debtors believe that the relief being sought should be granted by this Honourable Court. The IO understands that the U.S. Courts encourage a settlement of time-consuming and burdensome litigation, especially in a bankruptcy context. Moreover, the Third Circuit Court of Appeals enumerated the following four-factor test to be used in deciding whether a settlement should be approved and based on these factors, the Debtors believe these factors weigh in favour for in approving the Settlement Agreements:

a) The probability of success in litigation. Although the Debtors believe that they will prevail against Equal's currently pending challenges to the U.S. Court's March 4 Order, as well as on the outstanding counts in the Adversary Proceedings, there is still a real chance that continued litigation will bring about an unfavourable result for the Debtors;

b) The likely difficulties in collection;

c) The complexity of the litigation involved and the expense, inconvenience and delay necessarily attending it. The IO understands that the U.S. Court has acknowledged several times, the Debtors' adversary proceedings in these cases are complex and time-consuming. If litigation continues it may take an additional number of years to settle; and

d) The paramount interest of the creditors. Significant professional fees will likely continue to be incurred at the detriment of the Debtors' creditors, if the relief is not approved by this Honourable Court;

16. The IO understands that given that the negotiations of the Settlement Agreement with Equal and the Lenders were conducted in good faith and at arm's-length and that the Debtors have exercised sound business judgment.

17. The Debtors, with the support of the IO, believe that the Settlement Agreement is appropriate under the circumstance and should be approved by this Honourable Court.

The Equal APA

18. As discussed above, the Settlement Agreement and Asset Transfer Order was approved by the U.S. Court on May 17, 2011, which included the Debtors ability to close on the Equal APA.

19. The IO has summarized the main terms and conditions of the Equal APA a copy of which is attached as Appendix "B" to this Report:

a) The Property, which include the Debtors' Oklahoma assets, leases, permits, contracts as defined in the Equal Final APA;

b) The purchase price (the "Purchase Price") for the Property shall be the sum of $93.5 million cash less certain amounts asserted by Equal, in an amount not less than $5.8 million, that are owed to Equal for certain joint interest billing statements under the joint operating agreement and certain other adjustments as provided for in the Equal APA;

c) The Property shall transfer to Equal free and clear of all claims, liens and other encumbrances, all rights, title and interest in all assets owned by the Debtors in Oklahoma relating to the lands, equipment and inventory associated with NAPCUS previous participation in the farm-out agreement dated March 1, 2006 (the "Farm-out Agreement");

d) If the closing shall occur after July 1, 2011, the consideration paid to the Debtors shall be reduced by the estimate net operating income estimated reasonably and in good faith by Equal. If closing shall occur prior to July 1, 2011, the Debtors will remain entitled to the proceeds of production from the transferred assets and remain liable for all applicable taxes and other liabilities;

e) The Debtors and Equal will execute an operating agreement with respect to certain up-hole "shallow rights", such that Equal and NAPCUS will jointly share such up-hole interests with respect to the interests held by Equal at the time of NAPCUS drilling and earning under the Farm-out Agreement on an equal basis;

f) Equal shall assume any and all liabilities attributable to the ownership of the Property after July 1, 2011;

g) The Debtor shall assume certain assigned contracts as set forth in the Equal APA and all cure amounts for such assigned contracts shall be paid by Equal prior to the assumption and assignment unless agreed upon by Equal and the contract counterparty; and

h) An exclusivity agreement is in place between the Debtors and Equal to only deal with each other on this agreement, subject to the payment of the escrow deposit of $4,625,000 or unless ordered otherwise from the U.S. Court.

20. In addition, the Lenders are prepared to accept a discount of over $12 million by signing the APA (that will be paid by the Purchase Price and the assignment of certain tax refunds/rebates), as it is reported that the Lenders have calculated its current costs to exceed $113 million in the U.S. Proceedings.

21. The Debtors' believe that the Equal APA is critical to the overall Plan of the Debtors' and will maximize value of the Property by enabling the parties to move forward with the Settlement Agreement. The Equal APA will also provide closure to all litigation claims with Equal, provide a significant source of capital for satisfaction of the Lenders' secured claims and secure releases for the Debtors.

Basis of the relief sought for the Equal APA

22. The Debtors believe they have acted prudently and with due diligence in trying to maximize the value of the Property contemplated in the Equal APA.

23. The IO understands that the Debtors have been actively marketing the Property for nearly the entirety of the U.S. Proceedings to no avail. Notwithstanding their efforts, the Debtors have not succeeded in finding an alternative partner, as potential buyers were deterred from making *bonafide* offers by the uncertainty arising from the Debtors ongoing litigation with Equal in the Adversary Proceedings and the parties' now-concluded arbitration dispute.

24. The Debtors believe that Equal has presented the most viable option for the Debtors future business and the Equal APA is intricately tied to the global settlement among the Debtors, the Lenders and Equal.

25. The Debtor, with the support of the IO, further believe the approval of the Equal APA by this Honourable Court will allow for the finalization of the Debtors' Plan, and coupled with the Settlement Agreement, and allow the Debtor to exit the U.S. Proceedings.

RECOMMENDATIONS

26. The IO recommends this Honourable Court recognize the Settlement Agreement and Asset Transfer Order granted by the U.S. Court on May 17, 2011 and approve:

    a) the Settlement Agreement;

    b) the Equal APA; and

    c) Any and all acts necessary or useful to implement the Settlement Agreement and the Equal APA.

27. In the IO's view, Petroflow and its related Debtors are acting in good faith and with due diligence during these U.S. and Canadian Proceedings.

All of which is respectfully submitted this 19th day of May 2011.

ERNST & YOUNG INC.
in its capacity as Information Officer
Petroflow Energy Ltd.

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

Orest Konowalchuk, CA•CIRP
Senior Manager

APPENDIX A

Settlement Agreement

SETTLEMENT AND MUTUAL RELEASE AGREEMENT

THIS SETTLEMENT AND MUTUAL RELEASE AGREEMENT (as may be amended or modified from time to time, this "Agreement") is made and entered into as of April 25, 2011, by and among (a) North American Petroleum Corporation USA ("NAPCUS"), Prize Petroleum LLC ("Prize") and Petroflow Energy Ltd. ("Petroflow," and collectively with NAPCUS and Prize, the "Debtors"), (b) Texas Capital Bank, N.A. and Compass Bank (collectively with all lenders parties to the Credit Agreement (as defined below) from time to time, the "Lenders"), and (c) Equal Energy US Inc. and Equal Energy Ltd. (collectively, "Equal"). The Debtors, the Lenders and Equal are individually referred to as a "Party" and collectively referred to as the "Parties."

Recitals

WHEREAS, Compass Bank, successor in interest to Guaranty Bank, FSB, as administrative agent, and Texas Capital Bank, N.A., as agent, under the Amended and Restated Credit Agreement dated August 22, 2005 (as amended, supplemented or otherwise modified from time to time and as in effect prior to the Petition Date (as defined below), the "Credit Agreement"), by and among NAPCUS and Prize, as borrowers, and the lenders party thereto from time to time;

WHEREAS, Equal and the Debtors are or were parties to various agreements governing their commercial relationships, including, but not limited to, (a) that certain farmout agreement dated as of March 1, 2006 (the "Farmout Agreement"), (b) that certain joint operating agreement dated as of March 1, 2006 (the "JOA") and (c) that certain capital recovery agreement dated as of March 1, 2006 (collectively, the "NAPCUS-Equal Agreements");

WHEREAS, on May 25, 2010 (the "Petition Date"), NAPCUS and Prize, and on August 20, 2010, Petroflow, each commenced voluntary cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, Lenders assert that they maintained secured claims in excess of $102,000,000 against NAPCUS and Prize on the Petition Date on account of all claims arising under the Credit Agreement (collectively, the "Credit Agreement Claims");

WHEREAS, on July 15, 2010, (a) the Debtors commenced an adversary proceeding against Equal, which has been docketed with the Bankruptcy Court as N. Am. Petroleum Corp. USA v. Equal Energy U.S. Inc. et al. (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51675 Case No. 10-51624 (CSS) (Bankr. D. Del.) and (b) Lenders commenced an adversary proceeding against the Debtors and Equal, which has been docketed with the Bankruptcy Court as Compass Bank et al. v. N. Am. Petroleum Corp. USA (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51624 Case No. 10-11707 (CSS) (Bankr. D. Del.) (collectively, the "Adversary Proceedings");

WHEREAS, on March 16, 2011, the Debtors and Equal executed that certain non-binding letter of understanding (the "Letter of Understanding") setting forth certain material terms of an agreement regarding the disposition of their disputes, and intend to execute that certain asset purchase agreement (the "Equal APA"), substantially in the form attached hereto as Exhibit A (provided that any change to the Equal APA from that attached hereto must be approved by Lenders), which provides for (a) transfer of certain of the Debtors' assets to Equal, (b) payment by Equal of $92,500,000 (later increased to $93.5 million by agreement between the Debtors and Equal), less $5,800,000.00 (later reduced to $5,779,929 by agreement between the Parties), an amount asserted by Equal to be owed by the Debtors to Equal for certain joint interest billing statements under the JOA (notwithstanding any orders entered by the Bankruptcy Court in the Adversary Proceedings that affect the JOA), and subject to certain other adjustments as provided in the Equal APA (the funds which at closing of the Equal APA are payable by Equal or are to be released from Escrow Deposit (as defined in the Equal APA) pursuant to Section 10.1 of the Equal APA are referred to herein as the "Equal APA Consideration"), and (c) suspension by the Debtors of any marketing efforts in connection with their assets subject to standard fiduciary obligations;

WHEREAS, the Parties have agreed to resolve their disputes based on the terms of this Agreement, which includes a mutual release of any and all claims against one another. Lenders will receive $98.0 million in cash (the "Debtor Payment Amount") and the assignment of certain tax rebates and refunds, in consideration for which, Lenders will release all their liens and deem the Credit Agreement Claims satisfied in full;

WHEREAS, the Parties agree that the implementation of the various agreements among the Parties are dependent upon one another. Specifically, the closing of the Equal APA is expressly contingent upon Debtors' and Equal's simultaneous performance of their obligations hereunder to Lenders. In furtherance thereof the Parties agree that all simultaneous obligations hereunder and under the Equal APA shall be accomplished through the services of an escrow agent (the "Escrow Agent"); and

WHEREAS, in order to avoid further expense, inconvenience, delay and uncertainty, the Parties, by this Agreement, hereby desire and intend to (a) upon the occurrence of the Settlement Effective Date (as defined below) settle, compromise and dispose of any and all claims and causes of action of every kind and character, known or unknown, existing or contingent, that the Parties have or may have against each other, including without limitation any and all claims and causes of action under the NAPCUS-Equal Agreements, any and all claims and causes of action the Lenders may have against the Debtors on account of or related to the Credit Agreement Claims, and any and all claims and causes of action that were, could have been or could be asserted by the Parties against each other in the Chapter 11 Cases or the Adversary Proceedings and (b) agree to all other terms and provisions contained herein.

Agreements, Covenants and Releases

NOW THEREFORE, in consideration of the recitals, covenants, agreements, representations, payments, transfers, and releases contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

(1) Stipulated Amounts. The Parties hereby stipulate that (i) the Lenders' Credit Agreement Claims and all liens securing the same are valid, perfected, unavoidable, fully secured and in an amount of at least $102,000,000, and (ii) the Debtors owe Equal $5,779,929 for certain joint interest billing statements under the JOA.

(2) **Escrow Agent.** Bank of Oklahoma shall serve as Escrow Agent under this Agreement. Any fees due to Escrow Agent shall be born equally by Lenders, Debtors, and Equal. The Parties instruct the Escrow Agent to accept the various documents and funds required to be delivered by the Parties pursuant hereto and by Equal and Debtors pursuant to the Equal APA and, upon receipt of all necessary documents and funds, to deliver them as directed herein and by the Equal APA.

(3) **Closing of Equal APA.** On the date of closing of the Equal APA (the "Equal APA Closing Date"), which shall occur simultaneously with the occurrence of the Settlement Effective Date hereunder, and as set forth in and pursuant to the Equal APA, Equal and Debtors will take certain actions regarding, among other things, the transfer by Debtors to Equal of the Purchase Properties, as defined in the Equal APA, and the payment therefore by Equal. One of the actions required of Debtors at closing of the Equal APA is that the Debtors shall transfer and assign to Equal 30% of their rights to certain state tax refunds and rebates, by execution and delivery of the Assignment of Tax Rebate Interest attached as Exhibit C to the Equal APA (the "Equal Tax Rebate Assignment"), free and clear of all liens, claims, encumbrances and other interests.

Notwithstanding anything in the Equal APA to the contrary, the Parties agree that a condition to the closing of the Equal APA shall be the simultaneous closing of this Agreement and, further, agree that the closing of the Equal APA shall be accomplished through the Escrow Agent, that is, any documents or funds required to be delivered by either Equal or Debtors at closing of the Equal APA shall be delivered to the Escrow Agent.

(4) **Consideration from Equal.** Equal and the Debtors agree that upon closing of the Equal APA, the Equal APA Consideration shall be indefeasibly and irrevocably paid to the Escrow Agent, free and clear of all liens, claims, encumbrances and other interests (other than any liens or other interests of the Lenders), for the exclusive benefit of Lenders and that each will issue such instructions and take such other actions as shall be necessary to accomplish such result.

(5) **Consideration from Debtors to Lenders.** Simultaneously with its execution and delivery of a conveyance of the Purchase Properties pursuant to the Equal APA and in full and final settlement, satisfaction, release and waiver of any and all claims of Lenders against the Debtors, as provided below, including, without limitation, the Credit Agreement Claims: (i) the Debtors shall irrevocably and indefeasibly pay to Lenders, free and clear of all liens, claims, encumbrances and other interests, the difference between the Equal APA Consideration paid to the Escrow Agent for the exclusive benefit of Lenders, and the Debtor Payment Amount, in cash, inclusive of the currently suspended revenues on deposit at Texas Capital Bank, N.A. in the approximate amount of $7.5 million (which suspended revenues shall also be irrevocably and indefeasibly retained by Lenders free and clear of all liens, claims, encumbrances and other interests); (ii) the Debtors shall irrevocably and indefeasibly transfer and assign to Lenders 70% of their rights to certain state tax refunds and rebates, by execution and delivery of the Assignment of Tax Rebate Interest attached hereto as Exhibit B (the "Lenders Tax Rebate

Assignment", and together with the Equal Tax Rebate Assignment, the "Tax Rebate Assignments"), free and clear of all liens, claims, encumbrances and other interests; and (iii) Equal and Debtors shall and do hereby irrevocably instruct Escrow Agent to deliver to Lenders, on the Settlement Effective Date, the Equal APA Consideration delivered to the Escrow Agent for the exclusive benefit of Lenders.

(6) **Tax Rebate Assignments.** At closing of the Equal APA, the applicable Parties shall execute and deliver the Tax Rebate Assignments to the Escrow Agent for the exclusive benefit of Lenders and Equal respectively.

(7) **Settlement and Releases.** Simultaneously with, but effective only upon, the closing of the Equal APA and the delivery to Lenders of all funds and documents required hereby, the Parties each agree that the following mutual release in full and final satisfaction, settlement, release and waiver of claims as stated herein, for which each Party has received good and adequate consideration as set forth herein, shall be effective:

(i) Effective on the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, the Debtors, and each of their bankruptcy estates, on behalf of themselves, their successors and assigns and any person claiming by, through or under any of them (including without limitation, their respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and all of such entities' (including the Debtors') officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors (including the Debtors as reorganized pursuant to a chapter 11 plan and any trustee that may be appointed in the Chapter 11 Cases or any subsequent chapter 7 bankruptcy), predecessors, legal representatives and/or attorneys) (all of whom are sometimes hereinafter individually and collectively referred to as the "Debtor Releasors"), do hereby **FULLY RELEASE AND FOREVER DISCHARGE** the Lenders and their respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and all of such entities' officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, independent members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors, predecessors, legal representatives and/or attorneys (all of whom are sometimes hereinafter individually and collectively referred to as the "Lender Releasees") of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Debtor Releasors now have, ever had, or in the future may have or could claim against the Lender Releasees for, upon or by reason of any matter, cause or thing, including specifically, but not limited to, any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, or (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Debtor Releasors (x) do **NOT** release the Lender Releasees from any obligations, representations and warranties under this Agreement, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement, and (y) do **NOT** release any claim against the Lender Releasees for breach of the terms of this Agreement;

(ii) Effective on the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, the Debtor Releasors do hereby **FULLY RELEASE AND FOREVER DISCHARGE** Equal and its respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and, in their respective capacities as such, all of such entities' officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, independent members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors, predecessors, legal representatives and/or attorneys (all of whom are sometimes hereinafter individually and collectively referred to as the "Equal Releasees") of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Debtor Releasors now have, ever had, or in the future may have or could claim against the Equal Releasees for, upon or by reason of any matter, cause or thing, including specifically, but not limited to, any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, or (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Debtor Releasors (x) do **NOT** release the Equal Releasees from any obligations, representations and warranties under this Agreement and the Equal APA, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement and the Equal APA, (y) do **NOT** release any claim against the Equal Releasees for breach of the terms of this Agreement or the Equal APA, and (z) do **NOT** release any owner of either a working interest or leasehold interest, whether a person or entity, other than Equal, in that person's or entity's capacity as either a working interest owner or leasehold interest owner, from any claim involving any obligation or liability that may now or hereafter be due or owing to the Debtor Releasors;

(iii) Effective on the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, Equal, on behalf of themselves, their successors and assigns and any person claiming by, through or under any of them (including without limitation, their respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and all of such entities' officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors, predecessors, legal representatives and/or attorneys (all of whom are sometimes hereinafter individually and collectively referred to as the "Equal Releasors"), do hereby **FULLY RELEASE AND FOREVER DISCHARGE** the Debtors, and each of their bankruptcy estates, their respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and, in their respective capacities as such, all of such entities' officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, independent members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors (including the Debtors as reorganized pursuant to a chapter 11 plan), predecessors, legal representatives and/or attorneys (all of whom are sometimes hereinafter individually and collectively referred to as the "Debtor Releasees") of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Equal Releasors now have, ever had, or in the future may have or could claim against the Debtor Releasees for, upon or by reason of any matter, cause or thing, including specifically, but not limited to, any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, and (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Equal Releasors (x) do **NOT** release the Debtor Releasees from any obligations, representations and warranties under this Agreement and the Equal APA, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement and the Equal APA, (y) do **NOT** release any claim against the Debtor Releasees for breach of the terms of this Agreement or the Equal APA, and (z) do **NOT** release any owner of either a working interest or leasehold interest, whether a person or entity, other than Debtors, in that person's or entity's capacity as either a working interest owner or leasehold interest owner, from any claim involving any obligation or liability that may now or hereafter be due or owing to the Equal Releasors;

(iv) As of the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, the Equal Releasors do hereby **FULLY RELEASE AND FOREVER DISCHARGE** the Lender Releasees of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Equal Releasors now have, ever had, or in the future may have or could claim against the Lender Releasees for, upon or by reason of any matter, cause or thing related to the Debtors, the events, transactions, facts and/or allegations made the subject of the Chapter 11 Cases, the Adversary Proceedings or the NAPCUS-Equal Agreements, including specifically, but not limited to, any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, and (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Equal Releasors (x) do **NOT** release the Lender Releasees from any obligations, representations and warranties under this Agreement, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement, and (y) do **NOT** release any claim against the Lender Releasees for breach of the terms of this Agreement;

(v) Effective on the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, the Lenders, for themselves, their successors and assigns, and any person or entity claims by, through or under any of them (including, without limitation, each of their respective past, present and/or future, direct and/or indirect, parents, subsidiaries, divisions and affiliates, and for, in their respective capacities as such all of such entities' officers, directors, shareholders, agents, partners, partnerships, joint venturers, members, managers, employees, administrators, representatives, trustees, insurers, assigns, successors, predecessors, legal representatives and/or attorneys) (all of whom are sometimes hereinafter individually and collectively referred to as the "Lender Releasors"), do hereby **FULLY RELEASE AND FOREVER DISCHARGE** the Debtor Releasees of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Lender Releasors now have, ever had, or in the future may have or could claim against the Debtor Releasees for, upon or by reason of any matter, cause or thing, including specifically, but not limited to, any and all claims and causes of action the Lenders may have against the Debtors on account of or related to the Credit Agreement Claims and any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, and (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Lender Releasors (x) do **NOT** release the Debtor Releasees from any obligations, representations and warranties under this Agreement, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement, and (y) do **NOT** release any claim against the Debtor Releasees for breach of the terms of this Agreement;

(vi) Effective on the Settlement Effective Date, and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment, the Lender Releasors do hereby **FULLY RELEASE AND FOREVER DISCHARGE** the Equal Releasees of and from any and all claims (and any liens asserted with respect to such claims), actions, causes of action and/or liabilities, rights to offset, setoff or recoupment, damages, exemplary damages, attorneys' fees, costs, interest, or other relief of any kind or character whatsoever, whether sounding in contract or in tort, whether intentional, fraudulent or negligent, whether pursuant to state or federal statute or at common law, whether at law or in equity, whether now known or unknown, suspected or unsuspected, matured or not matured, direct or indirect, fixed or contingent, liquidated or unliquidated, which the Lender Releasors now have, ever had, or in the future may have or could claim against the Equal Releasees for, upon or by reason of any matter, cause or thing related to the events, transactions, facts and/or allegations made the subject of the Chapter 11 Cases, the Adversary Proceedings and the NAPCUS-Equal Agreements, including specifically, but not limited to, any and all claims or causes of action (i) relating to the Credit Agreement, (ii) that were asserted or could have been asserted in the Chapter 11 Cases or the Adversary Proceedings, and (iii) arising out of any act, occurrence, transaction, or omission occurring at any time prior to the Settlement Effective Date; **EXCEPT THAT**, the Lender Releasors (x) do **NOT** release the Equal Releasees from any obligations, representations and warranties under this Agreement, which shall **ONLY** be released, satisfied or discharged in accordance with the terms of this Agreement, and (y) do **NOT** release any claim against the Equal Releasees for breach of the terms of this Agreement;

(vii) Effective on the Settlement Effective Date and Lenders' irrevocable and indefeasible receipt, free and clear of all liens, claims, encumbrances and other interests, of the Debtor Payment Amount and the Lenders' Tax Rebate Assignment the Lenders release any and all liens, claims, encumbrances and other interests against the assets conveyed by the Debtors pursuant to the Equal APA, with any and all such liens, claims, encumbrances and other interests in favor of Lenders against such assets attaching to the Equal APA Consideration and any other consideration paid or payable by Equal to Debtors;

(viii) **IT IS THE EXPRESS INTENTION OF THE PARTIES THAT THE RELEASES GRANTED HEREIN SHALL FULLY RELEASE, WITHOUT LIMITATION, ANY AND ALL OF THEIR CLAIMS AGAINST EACH OTHER BASED UPON OR ARISING OUT OF ANY CONDUCT, ACTS, OMISSIONS OR ALLEGED VIOLATIONS OF LAW IN ANY FORM OR FASHION RELATED TO THE EVENTS, TRANSACTIONS, FACTS AND/OR ALLEGATIONS MADE THE SUBJECT OF THE CHAPTER 11 CASES OR THE ADVERSARY PROCEEDINGS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OR CAUSES OF ACTION ARISING FROM THE NEGLIGENCE, THE GROSS NEGLIGENCE, OR THE WILLFUL MISCONDUCT OF ANY OF THE RELEASED PARTIES;** and

(ix) Notwithstanding any other provision of this Agreement, the Parties agree that the releases given herein shall not constitute a release by any of the Parties hereto of any claim to enforce, or for breach of, the terms and provisions of this Agreement.

(8) Cancellation of Credit Agreement. Simultaneously with but effective only upon, the closing of the Equal APA and the occurrence of the Settlement Effective Date and the irrevocable and indefeasible delivery to Lenders of Debtor Payment Amount and the Lenders' Tax Rebate Assignment free and clear of all liens, claims, encumbrances and other interests, the Credit Agreement and all instruments, certificates and other documents related thereto shall be cancelled, and all remaining obligations of the Debtors thereunder, or in any way related thereto (other than obligations under this Agreement), shall be waived and released by Lenders. Lenders shall cooperate with the Debtors in, among other things, providing whatever releases of lien or similar documents are reasonably required to effectuate such waivers and releases.

(9) Covenants Regarding Chapter 11 Plan. The Lenders and Equal shall not object to or oppose: (a) confirmation of any Chapter 11 plan proposed by the Debtors in the Chapter 11 Cases (a "Plan"); or (b) any other action taken by the Debtors in the Chapter 11 Cases; provided that the Plan and any such action taken by the Debtors is consistent with this Agreement, and otherwise does not prevent or delay the Debtors from consummating, all aspects of this Agreement and the Equal APA, and the Debtors are moving forward in good faith toward Bankruptcy Court approval and timely consummation of the Equal APA and this Agreement.

(10) Bankruptcy Court Approval. The Parties agree that they will seek the entry of an order by the Bankruptcy Court authorizing the implementation of all actions contemplated by this Agreement and the Equal APA. Such order of the Bankruptcy Court shall provide, among other things, that all of Lenders' obligations and the Debtors' conveyance of assets pursuant to the Equal APA are contingent on Debtors' simultaneous satisfaction of all of their obligations to Lenders hereunder. Equal and Debtors agree that Debtors will have no obligation to close under the Equal APA nor shall either Debtors or Equal have any right to convey or to accept the conveyance, respectively, of any properties pursuant to the Equal APA or otherwise if Debtors and Equal are unable to fulfill or otherwise do not in fact fulfill all of their obligations under this Agreement, including causing the irrevocable and indefeasible delivery to the Lenders of the Debtor Payment Amount and the fully executed Lenders Tax Rebate Assignment free and clear of all liens, claims, encumbrances and other interests and the granting of the releases specified above, and no such order seeking such authorization shall be proposed by any Party, adopted, or implemented which authorizes the execution or implementation of any agreement between Debtors and Equal that is not so limited. In the event that this Agreement is not approved by the Bankruptcy Court, the Parties shall be restored to their respective positions in the Chapter 11 Case and the Adversary Proceeding. In such event, the terms, provisions, acknowledgements, representations, covenants and/or warranties of this Agreement shall have no further force and effect with respect to the Parties, and shall not be used in any action or proceeding, including, but not limited to, the Chapter 11 Case and the Adversary Proceeding, for any purpose. Equal will fund a deposit in escrow with Escrow Agent equal in amount to 5% of the Purchase Consideration (as defined in the Equal APA) pending approval by the Bankruptcy Court and consummation of this Agreement, which deposit shall be refunded immediately to Equal if an order approving this Agreement has not been entered on or before May 19, 2011.

(11) Conditions to Closing. The Equal APA shall not close and the Escrow Agent shall not deliver fund or documents unless and until the Escrow Agent is in possession of all funds and documents required to be delivered to Lenders hereunder and has the right and power, to deliver those fund and documents to Lenders. All such deliveries shall be simultaneous. The date of effectiveness of this Agreement (the "Settlement Effective Date") shall be the date on which all of the following conditions have been satisfied or waived with the written consent of the Parties:

(i) entry of a final and non-appealable order by the Bankruptcy Court approving this Agreement and the Equal APA and the implementation of all actions contemplated hereby and thereby;

(ii) execution by the Parties of this Agreement on or before April 25, 2011 (or such later date as the Parties may agree);

(iii) the stay of the Adversary Proceedings agreed to by the Debtors and Equal in the Letter of Understanding remains in place and is continuing;

(iv) all documents and funds required for the closing of the Equal APA have been delivered to the Escrow Agent; and

(v) the Escrow Agent has irrevocably and indefeasibly delivered (i) $98,000,000 in cash and the fully executed Lenders Tax Rebate Assignment to the Lenders and (ii) the fully executed Equal Tax Rebate Assignment to Equal, all free and clear of all liens, claims, encumbrances and other interests (other than any liens or other interests of the Lenders).

If the Settlement Effective Date does not occur on or before June 1, 2011, then, unless instructed otherwise by written instruction executed by all Parties, the Escrow Agent shall return all funds and documents to the Party tendering them and the Parties shall be restored to their respective positions in the Chapter 11 Case and the Adversary Proceeding. In such event, the terms, provisions, acknowledgements, representations, covenants and/or warranties of this Agreement shall have no further force and effect with respect to the Parties, and shall not be used in any action or proceeding, including, but not limited to, the Chapter 11 Case and the Adversary Proceeding, for any purpose.

(12) **Dismissal of Adversary Proceedings.** No later than one (1) business day after the Settlement Effective Date, the Parties hereby agree to (i) file joint notices in the Adversary Proceedings providing for consensual and mutual dismissal of the Adversary Proceedings with prejudice and (ii) file joint motions in the Chapter 11 Cases and the Adversary Proceedings requesting that the Bankruptcy Court withdraw its (a) "Preliminary Findings of Fact and Conclusions of Law," dated January 24, 2011, (b) "Findings of Fact and Conclusions of Law," dated February 18, 2011, and (c) "Order Granting, In Part, Count 1 Of Debtors' Adversary Proceeding; Denying, In Part, Counts 2 And 7 Of Debtors' Adversary Proceeding; And Granting, In Part, Equal Energy's Administrative Claim", dated March 4, 2011.

(13) **Successors and Assigns.** The provisions of this Agreement shall be binding on the Parties, their respective heirs, representatives, successors and assigns or anyone attempting to claim through said Parties, and shall inure to the benefit of the Parties, their respective heirs, representatives, successors and assigns.

(14) **Assignability.** Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by any Party without the prior written consent of the Parties; provided however that the assignability of the Equal APA shall be exclusively governed by the terms of the Equal APA.

(15) **Governing Law.** This Agreement and any disputes in connection with, arising from, or relating in any way to this Agreement, or its subject, formation, validity, performance, interpretation or enforcement shall be governed by, construed and enforced in accordance with the laws of the State of Delaware, excluding the conflict of laws provisions thereof. By its execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in the Bankruptcy Court, or to the extent the Bankruptcy Court does not have subject matter jurisdiction, a state or federal court of competent jurisdiction in the State of Delaware. By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding anything to the contrary in this paragraph 15, the Equal APA shall be governed by the provisions therein.

(16) **Execution in Counterpart.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature, and shall be binding on the Parties.

(17) **Time is of the Essence.** The Parties agree that time is of the essence to both Equal and the Lenders in closing this matter by the Settlement Effective Date, including closing of the Equal APA, the delivery of the fully executed Tax Rebate Assignments to Lenders and Equal, respectively, and the Lenders' irrevocable and indefeasible receipt of the $98.0 million cash payment on the Settlement Effective Date, and no Party shall have any implied duty to extend the Settlement Effective Date, and each Party may refuse to extend the Settlement Effective Date for any reason or no reason.

(18) **No Third-Party Beneficiary.** Nothing in this Agreement, whether express or implied, shall be construed to give any legal or equitable right, remedy, interest or claim under or in respect of this Agreement, to (a) the Lenders with respect to agreements and understandings set forth in this Agreement between, solely, the Debtors and Equal, (b) Equal with respect to agreements and understandings set forth in this Agreement between, solely, the Debtors and the Lenders, and (c) any third parties with respect to any agreements or understandings set forth in this Agreement by, between or among the Parties.

(19) **Compliance With Rule 11.** The Parties hereby acknowledge that each of the Parties and their lawyers have acted in accordance with Federal Rule of Civil Procedure 11 and Federal Rule of Bankruptcy Procedure 7011 at all times in both the pursuit and defense of the claims and related defenses in the Chapter 11 Cases and the Adversary Proceedings.

(20) **Consultation With Counsel.** The Parties acknowledge that they have consulted with and received advice from such legal counsel and/or other advisors as deemed necessary relative to this matter, including the terms of this Agreement and the advisability of executing this Agreement. Each Party represents and warrants that it/he/she understands the legal effect and content of this Agreement, and is executing same as its/his/her own knowing and voluntary act and deed.

(21) **Agreement Prepared By All Parties.** This Agreement has been negotiated and prepared at the mutual request, direction, and construction of all the Parties, at arms' length, with the advice and participation of legal counsel, and will be interpreted in accordance with its terms without favor to any Party.

(22) **Complete Writing.** This Agreement contains the full and complete understanding of the Parties with respect to the settlement contemplated hereby, and no statements, representations, understandings, writings or other communications made prior to the execution of this Agreement, unless expressly contained herein, shall be binding on the Parties; provided however that, to the extent of any conflict between this Agreement and the Equal APA, this Agreement shall control unless and until the Lenders have indefeasibly and irrevocably

received $98 million, the Lenders Tax Rebate Assignment, and the releases in favor of Lenders all as provided for in this Agreement. Only after such receipt by Lenders, to the extent of any conflict between this Agreement and the Equal APA the Equal APA shall control. This Agreement shall not work a novation of or, pending the occurrence of the Settlement Effective Date, otherwise affect the Lenders' and Debtors' respective rights and obligations under the Credit Agreement or any documents executed in connection therewith.

(23) **Additional Documentation.** The Parties agree to execute, acknowledge and deliver to each other such other documents, and to cooperate and exercise all reasonable efforts necessary to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement.

(24) **No Admissions.** It is expressly understood and agreed that the terms hereof are contractual and not merely recitals, and that the agreements and obligations contained herein and the consideration transferred is to compromise and settle uncertain claims and claim amounts, to avoid further litigation, and to buy peace. This Agreement is executed for the sole purpose of compromising and settling the matters involved in the Chapter 11 Cases and the Adversary Proceedings, and it is expressly understood and agreed, as a condition hereof, that this Agreement, and the consideration paid in accordance with the terms hereof, shall not constitute, be deemed to be or be construed as an admission of liability by any Party, or to indicate in any degree an admission of the truth or correctness of any of the claims asserted by any Party against any other.

(25) **Parties to Bear Own Costs.** Each of the Parties to this Agreement shall pay its own attorneys' fees and costs arising in connection with the negotiation and preparation of this Agreement, the claims released herein and the Chapter 11 Cases and the Adversary Proceedings.

(26) **Modification.** This Agreement may not be changed, modified or amended in any manner whatsoever except in a writing signed by all Parties.

(27) **Authority and Competence to Execute and Settle.** Each signatory to this Agreement represents and warrants that such person is duly authorized to bind the Party for whom such person acts. The Parties expressly represent and warrant on behalf of themselves and their heirs, legal representatives, successors, and assigns, that they are legally competent to execute this Agreement and that they do so of their own free will and accord, without reliance on any representation of any kind or character not expressly set forth herein. Each of the Parties represents and warrants that it is the sole legal owner of all right, title, and interest in and to every claim, right or other matter released in this Agreement and that the claims, rights and other matters released in this Agreement have not been assigned, transferred or sold, and are free of any encumbrance.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth above.

North American Petroleum Corporation USA

____

By:______________________________

Its:______________________________

Date:______________________________

Prize Petroleum LLC

____

By:______________________________

Its:______________________________

Date:______________________________

Petroflow Energy Ltd.

____

By:______________________________

Its:______________________________

Date:______________________________

Texas Capital Bank, N.A.

____

By:______________________________

Its:______________________________

Date:______________________________

Compass Bank

____

By:______________________________

Its:______________________________

Date:______________________________

Equal Energy US Inc.

____

By:______________________________

Its:______________________________

Date:______________________________

Equal Energy Ltd.

____

By:______________________________

Its:______________________________

Date:______________________________

<u>Exhibit A</u>

Equal APA

[See <u>Exhibit 2</u> to the Order.]

Exhibit B

EXHIBIT "B"

Attached to and made a part of the Settlement and Release Agreement dated April 23, 2011, by and among (a) Assignors (b) Assignee, and (c) Equal and Equal Energy Ltd., each as defined below.

STATE OF OKLAHOMA	§	
	§	
COUNTY OF GRANT	§	

ASSIGNMENT OF TAX REBATE INTEREST

This ASSIGNMENT OF TAX REBATE INTEREST (this "Assignment") dated effective [ ], 2011 ("Effective Date"), is from **NORTH AMERICAN PETROLEUM CORPORATION USA** ("NAPCUS"), **PRIZE PETROLEUM LLC** ("Prize") and **PETROFLOW ENERGY LTD.** ("Petroflow," and, collectively with NAPCUS and Prize, the "Assignors"), whose addresses are 525 S. Main Street, Suite 1120, Tulsa, OK 74103, to **TEXAS CAPITAL BANK, N.A., AND COMPASS BANK** ("Assignees") whose addresses are Texas Capital Bank, N.A., 2000 McKinney Avenue, Suite 700, Dallas, TX 75201, and Compass Bank, 8333 Douglas Ave. Suite 820, Dallas. TX 75225, and **EQUAL ENERGY US INC.** ("Equal") whose address is 4801 Gaillardia Parkway, Suite 325, Oklahoma City, Oklahoma 73142. Assignors, Assignees and Equal are individually referred to as a "Party" and collectively referred to as the "Parties."

WHEREAS, on May 25, 2010, NAPCUS and Prize, and on August 20, 2010, Petroflow, each commenced voluntary cases under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware;

WHEREAS, the Assignees asserted claims in the approximate amount of approximately $101,000,000 against Debtors on the Petition Date;

WHEREAS, on July 15, 2010, (a) the Assignors commenced an adversary proceeding against Equal and Equal Energy Ltd., which has been docketed with the Bankruptcy Court as N. Am. Petroleum Corp. USA v. Equal Energy U.S. Inc. et al. (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51675 Case No. 10-51624 (CSS) (Bankr. D. Del.) and (b) Assignees commenced an adversary proceeding against NAPCUS, Prize and Equal, which has been docketed with the Bankruptcy Court as Compass Bank et al. v. N. Am. Petroleum Corp. USA (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51624 Case No. 10-11707 (CSS) (Bankr. D. Del.); and

WHEREAS, the Parties have agreed to resolve their disputes based on the terms of a Settlement Agreement ("Agreement"). The execution and delivery of this Assignment is made in connection with that Agreement.

NOW THEREFORE, for good and valuable consideration to Assignors in hand paid by Assignees (the receipt and sufficiency of which are hereby acknowledged) and in accordance with the Agreement, the Parties hereby agree as follows:

1. **Definitions**. For purposes of this Assignment the following capitalized terms shall have the meanings herein ascribed to them below:

"**Oil and Gas Properties**" means oil and gas leases and wells and the related lands identified on Exhibit A, attached hereto.

"**Refunds and Rebates**" means all refunds or rebates for production taxes, severance taxes, or any other taxes related to the ownership of the Oil and Gas Properties or production therefrom, including specifically those related to production from horizontal wells, available under Oklahoma law for the period from June 1, 2009, through the Effective Date of this Assignment.

2. **Assignment**. Assignors hereby transfer, grant, convey and assign to Assignees 70% of Assignors' interest in the Refunds and Rebates. The Parties acknowledge that contemporaneously herewith Assignors are executing an assignment to Equal of the remaining 30% of Assignors' interest in the Refunds and Rebates and agree that such assignment to Equal shall be interpreted consistently herewith without regard to the actual sequence of their execution, with the result that Assignees shall own 70% and Equal shall own 30% of Assignor's pre-conveyance interest in the Refunds and Rebates. Equal and Assignees hereby assign to each other any interest in the Refunds and Rebates necessary to accomplish the ownership division reflected in the previous sentence.

3. **Application for Refunds and Rebates**. Equal shall in the ordinary course of business and with reasonable diligence identify, apply for, and collect all available Refunds and Rebates attributable to Assignors' interests and make all payments to Assignees without deduction or offset. Equal shall provide a copy of this Assignment to all appropriate governmental authorities and shall request that payments due to Assignees be made directly to Assignees in the proportions designated by Assignees. Despite Equal's agreement to assign certain interests in the Refunds and Rebates to Assignees, Equal makes no representations or warranties regarding the amount or timing of the Refunds and Rebates being assigned to Assignees, and Assignees expressly acknowledge that Equal (i) shall not be responsible or liable for any failure of the governmental authorities to make payments directly to Equal (ii) has not guaranteed the amount or timing of the Refunds and Rebates or (iii) is under no obligation to pay a sum of Refunds and Rebates in any certain amount that may be anticipated by Assignees, or either of them. Equal shall have no duty to commence administrative or legal action on behalf of Assignee as to any dispute Assignees may have with the governmental authorities concerning or related to the Refunds and Rebates or payment thereof.

4. **Disbursement of Refunds and Rebates**. Equal shall disburse all Refunds and Rebates attributable to Assignees' interest within thirty (30) days of their receipt by Equal.

5. **Further Assurances**. Each of the Parties agree the it will promptly execute and deliver such other and further instruments as may reasonably be requested by another Party and do such other and further acts as may be necessary or desirable to carry out more effectively the intent and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment is required to be executed by a Party on an approved form or on a separately executed instrument, such separate assignment shall be so executed, on such approved form or on such separate

assignment prepared by the requesting Party, in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements, all without charge to the requesting Party.

6. **Litigation Expense**. In the event it becomes necessary for any Party to commence or to become a party to any action or proceeding to enforce the provisions of the Assignment, the court or body before which the same shall be tried shall award to the prevailing party all costs and expenses thereof, including reasonable and documented attorney's fees, recoverable and documented court costs, and all other reasonable and documented expenses incurred solely in connection therewith.

7. **Complete Writing**. This Agreement contains the full and complete understanding of the Parties with respect to the matters covered hereby, and no statements, representations, understandings, writings or other communications made prior to the execution of this Agreement, unless expressly contained herein, shall be binding on the Parties.

8. **Successors and Assigns**. The provisions of this Agreement shall be binding on, and shall inure to the benefit of, the Parties, their respective heirs, representatives, successors and assigns or anyone attempting to claim through said Parties.

9. **Invalidity**. In the event any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, which other provisions shall remain in full force and effect.

10. **Execution in Counterpart**. This Assignment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Assignment transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature, and shall be binding on the Parties.

11. **Governing Law**. This Agreement and any disputes in connection with, arising from, or relating in any way to this Agreement, or its subject, formation, validity, performance, interpretation or enforcement shall be governed by, construed and enforced in accordance with the laws of the State of Oklahoma, excluding the conflict of laws provisions thereof.

[Signature Pages Follow]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

NORTH AMERICAN PETROLEUM CORPORATION USA

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [redacted] §
§
COUNTY OF [redacted] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________, the ____________________ of North American Petroleum Corporation USA. A Delaware corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____
NOTARY PUBLIC, State of [redacted]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

PRIZE PETROLEUM LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [ ] §
§
COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________, the ____________________ of Prize Petroleum LLC, on behalf of said limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____
NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

PETROFLOW ENERGY LTD.

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [ ] §
§
COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________, the ____________________ of Petroflow Energy Ltd., on behalf of said limited company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____
NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNEE:

EQUAL ENERGY US INC.

By:

By: ______________________
Name: ______________________
Title: ______________________

STATE OF [[redacted]] §
§
COUNTY OF [[redacted]] §

The foregoing instrument was acknowledged before me on ____________, 2011 by ______________________, the ______________________ of Equal Energy US Inc., on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of ________, 2011.

____
NOTARY PUBLIC, State of [[redacted]]

EXECUTED as of the date set out above, but effective as of the Effective Date.

SIGNATORY:

TEXAS CAPITAL BANK, N.A.

By:

By: ______________________________

Name: ______________________________

Title: ______________________________

STATE OF [ ] §

§

COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________________________, the _________________________ of Texas Capital Bank, N.A., on behalf of said bank.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____

NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

SIGNATORY:

COMPASS BANK

By:

By: ______________________________
Name: ____________________________
Title: _____________________________

STATE OF [redacted] §
§
COUNTY OF [redacted] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________________________, the _________________________ of Compass Bank, on behalf of said bank.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of __________, 2011.

____
NOTARY PUBLIC, State of [redacted]

Exhibit A

EXHIBIT "A"

Attached to and made a part of the Assignment of Tax Rebate Interest dated July 1, 2011, by and among (a) Assignors, (b) Assignee and (c) Lenders

Sparta #1-3H	all	3	14N	4E	Lincoln
Bonus #1-4H	all	4	14N	4E	Lincoln
Anthony #1-9H	all	9	14N	4E	Lincoln
Sphinx #1-10H	all	10	14N	4E	Lincoln
Stavros #1-11H	all	11	14N	4E	Lincoln
Vesta #1-14H	all	14	14N	4E	Lincoln
Titan #1-15H	all	15	14N	4E	Lincoln
Chad #1-16H	all	16	14N	4E	Lincoln
Melosa #1-21H	all	21	14N	4E	Lincoln
Cupid #1-22H	all	22	14N	4E	Lincoln
Zephir #1-23H	all	23	14N	4E	Lincoln
Nectar #1-4H	all	4	14N	5E	Lincoln
Crete #1-5H	all	5	14N	5E	Lincoln
Midas #1-8H	all	8	14N	5E	Lincoln
Corinth #1-9H	all	9	14N	5E	Lincoln
Icarus #1-16H	all	16	14N	5E	Lincoln
Venus #1-17H	all	17	14N	5E	Lincoln
Sartain #1-21H	all	21	14N	5E	Lincoln
Erme #1-7H	all	7	15N	4E	Lincoln
Meen #1-8H	all	8	15N	4E	Lincoln
Lubin #1-9H	all	9	15N	4E	Lincoln
Foy #1-10H	all	10	15N	4E	Lincoln
Abo #1-11H	all	11	15N	4E	Lincoln
Gilbert #1-12H	all	12	15N	4E	Lincoln
Brixey #1-13H	all	13	15N	4E	Lincoln
Elizabeth #1-14H	all	14	15N	4E	Lincoln
Greenfield #1-15H	all	15	15N	4E	Lincoln
Balsam #1-16H	all	16	15N	4E	Lincoln
Elmo #1-17H	all	17	15N	4E	Lincoln
Alfred #1-18H	all	18	15N	4E	Lincoln
Canute #1-19H	all	19	15N	4E	Lincoln
Francisco #1-20H	all	20	15N	4E	Lincoln
Abel #1-21H	all	21	15N	4E	Lincoln
Achilles #1-22H	all	22	15N	4E	Lincoln
Xanthus #1-27H	all	27	15N	4E	Lincoln
Abraham #1-28H	all	28	15N	4E	Lincoln

Damascus #1-29H	all	29	15N	4E	Lincoln
Helm #1-33H	all	33	15N	4E	Lincoln
Goddess #1-34H	all	34	15N	4E	Lincoln
Acropolis #1-19H	all	19	15N	5E	Lincoln
Burl #1-20H	all	20	15N	5E	Lincoln
Dorians #1-29H	all	29	15N	5E	Lincoln
Homer 1-32H	all	32	15N	5E	Lincoln
Tiger #1-28H	W/2	28	17N	1E	Logan
Flossie #1-33H	all	33	17N	1E	Logan
Cougar #1-35H	N/2 Sec. 34 & NW/4 Sec. 35	34 & 35	17N	1E	Logan
Milky Way #1-20H	all	20	17N	1W	Logan
Saluki #1-4	all	4	24N	7W	Garfield
Otterhound #2-8H	all	8	24N	7W	Garfield
St. Bernard #1-9	all	9	24N	7W	Garfield
Manchester #1-17H	all	17	25N	7W	Grant
Maltese #1-29H	all	29	25N	7W	Grant
Newfoundland #1-7	all	7	25N	8W	Grant
Heeler #1-15H	all	15	25N	8W	Grant
Afghan #1-16H	all	16	25N	8W	Grant
Border #1-17H	all	17	25N	8W	Grant
Whippet #1-19H	all	19	25N	8W	Grant
Sharpei #1-20H	all	20	25N	8W	Grant
Terrier #1-21H	all	21	25N	8W	Grant
Lowchen #2-23H	all	23	25N	8W	Grant
Pomeranian #1-28H	all	28	25N	8W	Grant
Eskimo #1-29H	all	29	25N	8W	Grant
Bloodhound #1-35H	all	35	25N	8W	Grant
Beagle #1-36H	all	36	25N	8W	Grant

Exhibit C

EXHIBIT "C"

Attached to and made a part of the Purchase and Sale Agreement, dated April 23, 2011, by and among (a) Assignors and (b) Assignee, each as defined below.

ASSIGNMENT OF TAX REBATE INTEREST

This ASSIGNMENT OF TAX REBATE INTEREST (this "Assignment") dated effective July 1, 2011, 2011 ("Effective Date"), is entered into by and among (i) **NORTH AMERICAN PETROLEUM CORPORATION USA** ("NAPCUS"), **PRIZE PETROLEUM LLC** ("Prize") and **PETROFLOW ENERGY LTD.** ("Petroflow," and, collectively with NAPCUS and Prize, the "Assignors"), whose addresses are 525 S. Main Street, Suite 1120, Tulsa, Oklahoma 74103, (ii) **EQUAL ENERGY US INC.** ("Assignee") whose address is 4801 Gaillardia Parkway, Suite 325, Oklahoma City, Oklahoma 73142, and (iii) **TEXAS CAPITAL BANK, N.A. AND COMPASS BANK** (collectively, the "Lenders") whose addresses are Texas Capital Bank, N.A., 2000 McKinney Avenue, Suite 700, Dallas, TX 75201, and Compass Bank, 8333 Douglas Ave. Suite 820, Dallas. TX 75225. Assignors, Assignee and Lenders are individually referred to as a "Party" and collectively referred to as the "Parties."

WHEREAS, on May 25, 2010, NAPCUS and Prize, and on August 20, 2010, Petroflow, each commenced voluntary cases under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware;

WHEREAS, on July 15, 2010, (a) the Assignors commenced an adversary proceeding against Assignee and Equal Energy Ltd., which has been docketed with the Bankruptcy Court as N. Am. Petroleum Corp. USA v. Equal Energy U.S. Inc. et al. (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51675 Case No. 10-51624 (CSS) (Bankr. D. Del.) and (b) Lenders commenced an adversary proceeding against NAPCUS, Prize and Assignee, which has been docketed with the Bankruptcy Court as Compass Bank et al. v. N. Am. Petroleum Corp. USA (In re N. Am. Petroleum Corp. USA), Adv. Case No. 10-51624 Case No. 10-11707 (CSS) (Bankr. D. Del.); and

WHEREAS, the Parties have agreed to resolve their disputes based on the terms of a Settlement Agreement ("Agreement"). The execution and delivery of this Assignment is made in connection with that Agreement and the Purchase and Sale Agreement, by and among NAPCUS and Prize, as sellers, Petroflow, as parent company of NAPCUS, and Assignee, as purchaser (the "Equal APA").

NOW THEREFORE, for good and valuable consideration to Assignors in hand paid by Assignee (the receipt and sufficiency of which are hereby acknowledged) and in accordance with the Agreement and the Equal APA, the Parties hereby agree as follows:

1. **Definitions**. For purposes of this Assignment the following capitalized terms shall have the meanings herein ascribed to them below:

"**Oil and Gas Properties**" means oil and gas leases and wells and the related lands identified on Exhibit A, attached hereto.

"**Refunds and Rebates**" means all refunds or rebates for production taxes, severance taxes, or any other taxes related to the ownership of the Oil and Gas Properties or production therefrom, including specifically those related to production from horizontal wells, available under Oklahoma law for the period from June 1, 2009, through the Effective Date of this Assignment.

2. **Assignment**. Assignors hereby transfer, grant, convey and assign to Assignee 30% of Assignors' interest in the Refunds and Rebates. The Parties acknowledge that contemporaneously herewith Assignors are executing an assignment to Lenders of the remaining 70% of Assignors' interest in the Refunds and Rebates and agree that such assignment to Lenders shall be interpreted consistently herewith without regard to the actual sequence of their execution, with the result that Assignee shall own 30% and Lenders shall own 70% of Assignor's pre-conveyance interest in the Refunds and Rebates. Lenders and Assignee hereby assign to each other any interest in the Refunds and Rebates necessary to accomplish the ownership division reflected in the previous sentence.

3. **Further Assurances**. Each of the Parties agree the it will promptly execute and deliver such other and further instruments as may reasonably be requested by another Party and do such other and further acts as may be necessary or desirable to carry out more effectively the intent and purposes of this Assignment. Furthermore, in the event that, under applicable federal or state statutes or regulations or by virtue of contractual obligations, a separate assignment is required to be executed by a Party on an approved form or on a separately executed instrument, such separate assignment shall be so executed, on such approved form or on such separate assignment prepared by the requesting Party, in sufficient counterparts to satisfy any such statutory, regulatory or contractual requirements, all without charge to the requesting Party.

4. **Litigation Expense**. In the event it becomes necessary for any Party to commence or to become a party to any action or proceeding to enforce the provisions of the Assignment, the court or body before which the same shall be tried shall award to the prevailing party all costs and expenses thereof, including reasonable and documented attorney's fees, recoverable and documented court costs, and all other reasonable and documented expenses incurred solely in connection therewith.

5. **Complete Writing**. This Agreement contains the full and complete understanding of the Parties with respect to the matters covered hereby, and no statements, representations, understandings, writings or other communications made prior to the execution of this Agreement, unless expressly contained herein, shall be binding on the Parties.

6. **Successors and Assigns**. The provisions of this Agreement shall be binding on, and shall inure to the benefit of, the Parties, their respective heirs, representatives, successors and assigns or anyone attempting to claim through said Parties.

7. **Invalidity**. In the event any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, which other provisions shall remain in full force and effect.

8. **Execution in Counterpart**. This Assignment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Assignment transmitted by facsimile

transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature, and shall be binding on the Parties.

9. **Governing Law**. This Agreement and any disputes in connection with, arising from, or relating in any way to this Agreement, or its subject, formation, validity, performance, interpretation or enforcement shall be governed by, construed and enforced in accordance with the laws of the State of Oklahoma, excluding the conflict of laws provisions thereof.

[*Signature Pages Follow*]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

NORTH AMERICAN PETROLEUM CORPORATION USA

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [ ] §
§
COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________, the ____________________ of North American Petroleum Corporation USA. A Delaware corporation, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____
NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

PRIZE PETROLEUM LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [ ] §
§
COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on _____________, 2011 by ___________________, the ___________________ of Prize Petroleum LLC, on behalf of said limited liability company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of ________, 2011.

____
NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNOR:

PETROFLOW ENERGY LTD.

By: ______________________
Name: ______________________
Title: ______________________

STATE OF [redacted] §
§
COUNTY OF [redacted] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________, the ____________________ of Petroflow Energy Ltd., on behalf of said limited company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of __________ 2011.

____
NOTARY PUBLIC, State of [redacted]

EXECUTED as of the date set out above, but effective as of the Effective Date.

ASSIGNEE:

EQUAL ENERGY US INC.

By:

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [ ] §
§
COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________________________, the __________________________ of Equal Energy US Inc., on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____
NOTARY PUBLIC, State of [ ]

EXECUTED as of the date set out above, but effective as of the Effective Date.

SIGNATORY:

TEXAS CAPITAL BANK, N.A.

By:

By: ______________________________
Name: ______________________________
Title: ______________________________

STATE OF [[illegible]] §
§
COUNTY OF [[illegible]] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ______________________________, the ______________________________ of Texas Capital Bank, N.A., on behalf of said bank.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of __________, 2011.

____
NOTARY PUBLIC, State of [[illegible]]

55001485.8

EXECUTED as of the date set out above, but effective as of the Effective Date.

SIGNATORY:

COMPASS BANK

By:

By: ______________________________

Name:______________________________

Title:______________________________

STATE OF [ ] §

§

COUNTY OF [ ] §

The foregoing instrument was acknowledged before me on ______________, 2011 by ____________________________________, the _________________________ of Compass Bank, on behalf of said bank.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____day of _________, 2011.

____

NOTARY PUBLIC, State of [ ]

Exhibit A

EXHIBIT "A"

Attached to and made a part of the Assignment of Tax Rebate Interest dated July 1, 2011, by and among (a) Assignors, (b) Assignee and (c) Lenders

Sparta #1-3H	all	3	14N	4E	Lincoln
Bonus #1-4H	all	4	14N	4E	Lincoln
Anthony #1-9H	all	9	14N	4E	Lincoln
Sphinx #1-10H	all	10	14N	4E	Lincoln
Stavros #1-11H	all	11	14N	4E	Lincoln
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Titan #1-15H	all	15	14N	4E	Lincoln
Chad #1-16H	all	16	14N	4E	Lincoln
Melosa #1-21H	all	21	14N	4E	Lincoln
Cupid #1-22H	all	22	14N	4E	Lincoln
Zephir #1-23H	all	23	14N	4E	Lincoln
Nectar #1-4H	all	4	14N	5E	Lincoln
Crete #1-5H	all	5	14N	5E	Lincoln
Midas #1-8H	all	8	14N	5E	Lincoln
Corinth #1-9H	all	9	14N	5E	Lincoln
Icarus #1-16H	all	16	14N	5E	Lincoln
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Erme #1-7H	all	7	15N	4E	Lincoln
Meen #1-8H	all	8	15N	4E	Lincoln
Lubin #1-9H	all	9	15N	4E	Lincoln
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Brixey #1-13H	all	13	15N	4E	Lincoln
Elizabeth #1-14H	all	14	15N	4E	Lincoln
Greenfield #1-15H	all	15	15N	4E	Lincoln
Balsam #1-16H	all	16	15N	4E	Lincoln
Elmo #1-17H	all	17	15N	4E	Lincoln
Alfred #1-18H	all	18	15N	4E	Lincoln
Canute #1-19H	all	19	15N	4E	Lincoln
Francisco #1-20H	all	20	15N	4E	Lincoln
Abel #1-21H	all	21	15N	4E	Lincoln
Achilles #1-22H	all	22	15N	4E	Lincoln
Xanthus #1-27H	all	27	15N	4E	Lincoln
Abraham #1-28H	all	28	15N	4E	Lincoln

Damascus #1-29H	all	29	15N	4E	Lincoln
Helm #1-33H	all	33	15N	4E	Lincoln
Goddess #1-34H	all	34	15N	4E	Lincoln
Acropolis #1-19H	all	19	15N	5E	Lincoln
Burl #1-20H	all	20	15N	5E	Lincoln
Dorians #1-29H	all	29	15N	5E	Lincoln
Homer 1-32H	all	32	15N	5E	Lincoln
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Flossie #1-33H	all	33	17N	1E	Logan
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Milky Way #1-20H	all	20	17N	1W	Logan
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Afghan #1-16H	all	16	25N	8W	Grant
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Sharpei #1-20H	all	20	25N	8W	Grant
Terrier #1-21H	all	21	25N	8W	Grant
Lowchen #2-23H	all	23	25N	8W	Grant
Pomeranian #1-28H	all	28	25N	8W	Grant
Eskimo #1-29H	all	29	25N	8W	Grant
Bloodhound #1-35H	all	35	25N	8W	Grant
Beagle #1-36H	all	36	25N	8W	Grant

EXHIBIT 2

APPENDIX B

Equal APA

Execution Version

PURCHASE AND SALE AGREEMENT

BETWEEN

NORTH AMERICAN PETROLEUM CORPORATION USA

PRIZE PETROLEUM LLC

AS SELLERS

AND

PETROFLOW ENERGY LTD

(PARENT COMPANY OF NAPCUS)

AND

EQUAL ENERGY US INC.

AS PURCHASER

DATED

APRIL 25, 2011

TABLE OF CONTENTS

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is dated as of April 25, 2011, between NORTH AMERICAN PETROLEUM CORPORATION USA, a Delaware corporation ("NAPCUS"), PRIZE PETROLEUM LLC, an Oklahoma limited liability company ("PRIZE"), and PETROFLOW ENERGY LTD, an Alberta, Canada corporation ("Petroflow" who is the parent of NAPCUS, not a Seller hereunder and a Party solely for purposes of Sections 4.1, 4.2 and 5.2). In this Agreement, NAPCUS and PRIZE are collectively referred to as "Sellers," and EQUAL ENERGY US INC., an Oklahoma corporation ("Equal"), is referred to as "Purchaser." Petroflow (solely for purposes of Sections 4.1, 4.2, and 5.2), Sellers and Purchaser are each a "Party" and collectively, the "Parties."

RECITALS OF FACT

As part of the settlement of disputes between the Parties under the Settlement Agreement, Sellers desire to sell to Purchaser and Purchaser desires to acquire from Sellers, all right, title and interest of Sellers in and to all of the assets, properties, interests and rights owned or held by Sellers and expressly listed in Section 1.34 below (other than those assets, properties, interests and rights which are expressly included in the Excluded Assets), all upon the terms and subject to the conditions set forth in this Agreement pursuant to sections 363 and 365 of the Bankruptcy Code (the "Transaction").

Certain capitalized terms used herein are defined in Article I hereof, and other capitalized terms used herein are defined when used.

AGREEMENT

In consideration of the mutual covenants, representations, and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree, subject to the terms and provisions of this Agreement, as follows:

I. Definitions

The following terms are defined as follows for the purpose of this Agreement:

1.1 Alternate Transaction is defined as a sale in a single transaction or multiple transactions regardless of whether structured as an asset sale, stock sale or merger, in which a substantial portion of the Purchase Properties are sold to one or more persons, none of which is Purchaser, and for which consideration received by Sellers is greater than the Purchase Consideration.

1.2 AFE is defined as an Authorization for Expenditure.

1.3 Assigned Contracts is defined as those agreements listed on Schedule 1(a), together with the Leases set forth on Schedule 1 attached to each of the Assignments.

1.4 **Assignments** is defined as the four (4) Assignments of Oil and Gas Leases and Bills of Sale attached hereto as Exhibit A-1 through A-4.

1.5 **Bankruptcy Code** is defined as sections 101 *et seq.* of Title 11 of the United States Code, as now in effect or hereafter amended.

1.6 **Bankruptcy Court** is defined as the United States Bankruptcy Court for the District of Delaware.

1.7 **Bankruptcy Proceedings** is defined as Sellers' and Petroflow's jointly administered bankruptcy cases pending in the Bankruptcy Court which are styled In re: North American Petroleum Corporation, et al., Case No. 10-11707 (CSS) and the associated Adversary Proceeding, No. 10-51675 and Adversary Proceeding No. 10-51624.

1.8 **Bankruptcy Rules** is defined as the Federal Rules of Bankruptcy Procedure, as now in effect or hereafter amended.

1.9 **Claim** shall have the meaning set forth in section 101(5) of the Bankruptcy Code, including without limitation, claims of setoff and recoupment.

1.10 **Code** is defined as the Internal Revenue Code of 1986, as amended.

1.11 **Control** is defined as the possession of the power to direct policies and management of the subject Person whether through the ownership of voting securities, by contract or otherwise.

1.12 **Creditors' Committee** is defined as the official committee of unsecured creditors appointed pursuant to section 1102(a) of the Bankruptcy Code in the Bankruptcy Proceedings on June 24, 2010, as reconstituted from time to time.

1.13 **Effective Time** is defined as July 1, 2011, at 12:01 a.m. Central Standard Time.

1.14 **Escrow Account** means the account established with Bank of Oklahoma to hold the Escrow Deposit pursuant to the Escrow Agreement.

1.15 **Escrow Agreement** is defined as that certain Escrow Agreement to be entered into, among others, Purchaser, Sellers and Bank of Oklahoma.

1.16 **Escrow Deposit** is defined as that deposit made by, or on behalf of, Purchaser in the amount of Four Million Six Hundred and Twenty-Five Thousand U. S. Dollars (U.S. $4,625,000.00), which will be held in the Escrow Account and maintained under the terms of this Agreement and the Escrow Agreement, as was contemplated by that certain Letter of Understanding, dated March 16, 2011, from Purchaser to Sellers.

1.17 **Excluded Assets** is defined as (I) (a) an undivided five-sevenths (5/7th) of Sellers' right, title, and interest in the Leases, insofar, and only insofar, as the Leases cover the Shallow Rights; (b) all of Sellers' right, title, and interest in the Fee Mineral

Interest in the Lands described in the Mineral Deed, insofar and only insofar, as the interest covers the Shallow Rights; and (c) all oil, gas, other hydrocarbon substances and any mineral or other substances produced from, attributable, or allocable to the respective proportion of Sellers' interest in the Leases, mineral interest, Wells or Lands for periods prior to the Effective Time; (II) all assets of Sellers (a) listed on Schedule 1.17(II)(a); (b) not used in or acquired for operations under the Farmout Agreement; or (c) office equipment, office supplies and vehicles purchased by any Seller that are not used exclusively in the operation of the Purchase Properties and that are not located on the Purchase Properties; and (III) (a) all trade credits and all accounts, instruments and general intangibles (as such terms are defined in the Oklahoma Uniform Commercial Code) not heretofore credited to Sellers against past LOEs, JIBs and saltwater disposal expenses and attributable to the Purchase Properties with respect to any period of time prior to the Effective Time; (b) all claims and causes of action of Sellers against any person other than Purchaser, its Related Entities or Related Person other than such claims and causes of action as set forth in Section 1.34(xii); (c) all rights and interests of Sellers in any payments made under any policy, agreement of insurance, indemnity, or bond to the extent that the same reimburses Sellers for actual out of pocket costs incurred by Sellers as a result of a covered event occurring prior to the Closing Date; (d) claims of Sellers for refunds of or loss carry forwards, not heretofore credited to Sellers against past LOEs and saltwater disposal expenses with respect to (i) production or any other Taxes attributable to any period prior to the Effective Time and listed on Schedule 1.17(III)(d) and which are not covered by either the Assignment of Tax Rebate Interest attached hereto as Exhibit C or the Assignment of Tax Rebate Interest that will be conveyed to the Lenders (as defined in the Settlement Agreement), (ii) income or franchise Taxes, or (iii) any Taxes attributable to the Excluded Assets; (e) all amounts due or payable to Sellers as adjustments to insurance premiums related to the Purchase Properties with respect to any periods prior to the Closing Date; (f) all proceeds, income or revenues (and any security or other deposits made) attributable to (i) the Purchase Properties for any period prior to the Effective Time or (ii) any Excluded Assets; (g) all of Sellers' and Sellers' affiliates' proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property other than core samples, well logs, drilling records, AFE Costs and other records pertaining to the drilling of any wells under the Farmout Agreement; (h) all documents and instruments of Sellers that may be protected by an attorney client privilege (except title opinions); (i) data that cannot be disclosed or assigned to Purchaser as a result of confidentiality arrangements under agreements with persons unaffiliated with Sellers provided, that if requested by Purchaser, Sellers shall use its reasonable efforts, without the requirement to make any payment or provide any other consideration, to obtain a waiver of any such restrictions in favor of Purchaser; (j) all audit rights pertaining to the Excluded Assets; (k) all equity securities of any subsidiary or affiliate of Sellers; (l) any rights of third parties, which were not conveyed to such third parties by any of the Sellers, in the Lands, Leases, Wells, or equipment or inventory used in or acquired for the operations under the Farmout Agreement and (m) any rights of third parties in any of the other Excluded Assets described in this Section 1.17.

1.18 Farmout Agreement is defined as that certain Farmout Agreement, dated effective March 1, 2006, by and between Enterra Acquisition Corp., now Equal Energy

US. Holdings, Inc., and NAPCUS. The Farmout Agreement was terminated, effective as of May 24, 2010.

1.19 **Fee Mineral Interest** is defined as a fee simple estate in the oil, gas, and other minerals in the lands described in the Mineral Deed.

1.20 **Governmental Entity** is defined as any federal, state, municipal, local or foreign government, political subdivision, legislature, court, agency, department, bureau, commission or other governmental or regulatory authority, agency or commission, in each case, to the extent that such Person has proper jurisdiction over the Parties or the Purchase Properties, as applicable.

1.21 **Governmental Section** is defined as a block of land which is approximately one square-mile, containing approximately 640 acres, which is depicted as a "section" on the United States Public Land Survey for the State of Oklahoma provided, however, as for purposes of this Agreement, there are two wells that are the unit wells for drilling and spacing units which cover only portions of governmental section(s): the Cougar is a 480 acre unit described as North Half (N/2) of Section 34 and the Northwest (NW/4) of Section 35, 17N-1E; and the Tiger is a 320 acre unit described as West Half (W/2) of Section 28, 17N-1E, Logan County, Oklahoma.

1.22 **JIBs** is defined as the joint interest billings for expenses attributable to the Wells that are billed to Sellers in the ordinary course of business between Purchaser and Sellers.

1.23 **Lands** is defined as any lands described in the Leases and the Mineral Deed, together with any lands pooled or unitized with any portion of such lands for which each Well serves as the unit well for the Hunton common source of supply and including each Governmental Section wherein each Well is located.

1.24 **Law** is defined as any federal, national, supranational, state, provincial, local, tribal or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) applicable to the Parties or the Purchase Properties.

1.25 **Leases** is defined as the oil and gas leases and pooled interest and agreements described on Schedule 1 attached to each of the Assignments, together with any other leases or pooled interests, overriding royalty interests, production payments, or other rights, other than Fee Mineral Interest, in the lands described in the Assignments or lands pooled or unitized therewith, or any portion thereof, whether pursuant to pooling orders described in the Assignments or otherwise, without regard to any limitations as to specific lands or depths that may be set forth in the Assignments or in any of the leases or other agreements or instruments described.

1.26 **Liabilities** is defined as any debts, liabilities, obligations, claims, expenses, warranties, or commitments of any kind or, character, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or undetermined.

1.27 **LOE** is defined as lease operating expenses for the operation of the Wells that are billed to Sellers in the ordinary course of business between Purchaser and Sellers.

1.28 Lien is defined as any lien, claim, encumbrance or other interest on or in the Purchase Properties that can be sold free and clear of pursuant to section 363(f) of the Bankruptcy Code, and shall have the broadest meaning allowed by the Bankruptcy Code and other applicable caselaw.

1.29 Material Adverse Effect is defined as any event that has a materially adverse effect on the value of the Purchase Properties of Fifteen Million U.S. Dollars (U.S. $15,000,000) or more (as reasonably determined by the Bankruptcy Court) and which would continue to have such negative effect for a period of not less than eighteen (18) months from the date on which Purchaser provides notice to Sellers that Purchaser reasonably believes such event is a Material Adverse Effect.

1.30 Mineral Deed is defined as the Mineral Deed attached hereto as Exhibit B, covering the Fee Mineral Interest.

1.31 Order is defined as an order or judgment of the Bankruptcy Court as entered on the docket of the Bankruptcy Court approving a filed motion.

1.32 Other Contracts is defined as those agreements set forth on Schedule 1(b).

1.33 Person is defined as any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization or Governmental Entity.

1.34 Properties is defined as the following, to the extent located in the counties in Oklahoma covered by the Farmout Agreement:

(i) All of Sellers' right, title, and interest in and to the Leases and Fee Mineral Interest;

(ii) All of Sellers' other right, title, and interest in and to the Lands;

(iii) All of Sellers' right, title, and interest in and to all assets owned by Sellers in the State of Oklahoma directly relating to the Leases, Fee Mineral Interest, Wells, Lands, equipment, wellbores, producing or not, and inventory, in use or storage, that were subject to the Farmout Agreement or acquired in connection with Sellers' previous participation under the Farmout Agreement (the "Farmout Property"), including, but not limited to:

(a) the wellbores, salt water disposal wells and systems, platforms, derricks, casing, tubing, tanks, tank batteries, treaters, separators, rods, pumps, pumping units, flow lines, water lines, transportation lines, gathering lines, gas lines, machinery, pipelines, power lines and other infrastructure, goods and equipment;

(b) all of the personal property and fixtures located in, on, or under or which are affixed to any of the Farmout Property; and

(c) or that are used or purchased for the production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale, or marketing of production from the Farmout Property;

(iv) All of Sellers' right, title, and interest in and to the production of oil, gas, casinghead gas, condensate, other minerals, brine, fresh and salt water and all their constituent parts and products derived therefrom, which are produced from the Farmout Property;

(v) All of Sellers' right, title, and interest in and to the accounts, contract rights and general intangibles now or hereafter arising in connection with the ownership, exploration, development, operation, production, treatment, storage, gathering, transportation, handling, processing, manufacturing, sale, or marketing of anything produced from or allocated or attributed to any of the Farmout Property;

(vi) All of Sellers' right, title, and interest in and to all surface estates, permits, licenses, easements, servitudes, roadways, salt water disposal leases, surface leases, rights of way of every kind, and existing drilling and or production site locations used in connection with or in the development of the Farmout Property;

(vii) All of Sellers' right, title and interest in and to any contracts or agreements, including, but not limited to, unit agreements, joint operating agreements, farmout and farmin agreements, pooling agreements and other validly existing agreements affecting Sellers' interest pertaining to operations conducted on the Farmout Property;

(viii) All of Sellers' rights, if any, to participate in any current or future audit of costs and expenditures arising out of any operations conducted on the Farmout Property whether before or after the Effective Time, together with any rights Sellers may have to share in any adjustments made to such costs and expenditures whether resulting from an audit or not;

(ix) All of Sellers' right, title and interest in, under and to any and all Assigned Contracts;

(x) All of Sellers' right, title and interest in any and all insurance claims relating to the Farmout Property;

(xi) All franchises, permits, licenses, agreements, consents, waivers and authorizations issued by any Governmental Entity held or used by Sellers directly relating to the use of any of the other Properties set forth in this Section 1.34;

(xii) Subject to the waiver and release of certain claims, as more fully set forth in the Settlement Agreement, all of Sellers' Claims, causes of action, rights of recovery and rights of setoff and recoupment of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations and guarantees made by suppliers of products, materials or equipment, or components thereof), pertaining to, arising out of, and inuring to the benefit of Sellers relating to the Properties listed in this Section 1.34;

(xiii) All of Sellers' rights assigned to Equal under the form of Assignment of Tax Rebate Interest attached hereto as Exhibit C; and

(xiv) To the extent in Sellers' possession or control, all originals or, to the extent originals do not exist, copies of Sellers' books, records and files directly related to any of the other Properties set forth in this Section 1.34, including lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, land surveys, cores, logs, well-bore evaluation data and reports, geological and geophysical information and data (including all seismic data and reprocessed data), interpretive data, technical evaluations, technical outputs, studies, maps, engineering data and reports, production records, reserve studies and evaluations, operational files (including maintenance, repair and replacement files), invoices, shipping records, cost and pricing information.

Notwithstanding anything herein contained to the contrary, the Purchase Properties do not include the Excluded Assets or any rights of Sellers under the AMI (as defined herein), and such assets and rights are hereby excepted and reserved to Sellers.

1.35 **Purchase Consideration** is defined as the sum of Ninety Three Million Five Hundred Thousand U.S. Dollars (U.S. $93,500,000.00), as adjusted in accordance with the terms of this Agreement.

1.36 **Purchase Properties** is defined as all of Sellers' right, title, and interest in the Properties, which shall not include the Excluded Assets.

1.37 **Related Person** is defined as, with respect to any Person, all past, present and future directors, officers, members, managers, stockholders (other than those stockholders who are Related Persons of a Person solely due to their ownership of publicly traded shares of such Person), employees, controlling persons, agents, professionals, financial advisors, restructuring advisors, attorneys, accountants, investment bankers, affiliates or representatives of (i) any such Person or (ii) any affiliate of such Person.

1.38 **Settlement Agreement** is defined as the Settlement Agreement of even date herewith entered into between the Parties and the other Parties thereto which among other things, fully and completely resolves, settles and satisfies any and all Claims between Purchaser and Sellers and is subject to the approval of the Bankruptcy Court in the Bankruptcy Proceedings.

1.39 **Settlement Order** is defined as the order of the Bankruptcy Court, in a form reasonably acceptable to Purchaser and Sellers, consistent with the Local Rules and guidelines of the Bankruptcy Court, substantially in the form of Exhibit H, which, among other things; approves the Settlement Agreement and this Agreement.

1.40 **Shallow Rights** is defined as all right, title, and interest in the oil, gas and other minerals from the surface of the earth to the stratigraphic equivalent of the base of the Mississippi common source of supply, as identified at a depth of 6,214 feet below the surface of the Earth in the electric logs run on the # 1-7 Newfoundland well, located in the NE/4 SW/4 SW/4 of Section 7-T25N-R8W, Grant County, Oklahoma.

1.41 **Wells** is defined as the existing oil and gas wells which are described on the Schedule 2 attached to each of the Assignments, with each of the Wells being referred to herein as a "Well".

1.42 Additional Defined Terms

Defined Term	Section
365 Order	8.1(ii)
Acquiring Party	4.1(i)
Affiliate	4.2
Agreement	Preamble
Area of Mutual Interest ("AMI")	4.1
Assignors	9.1
Bankruptcy Rules	1.8
Closing	2.3
Closing Date	2.3
Farmout Property	1.34(iii)
non-Acquiring Parties	4.1(a)
Operating Agreement	3.1
Parties	Preamble
Party	Preamble
Purchaser	Preamble
Purchaser's Post Closing Report	2.9
Sellers	Preamble
Sellers' Post Closing Report	2.9
Tax Allocation	2.10
Transaction	Recitals

II. Effective Time, Closing and Purchase Consideration

2.1 Upon and subject to the terms and conditions of this Agreement, at the Closing, Sellers shall, pursuant to sections 363 and 365 of the Bankruptcy Code, sell, assign, transfer, convey and deliver, to the extent transferable, to Purchaser, free and clear of all Liens, and Purchaser shall purchase, and take assignment and delivery of the Purchase Properties effective for all purposes, provided, however, that if Closing occurs prior to the Effective Time, (i) the conveyance of the Purchase Properties and the other transactions contemplated by this agreement shall be effective as of the Closing Date, and

(ii) Sellers shall continue to earn the net of the revenues from the production of hydrocarbons from the Purchase Properties, less production and severance taxes to the extent not previously withheld from revenues by the purchaser of such production, and minus the expenses under the LOE and JIB's until the Effective Time. If the Closing occurs after the Effective Time (i) the conveyance of the Purchase Properties shall be effective as of the Effective Time, and (ii) Sellers shall earn no revenue from nor be liable for any expenses related to, in each case, the Purchase Properties, after the Effective Time.

2.2 All of the Purchase Properties are being sold, assigned, transferred, conveyed and delivered to Purchaser free and clear of all Liens to the fullest extent permissible under Section 363(f) and other applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Local Bankruptcy Rules and guidelines of the Bankruptcy Court and the Settlement Order.

2.3 The closing of the transactions contemplated herein (the "Closing") shall take place at the offices of Mahaffey & Gore, P.C. in Oklahoma City, OK two (2) business days after the closing conditions set forth in Section VIII have been met or waived by the appropriate Party (other than conditions which by their terms or their nature are to be performed or measured as of the Closing Date), or on such other date or at such other place and time as may be agreed to by the Parties (the "Closing Date").

2.4 Purchaser and Sellers agree that the consideration for Sellers' right, title, and interest in the Purchase Properties shall be the Purchase Consideration. The Purchase Consideration includes all sales and use taxes owed by Purchaser as a result of the transaction contemplated herein, which Sellers agree to remit to the proper governmental authority.

2.5

(i) Sellers shall remit to Purchaser the proceeds of production and production tax rebates which are attributable to oil, gas, casinghead gas, condensate, other minerals, brine, fresh and salt water and all their constituent parts and products derived therefrom, which are produced from the Purchase Properties after the Effective Time and which are received in error by any of Sellers after the Effective Time.

(ii) Sellers shall retain liability for their prorated share of any personal property and ad valorem taxes attributable to the Purchase Properties for 2011, calculated by multiplying the personal property and ad valorem taxes attributable to the Purchase Property for 2010 by the number of days in 2011 prior to the Effective Time, divided by the total number of days in 2011.

(iii) Sellers shall retain liability for its portion of the LOE and JIBs incurred for periods up to the Effective Time, other than those waived or released under the Settlement Agreement.

2.6

(i) Purchaser shall assume the following liabilities: any and all liabilities attributable to the ownership, operation or use of the Purchase Properties, after the Closing Date other than (i) those released or waived under the Settlement Agreement and (ii) those LOE and JIB's as provided in Section 2.5(iii).

(ii) Purchaser shall remit to Sellers any production or proceeds of production less production and severance taxes to the extent not previously withheld from revenues by the purchaser of such production, and, in accordance with the Settlement Agreement and subject to the Assignment of Tax Rebate Interest attached hereto as Exhibit C, production tax rebates which are attributable to oil, gas, casinghead gas, condensate, other minerals, brine, fresh and salt water and all their constituent parts and products derived therefrom which are produced from the Purchase Properties prior to the Effective Time, which are received by Purchaser.

2.7 As it relates to the operating expenses and capital costs, between the date hereof and the Closing Date, except as otherwise provided in Section 2.5(iii), Sellers shall be responsible only for ordinary operating expenses and those capital costs identified in an AFE for maintaining production operations in the Wells that are consistent with the expenses and capital costs for operations of the Wells in the past 5 years, excluding any one time or extraordinary expenses and capital costs incurred in such period. Any other operating or capital expenses shall be the responsibility of Purchaser unless (i) the operation is for the replacement of a submersible pump that has ceased to operate, (ii) the operation is required to deal with a sudden emergency such as an explosion, fire, flood, or (iii) the operation is agreed to in writing between Sellers and Purchaser. Additionally, as Purchaser is the operator of the Wells, it shall not schedule more than two (2) workovers to maintain production in the Wells per month nor spend or commit to spend more than $80,000 per workover relating to the one hundred percent (100%) working interest in any month.

2.8 The Purchase Consideration shall be reduced by any amount owing at the time of Closing by Sellers to Purchaser under Section 2.5 and 2.7 above and increased by any amount owing at the time of Closing by Purchaser to Sellers under Section 2.6 and 2.7 above. In the event that Closing occurs after the Effective Time, the amount to be paid by Purchaser to Sellers at Closing shall be reduced by the estimated net operating income estimated reasonably and in good faith by Purchaser and in accordance with prudent industry practice and historical calculations regarding the Purchase Properties attributable to the Purchase Properties for the period following the Effective Time. Any differences between the estimated net operating income and the actual net operating income for such period shall be reconciled in the reports provided for under Section 2.9 below. In the event that Closing occurs prior to the Effective Time, Sellers shall continue to be entitled to the proceeds of production from the Purchase Properties through the Effective Time and shall remain liable for the items set forth in Sections 2.5 and 2.7 above. The parties acknowledge that the Purchase Consideration will be reduced by a total of Seven Million Seven Hundred and Seventy-Nine Thousand Nine Hundred and Twenty-Nine U.S.

Dollars (U.S. $7,279,929) comprised of $5,779,929 in respect of pre-petition LOEs plus approximately $1,500,000.00 in respect of the April, May and June of 2011 LOEs. Further adjustments to the Purchase Consideration in respect of AFEs will be determined at the time of Closing. Purchaser and Sellers will work reasonably and in good faith to reach agreement as to the total amount of the adjustment to the Purchase Consideration as of an agreed-upon date in advance of the Closing, such that only a non-material updating is required at Closing.

2.9 On or before three (3) months from the Effective Time, Sellers shall deliver an accounting report to Purchaser (the "Sellers' Post Closing Report") which calculates, reasonably and in good faith, the actual amount ,if any, owed to Purchaser by Sellers under Section 2.5 and 2.7 which was not credited at Closing against the Purchase Consideration and Purchaser shall deliver an accounting report to Purchaser (the "Purchaser's Post Closing Report") which calculates, reasonably and in good faith, the actual amount, if any, of the amount owed by Purchaser under Section 2.6 and 2.7 which was not added to the Purchase Consideration at Closing. Upon reconciling these post closing reports of the Parties and determining which of the Parties owes more than such Party paid either Purchaser shall pay any amount owed by it to Sellers in excess of the amount owed to Purchaser by Sellers or Sellers shall pay any amount owed by it to Purchaser in excess of the amount owed to Sellers by Purchaser. Such Payment shall be due within fifteen (15) days of Sellers' receipt of Purchaser's Post Closing Report. If such payment is not made within such fifteen (15) day period, such payment shall bear interest at the prime rate as set forth in the Wall Street Journal in the Section entitled "Bank Rates" plus three percent (3%) per annum, compounded monthly, until paid.

2.10 Sellers and Purchaser agree that for the purpose of making the requisite filings under Section 1060 of the Code and the regulations thereunder, the Purchase Consideration and any liabilities assumed by Purchaser under this Agreement shall be allocated among the Purchase Properties, in a manner consistent with Exhibit D (the "Tax Allocation"). Sellers and Purchaser each agree to report, and to cause their respective affiliates to report, the federal, state and local income and other Tax consequences of the transactions contemplated herein, and in particular to report the information required by Section 1060(b) of the Code, and to collaborate to jointly prepare Form 8594 (Asset Acquisition Statement under Section 1060) consistent with the Tax Allocation as revised to take into account subsequent adjustments to the Purchase Consideration, and shall not take any position inconsistent therewith upon examination of any tax return, in any refund claim, in any litigation, investigation or otherwise, unless required to do so by applicable Law after notice to and discussions with the other Party, or with such other Party's prior consent.

III. Operating Agreement

3.1 At Closing NAPCUS, PRIZE, and Purchaser agree to enter into a separate Joint Operating Agreement ("Operating Agreement"), in the form attached hereto as Exhibit E, for each Governmental Section in which each of the Wells, as defined herein, is located. The Well currently located in the Governmental Section covered by each Operating Agreement shall be considered the Initial Well thereunder, even though (i) the same is not currently completed within the depths covered by the applicable Operating Agreement and (ii) Sellers will own no interest in the zone in which such Well is currently completed. The Exhibit A to each Operating Agreement shall show NAPCUS and PRIZE as owning a total fifty percent (50%) (in the proportions shown of record) and Purchaser as owning fifty percent (50%) of the interest in the Shallow Rights that was owned by the Parties immediately following the point in time when Sellers' earned their interest in the applicable Governmental Section under the Farmout Agreement. Any interest which was subsequently acquired by any of the Parties within such Governmental Section shall not be subject to the Operating Agreement for such Governmental Section, except as provided in this Section below. To the extent that the terms of any Operating Agreement provided for hereunder conflict with the terms of this Agreement, this Agreement shall control. Any interest in which Sellers, or any of them, participate in the acquisition of with Purchaser, under the Area of Mutual Interest provisions of this Agreement contained in Section 4.1 below, shall be governed by the terms of the Operating Agreement covering the lands in which the interest acquired is located and NAPCUS shall be designated as the operator under such Operating Agreement, except as provided in Article XVI 18 of an Operating Agreement.

IV. Area of Mutual Interest

4.1 Upon the execution of this Agreement, an Area of Mutual Interest (the "AMI") will be established between the Parties subject to the following:

(i) Term/AMI Lands. An AMI is established covering all of the Shallow Rights underlying the Lands for a term, as to each Governmental Section within the Lands, equal to the term of the Operating Agreement provided for under Section 3.1 of this Agreement. Upon the expiration of any such an Operating Agreement, the AMI shall terminate as to the lands covered by such Operating Agreement.

(ii) Acquisition within AMI. During the term of this AMI, if any Party, directly or indirectly through any Affiliate, acquires, or contracts to acquire, any leasehold, royalty, mineral interest, pooled interest under order of the Oklahoma Corporation Commission, farmout, farmout option, or other exploration or operating right or other interest in the oil or gas rights or production within the AMI, or purchases an interest in any entity owning any interests within the AMI (such Party the "Acquiring Party"), the other Parties (the "non-Acquiring Parties") shall have the opportunity to participate in the interest within the AMI on the basis of fifty percent (50%) for Purchasers and fifty percent (50%) for Sellers, in such proportions as Sellers may designate, subject to the following:

(a) Notification and Election Period. Within thirty (30) days of the interest's being acquired or contracted for, the Acquiring Party shall notify the non-Acquiring Parties in writing of the interest. The notification will describe the terms, obligations and cost of the interest and will include copies of all instruments and contracts in possession of the Acquiring Party relating to the interest. The non-Acquiring Parties will have fifteen

(15) days, or forty-eight (48) hours if a drilling rig is on the location of the acquired or contracted for interest, or lands unitized therewith and/or on any contiguous Governmental Section thereto, following receipt of the notice to elect in writing to acquire its proportionate share of the interest;

(b) Election to Participate. If a non-Acquiring Party elects to acquire its proportionate share of the interest, it shall pay to the Acquiring Party its proportionate share of the cost of the interest and shall bear its proportionate share of the cost of the performance required to earn the interest including, but not limited to, brokerage, lease bonus, bank draft fees, rentals and recording fees, and shall execute copies of documents memorializing the terms of such purchase and commitment, as requested by Sellers of such interest or as reasonably requested by the Acquiring Party. Upon receipt of the non-Acquiring Party's payment for its share of the cost, the Acquiring Party will sign and deliver the appropriate assignment, without warranty of title, to the non-Acquiring Party and such interest shall then be subject to this Agreement; and

(c) Election Not to Participate. If the non-Acquiring Parties do not elect to acquire their proportionate share of the interest within the time allowed, the Acquiring Party shall own the entire interest and the interest will not be subject to this AMI or the Operating Agreement provided for under Section 3.1 above covering the lands wherein the interest is located for the original term of the interest and any renewal or extension acquired by the acquiring Party within thirty (30) days of any subsequent expiration.

(iii) In the event that the Acquiring Party acquires interest in lands both within and outside the AMI, the non-Acquiring Party shall be entitled to participate only in the portion of the interest acquired which is located within the AMI. The Acquiring Party shall allocate a portion of the total cost of all of the interest which it acquires to the interest located within the AMI on a fair and reasonable basis. Such allocation and a complete and thorough explanation of the basis for the allocation shall be provided in writing to the non-acquiring Parties with the notification required by Sub-section (ii) (a) of this Section 4.1 above.

4.2 An "Affiliate" of a Party for the purpose of Section 4.1 above shall be any entity in which the Party owns a 5% interest or is under the Control of a Party.

V. Sellers' and Petroflow's Representations

5.1 Sellers represent and warrant that:

(i) There are no bankruptcy, reorganization or other court proceedings pending, or to the knowledge of Sellers, and as of the date hereof, threatened against Sellers or any of them, with regard to the Purchase Properties, other than (A) the Bankruptcy Proceedings, (B) such proceedings that do not have a Material

Adverse Effect or (C) proceedings that relate to, arise out of, or result from the operation of the Purchase Properties.

(ii) At Closing, Sellers will have defensible title to the Purchase Properties. Sellers have not conveyed any of the interest which they originally acquired in the Purchase Properties to any third Person except for those interests listed on Schedule 5.1(ii). At the Closing, and as provided in the Settlement Order, Purchaser will receive defensible title to and the valid right to use, each of the Purchase Properties free and clear of any Liens.

(iii) Subject to obtaining the Bankruptcy Court's approval of the Settlement Agreement and this Agreement in the Bankruptcy Proceedings and any 365 Order, Sellers have all requisite power, ability and authority to sell the Purchase Properties, to enter into this Agreement, and to perform Sellers' obligations hereunder, and this Agreement has been duly authorized, executed and delivered by Sellers.

(iv) Sellers have not received, and as of the date hereof, have no knowledge of any written notice, citation, summons, complaint or order from any Governmental Entity as to any alleged material violation or material non-compliance by Sellers with any laws or regulations relating to Sellers' ownership of the Purchase Properties that has not been cured, except for (A) such violations or non-compliances that do not have a Material Adverse Effect or (B) proceedings that relate to, arise out of, or result from the operation of the Purchase Properties.

(v) NAPCUS has been duly organized, is validly existing and is in good standing under the laws of the State of Delaware and, subject to obtaining the Bankruptcy Court's approval of the Settlement Agreement and this Agreement in the Bankruptcy Proceedings, has all requisite authority and power to perform its obligations under this Agreement.

(vi) PRIZE has been duly organized, is validly existing and is in good standing under the laws of the State of Oklahoma and, subject to obtaining the Bankruptcy Court's approval of the Settlement Agreement and this Agreement in the Bankruptcy Proceedings, has all requisite authority and power to perform its obligations under this Agreement.

5.2 Petroflow has no interest in any of those properties or assets which are described in Section 1.34 of this Agreement. To the same effect, if Petroflow had been a "Seller" under this Agreement, Petroflow would have no interest in such properties or assets to assign.

5.3 After making reasonable inquiry, Sellers, as of the date hereof, have no knowledge of any bankruptcy, reorganization or other court proceedings pending, or to the knowledge of Sellers, threatened against Sellers or any of them, with regard to the Sellers' ownership of the Purchase Properties, and which is of a material nature, other than the Bankruptcy Proceedings.

5.4 After making reasonable inquiry, Sellers, as of the date hereof, have no knowledge of any written notice, citation, summons, complaint or order from any Governmental Entity as to any alleged material violation or material non-compliance by Sellers with any laws or regulations relating to Sellers' ownership of the Purchase Properties that has not been cured.

VI. Purchaser's Representations

6.1 Purchaser represents and warrants that:

(i) Purchaser has been duly organized, is validly existing and is in good standing under the laws of the State of Oklahoma and has all requisite corporate authority and power to perform its obligations under this Agreement;

(ii) Purchaser has full corporate power and authority to enter into this Agreement and to perform its obligations set out herein and this Agreement has been duly authorized, executed and delivered by Purchaser;

(iii) As of the date hereof, Purchaser has, and as of the Closing, Purchaser will have, sufficient cash or available financing to pay the Purchase Consideration and fulfill its obligations under this Agreement.

(iv) Purchaser is and, as of the Closing Date and thereafter, will be capable of satisfying the conditions contained in Sections 365(b) and 365(f) of the Bankruptcy Code with respect to the Assigned Contracts.

VII. Covenants

7.1 From the date hereof through the Closing, except as required by, or arising out of, relating to, or resulting from, the filing of the Bankruptcy Proceedings or approved by the Bankruptcy Court:

(i) Sellers shall conduct its business in the ordinary course as funds and liquidity permit and in light of Sellers' status as a debtor in a chapter 11 case; and

(ii) Except as provided for in (A) this Agreement, (B) the Settlement Agreement, (C) pursuant to an Alternative Transaction or (D) pursuant to Sellers' rights under Section 13.5, Sellers shall not take any of the following actions with respect to the Purchase Properties: amend, supplement, terminate or cancel any of the Assigned Contracts, pledge, mortgage, acquire, sell, lease, encumber, abandon or dispose of any material part of any Purchase Properties; bring, settle, compromise or waive any material proceeding or material legal right adversely affecting the validity or value of any Purchase Property; or authorize or enter into an agreement to do any of the foregoing.

7.2 Sellers and Purchaser shall cooperate to timely prepare and file any tax return relating to such transfer taxes, including, any claim for exemption or exclusion from the obligation or imposition of any transfer taxes.

7.3 If a consent of a third party which is required in order to transfer any Purchase Property (or Claim, right or benefit arising thereunder or resulting therefrom) to Purchaser is not obtained prior to the Closing Date, or if an attempted assignment or transfer would be ineffective or would adversely affect the ability of Sellers to convey their interest in question to Purchaser, Sellers will cooperate with Purchaser and use commercially reasonable efforts in any lawful arrangement to provide that Purchaser shall receive the interests of any Sellers in the benefits of such Purchase Properties.

7.4 Following the Closing Date, Purchaser shall have the right to receive and retain any mail addressed to Sellers that is relevant to the Purchase Properties, including, but not limited to, mail pertaining to suppliers, vendors and parties to Assigned Contracts. Purchaser shall, consistent with Section 7.5 below, permit Sellers access to mail addressed to Sellers that pertains to the Bankruptcy Proceedings or the management of Sellers' estates; provided, however, that Purchaser hereby undertakes no obligation to forward any mail or notify Sellers of the receipt of any mail, absent express instructions from Sellers that are reasonably acceptable to Purchaser. Sellers shall not take steps to cause mail or other shipments related to the Purchase Properties to be forwarded to Sellers without the express written consent of Purchaser.

7.5 For a period of twenty-four (24) months after the Closing Date (the "Transition Period"), each Party and their respective representatives and successors, and the Creditors' Committee or any other official committee of unsecured creditors of Sellers or their designee, shall have reasonable access to, and each shall have the right to photocopy, all books and records relating to the Properties, in the possession of the other Party to the extent that such access may reasonably be required by such Party in connection with matters relating to or affected by the operation of the Properties. During the Transition Period, and only to the extent that Purchaser's operation of the Properties is not interrupted in any material respect, Purchaser agrees to provide Sellers, during ordinary business hours and upon reasonable notice and at any Sellers' request, with reasonable access to employees of Purchaser for purposes of winding down the estate of Sellers. Such access shall be afforded by the Party in possession of such books and records upon receipt of reasonable advance notice and during normal business hours; provided, however, that (i) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the business of any Party or its affiliates (ii) no Party shall be required to take any action which would constitute a waiver of the attorney-client privilege and (iii) no Party need supply the other Party with any information which such party is under a legal obligation not to supply. The Party exercising this right of access shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 7.5. If the Party in possession of such books and records shall desire to dispose of any such books and records upon or prior to the expiration the Transition Period, such Party shall, prior to such disposition, give the other Party a reasonable opportunity at such other Party's expense, to segregate and remove such books and records as such other Party may select.

7.6 Sellers shall provide Purchaser with reasonably prompt notice of Sellers' receipt of any written notice, citation, summons, complaint or order received from any

Governmental Entity (regardless of whether such Governmental Entity has proper jurisdiction over Sellers or the Purchase Properties).

7.7 The Escrow Deposit shall be held and disbursed pursuant to the terms of the Escrow Agreement and this Agreement.

VIII. Conditions to Closing

8.1 The following conditions must be met at or prior to Closing:

(i) No order, judgment or decree of any court or administrative agency of competent jurisdiction which restrains, enjoins or prohibits in any material respect the consummation of the Transaction is in effect on account of any action or proceeding brought by a Person unaffiliated with the Party asserting such condition;

(ii) The Bankruptcy Court has entered the Settlement Order. In addition, if not contained in the Settlement Order, the Bankruptcy Court shall have entered one or more orders under section 365 of the Code (the "365 Order"), which shall be final and non-appealable by the Closing Date, authorizing Sellers to assume and assign to Purchaser the Assigned Contracts. The Settlement Order and any 365 Order shall be in full force and effect and as of the Closing shall be final and non-appealable and not subject to stay; provided, that Purchaser may waive the requirement that either the Settlement Order or any 365 Order be final and non-appealable;

(iii) This Agreement, and the Operating Agreements provided for under Section 3.1 of this Agreement above have been approved by the Bankruptcy Court;

(iv) (A) All of the Assigned Contracts are in full force and effect and are either assumable and assignable pursuant to section 365 of the Bankruptcy Code or the consents to assign each has been obtained, or otherwise do not require any third party consent to assign, and (B) all of Sellers' breaches and defaults under any Assigned Contract arising from or relating to pre-Closing periods has been satisfied and cured in accordance with Section 12.4 below;

(v) Sellers', Petroflow's and Purchaser's Representations under Sections 5.1, 5.2 and 6.1 are true and correct in all material respects and remain so as of the date of Closing except where any failure to be true and correct would not result in a Material Adverse Effect;

(vi) Sellers', Petroflow's and Purchaser's Representations under Sections 5.1, and 5.4 were true and correct in all material respects as of the date this Agreement was executed;

(vii) This Agreement has not been terminated in accordance with Article XIII; and

(viii) The simultaneous closing of this Agreement and the Settlement Agreement.

IX. Sellers' Obligations at Closing

9.1 At Closing, Sellers shall convey the Purchase Properties to Purchaser and shall:

(i) Deliver to Purchaser the four (4) Assignments attached hereto as Exhibits A-1 through A-4 and the Mineral Deed, which NAPCUS and PRIZE (the "Assignors"), shall properly execute and acknowledge. Such Assignments shall be in the same form and contain the same terms as the Assignments attached hereto as Exhibits A-1 through A-4, and such Mineral Deed shall be in the same form and contain the same terms as the Mineral Deed attached hereto as Exhibit B. The Assignments and Mineral Deed shall collectively cover all of the Purchase Properties;

(ii) Deliver to Purchaser a copy of the Settlement Order approving the sale of the Purchase Properties and releasing all liens, claims and other interests on the Purchase Properties;

(iii) Deliver to Purchaser Letters in Lieu of Transfer Orders addressed to purchasers of oil and gas production from the Purchase Properties, or to the operators of the Purchase Properties with payment instructions as provided in writing by Purchaser. Sellers will also deliver, at Closing, all original records, documents, lease files, division order files, title files, abstracts, supplemental abstracts and certificates of title, title opinions, surface surveys, agreements, contracts, filings and other similar materials directly relating to the operation or ownership of the Purchase Properties (except papers protected by the attorney-client privilege, attorney work product or papers subject to a confidentiality agreement), which are in Sellers' possession. Sellers shall make copies, at their own expense, of any records they deem necessary for their files;

(iv) Deliver to Purchaser a duly executed copy of a secretary's certificate certifying as to the resolutions approving and authorizing this Agreement and the transactions contemplated by this Agreement in the form of Exhibit F hereto;

(v) Deliver to Purchaser each of the Operating Agreements provided for under Section 3.1 of this Agreement above and the associated Filing Supplement for each Operating Agreement in the form attached as Exhibit H to the Operating Agreement, duly executed and acknowledged, as applicable, by the appropriate Sellers;

(vi) Deliver to Purchaser any assignment and assumption agreements pertaining to the Assigned Contracts and any bills of sale, each duly executed by Sellers, in customary form and otherwise as counsel to Purchaser shall reasonably request to implement and evidence the Transaction in each case, consistent with the terms of this Agreement;

(vii) Deliver to Purchaser such other agreements, documents and instruments as Purchaser and its counsel may reasonably request, in each case, consistent with the terms of this Agreement; and

(viii) Deliver to Purchaser the Assignment of Tax Rebate Interest attached hereto as Exhibit C duly executed and acknowledged, as applicable, by the appropriate Sellers.

X. Purchaser's Obligations at Closing

10.1 At Closing, Purchaser shall:

(i) Pay, or cause to be paid, to Sellers as directed by Sellers (or as otherwise directed by the court in the Bankruptcy Proceedings) the Purchase Consideration, as adjusted pursuant to the terms of this Agreement. It is anticipated that the amount to be paid will be in immediately available funds and will equal Ninety Three Million Five Hundred Thousand U.S. Dollars (U.S. $93,500,000.00) less the Seven Million Seven Hundred and Seventy-Nine Thousand Nine Hundred and Twenty-Nine U.S. Dollars (U.S. $7,279,929) comprised of $5,779,929 in respect of pre-petition LOEs plus approximately $1,500,000.00 in respect of the April, May and June of 2011 LOEs as discussed in Section 2.8 above or a sum of Eighty Six Million Two Hundred Twenty Thousand and Seventy-One U.S. Dollars (U.S. $86,220,071);

(ii) Deliver to Sellers each of the Operating Agreements, provided for under Section 3.1 of this Agreement above and the associated Filing Supplement for each Operating Agreement in the form attached as Exhibit H to the Operating Agreement, duly executed and acknowledged, as applicable, by Purchaser;

(iii) Deliver a duly executed copy of a secretary's certificate certifying as to the resolutions approving and authorizing this Agreement and the transactions contemplated by this Agreement in the form of Exhibit G hereto; and

(iv) Deliver to Sellers such other agreements, documents and instruments as Sellers and their counsel may reasonably request, in each case, consistent with the terms of this Agreement.

XI. Obligations of Sellers and Purchaser

11.1 Except as may otherwise be provided in this Agreement, Sellers shall use commercially reasonable efforts to obtain entry by the Bankruptcy Court of the Settlement Order. Purchaser shall promptly take all actions as are reasonably requested by Sellers to assist in obtaining the Bankruptcy Court's entry of the Settlement Order or any other Order reasonably necessary in connection with the transactions contemplated hereby, including furnishing affidavits, financial information or other documents or information for filing with the Bankruptcy Court and making Purchaser's employees and representatives available to testify before the Bankruptcy Court. Furthermore, Purchaser covenants and agrees that it shall cooperate with Sellers in connection with furnishing information or documents to Sellers to satisfy the requirements of adequate assurance of future performance under Section 365(f)(2)(B) of the Bankruptcy Code. In the event the entry of the Settlement Order is appealed, Sellers shall use their commercially reasonable efforts to defend such appeal(s).

11.2 Purchaser agrees, at its own expense, to plug the Wells. Purchaser further agrees to comply with all laws and governmental regulations with respect to abandonment of the Wells and/or abandonment of the leasehold property including, where applicable, the plugging of any of the Wells, the compliance with law or rules regarding inactive or unplugged wells, including bonding requirements, and agrees to indemnify and hold Sellers and their employees free and harmless from and against any and all cost, expenses, claims, demands and causes of action of every kind and character, arising out of, in incident to, or in connection with the leases, platform, plant, building, materials, land, wells, casing, leasehold, equipment, and other personal property, plugging requirements or exceptions thereto, including bonding requirements, or Purchaser's or other party's operations on said leases and said land, subsequent to the Closing Date. Purchaser further agrees to hold Sellers harmless with regard to restoration of surface upon plugging any of the Wells herein. Provided however, notwithstanding the foregoing provisions of this section, in the event that Sellers, or any of them, participate in a recompletion of such a Well within the Shallow Rights under the applicable Operating Agreement, the rights, obligations and liabilities of the Parties participating in the recompletion and plugging of such Well shall be subject to and controlled by the terms and provisions of such Operating Agreement.

11.3 All amounts payable under the LOE and JIBS and ad valorem taxes with respect to Sellers' interest in the Purchase Properties for the period prior to the Effective Time shall be the obligation of, and be paid by Sellers, and those which relate to the period commencing with the Effective Time shall, subject to Section 2.5 of this Agreement above, be the obligation of and be paid by Purchaser, except for those costs and expenses which one Party hereto may owe to another Party hereto that have been waived or released under the Settlement Agreement.

11.4 In the event that it is hereafter determined, from an audit of a prior period which is conducted in accordance with provisions in a relevant Joint Operating Agreement that relates to the Purchase Properties, that an adjustment should be made in the costs and expenditures arising out of any operations conducted on the Purchase Properties prior to the Effective Time which increases the amount of such costs and expenditures from those previously invoiced to Sellers, it is agreed that Sellers shall not be liable for any such increases (and Purchaser hereby assumes any such liability for such increases), nor shall Sellers be entitled to share in any adjustments which result in a decrease in such costs and expenditures from those originally invoiced (and Sellers hereby waive their right to such decrease).

11.5 Purchaser has no obligation to offer employment to any employees of Sellers. The employees of Sellers who are not hired by Purchaser are the "Excluded Employees." The Excluded Employees and all obligations to the Excluded Employees shall remain the sole responsibility of Sellers, including, without limitation, all severance, constructive notice or other costs under any contract, agreement or understanding and any applicable federal, state, county, city, municipal or other laws, statutes, rules, regulations, orders, consent decrees, permits or licenses (including, without limitation, the WARN Act) in connection with the Excluded Employees.

XII. Assumption of Assigned Contracts; Cure Amounts

12.1 Sellers shall assume, and assign to Purchaser, the Assigned Contracts. Sellers shall also assume, and assign to Purchaser, any Other Contracts and designated by Purchaser, in its sole discretion and by written notice to Sellers, for assumption and assignment at any time and from time to time after the date hereof and prior to the entry of a 365 Order rejecting such Contract pursuant to section 365(a) of the Bankruptcy Code as provided in the Settlement Order (such additional designated contracts are also Assigned Contracts). Purchaser shall have the sole discretion to remove any Assigned Contract previously designated for assumption and assignment, at any time and from time to time prior to the effective date of the assumption by Sellers of such Contract. Prior to the Closing, Sellers shall not reject any Contract without providing Purchaser (i) prior written notice of its intent to reject such Contract, (ii) a copy of such Contract, and (iii) the prior opportunity to designate such Contract as an Assigned Contract.

12.2 At Closing, Sellers shall assume each of the Assigned Contracts pursuant to section 365(a) of the Bankruptcy Code, and sell and assign to Purchaser each of the Assigned Contracts pursuant to sections 363(b) and (m) and 365(f) of the Bankruptcy Code, free from all defaults by Sellers and all claims by third parties against Purchaser or the Acquired Assets relating to any defaults by Sellers thereunder. All amounts, as determined by the Bankruptcy Court, or as agreed between Purchaser and the non-Sellers party, necessary to cure an Assigned Contract (the "Cure Amounts"), shall be paid by Purchaser prior to the assumption and assignment thereof, unless otherwise agreed by Purchaser and non-Sellers party thereto.

12.3 On or prior to the effective date of the assumption and assignment of any Assigned Contract, Purchaser shall cure any and all pecuniary defaults (whether in existence on the date of this Agreement or occurring subsequent thereto) or provide adequate assurance that it will cure any and all defaults with respect to all of the Assigned Contracts by paying all Cure Amounts required to be paid pursuant to section 365(b) of the Bankruptcy Code so that (i) at Closing, there shall be no defaults under any of the Assigned Contracts, (ii) each Contract may be assumed by Sellers and assigned to Purchaser in accordance with sections 363 and 365 of the Bankruptcy Code, and (iii) Purchaser shall have no further obligations with respect to defaults arising or existing prior to the Closing Date.

12.4 Subject to Bankruptcy Court approval, Sellers agree to use, to the best of their then ability, their commercially reasonable efforts to obtain any consents necessary to assign or otherwise transfer the Assigned Contracts to Purchaser (the "Required Consents"). If a Required Consent to the assignment of an Assigned Contract is not obtained, Sellers shall cooperate with Purchaser in any commercially reasonable arrangement (other than payment of consideration) designed to: (i) provide Purchaser with the benefits of such Assigned Contract to the greatest extent practicable, the same as if such Required Consent had been obtained, and (ii) provide for the fulfillment of Sellers' duties and obligations under such Assigned Contract to the greatest extent practicable, the same as if such Assigned Contract had remained with Sellers for the unexpired portion of the underlying contract term or obligation period. Such arrangement shall remain in effect until the earliest to occur of (x) the Assigned Contract giving rise to the obligation to obtain such Required Consent shall have been terminated or shall have expired; (y) such Required Consent shall have been obtained; or (z) Sellers and Purchaser shall have agreed in writing that such Required Consent is no longer necessary.

XIII. Termination of Agreement and Alternate Transaction

13.1 This Agreement and the transactions contemplated hereby may be terminated prior to Closing in the following instances:

(i) By Purchaser if any condition set forth in Section 8.1 above (i) becomes incapable of fulfillment other than as a result of a breach by Purchaser of any representation, warranty, covenant or agreement contained in this Agreement, (ii) remains unfulfilled thirty (30) calendar days after the giving of written notice by Purchaser to Sellers of such circumstances and (iii) is not waived by Purchaser;

(ii) By Sellers if any condition set forth in Section 8.1 above (i) becomes incapable of fulfillment other than as a result of a breach by Sellers of any representation, warranty, covenant or agreement contained in this Agreement, (ii) remains unfulfilled thirty (30) calendar days after the giving of written notice by Sellers to Purchaser of such circumstances and (iii) is not waived by Sellers;

(iii) By Sellers or Purchaser if the Closing has not occurred on or before June 1, 2011, unless otherwise extended in a signed writing by the Parties (the "Termination Date"); provided, that the right to terminate this Agreement pursuant to this Section 13.1 shall not be available to any Party whose breach of any provision of this Agreement has been a direct or indirect cause of, or has resulted in, the failure of the transactions contemplated hereby to be consummated by the Termination Date;

(iv) By Purchaser, if any of the Bankruptcy Proceedings are converted to a chapter 7 case under the Bankruptcy Code; or

(v) By the mutual written agreement of Purchaser and Sellers.

13.2

(i) Effect of Termination. In the event of termination of this Agreement pursuant to Section 13.1, written notice thereof shall be given by the terminating Party to the other Party and this Agreement shall forthwith terminate and shall become null and void and of no further effect, and the transactions contemplated by this Agreement shall be abandoned without further action by Sellers or Purchaser, without any liability on the part of either Party or its respective affiliates, representatives, members or stockholders except as otherwise provided in Section 13.2(ii); provided that, notwithstanding the foregoing, nothing in this Agreement will relieve any Party from liability for any willful breach of any representation, warranty, covenant or agreement set forth in this Agreement prior to such termination. The provisions of Sections 13.5, 14.2, 14.4 and 15.15 shall survive any termination of this Agreement.

(ii) Notwithstanding anything in this Agreement to the contrary, in the event of a termination pursuant to Article XIII, due to a breach of any of the representations, warranties or covenants in this Agreement by Purchaser that is not cured in accordance with the terms of this Article XIII, Sellers shall be entitled to request that the Bankruptcy Court allow and order payment of damages in the amount of not more than Two Million Eight Hundred and Five Thousand U.S. Dollars (U.S. $2,805,000.00) as its remedy against Purchaser for any claim against Purchaser arising under this Agreement or otherwise.

13.3 If this Agreement is terminated, Purchaser shall return to Sellers all information and material delivered to Purchaser by Sellers pursuant to the terms of this Agreement or pursuant to other agreements between Purchaser and Sellers.

13.4 Prior to the Closing, each Party's sole and exclusive remedy with respect to any breach of any representation or warranty of the other Party, which is not cured, (whether in this Agreement, or in any instrument, certificate or other agreement delivered in connection with this Agreement) shall be to exercise its right, if applicable, (a) to refuse to consummate the transactions consummated hereby due to the failure of the conditions set forth in Section 10.1 be satisfied or (b) to terminate this Agreement in accordance with Section 13.1(i) or Section 13.1(ii), as applicable.

13.5 In the event that Sellers consummate an Alternate Transaction or a court of competent jurisdiction enters an order approving an Alternate Transaction, and that Alternate Transaction is consummated, nothing in this Agreement shall impair any right Purchaser may have to request that the Bankruptcy Court allow and order payment by Seller of an amount deemed by Purchaser to be appropriate as administrative expense pursuant to sections 503(b)(3)(r) and 503(b)(4) of the Bankruptcy Code, nor shall anything in this Agreement impair any right any party in interest, including Sellers and Lenders (as defined in the Settlement Agreement) may have to object to the allowance and payment of any amount to Purchaser.

XIV. Post-Closing Obligations

14.1 Purchaser shall be solely responsible for all filing and recording of documents and other costs related to the Purchase Properties and for all fees connected with the filing and recording of such documents.

14.2 Except as required for filings with the Bankruptcy Court or other government agencies, disclosure to the unsecured creditor's committee in the Bankruptcy Proceeding, or pursuant to applicable law, order or decree and for the potential sale of the Purchase Properties in the event Sellers are obligated by the Bankruptcy Court to discuss the potential sale of the assets with a third party, Sellers shall not and shall cause their affiliates, professionals and representatives not to disclose to any other party any information or data which relates to any of the Purchase Properties, where such information or data has heretofore been provided to Sellers, or any of them, by Purchaser, or their subsidiaries, affiliates, successors or assigns, without Purchaser's prior written consent and approval, which consent and approval shall not be unreasonably withheld, delayed or conditioned. Sellers further agree not to use any such information or data for any purpose. The information and data to be held on a strictly confidential basis by Sellers shall include, but shall not be limited to, any land records, title information, geological and geophysical data, well production data and historical information relating to any of the Purchase Properties.

14.3 Sellers shall execute a separate assignment to Purchaser of any State, Federal or Indian leases where the assignment of such leases are required to be presented to the proper authorities for approval of the assignment, and Sellers agree to reasonably cooperate in obtaining such approvals.

14.4 This Agreement and all instruments executed in accordance with it shall be governed by and interpreted in accordance with the laws of the State of Oklahoma without regard to conflict of law rules that would direct application of the laws of another jurisdiction.

XV. <u>Final Conditions</u>

15.1 Sellers agree that, subject to the payment of the Escrow Deposit, until the Bankruptcy Court's entry of the Settlement Order and except to the extent ordered by the Bankruptcy Court to do otherwise (including, but not limited to fulfilling their fiduciary duties), Sellers shall suspend any further marketing efforts with respect to the Purchase Properties.

15.2 Except as otherwise provided in this Agreement, Sellers and Purchaser, singularly and plural, warrant and agree that each shall use its commercially reasonable efforts to take, or cause to be taken, all such actions as may be reasonably necessary to consummate and make effective the transaction contemplated by this Agreement, including, but not limited to, obtaining any required governmental or other approvals or consents, and to assure that it will not be under any material, corporate, legal or contractual restriction that would prohibit or delay the timely consummation of such transaction, provided that, as part of a Party's obligations to use its commercially reasonable efforts, such Party shall not be obligated to expend any funds to obtain any consents or approvals, other than attorney fees and expenses incurred by the Party in obtaining the Bankruptcy Court's approval of this Agreement and the Settlement Agreement.

15.3 Purchaser has been afforded the opportunity to examine certain records, information and materials pertinent to the Purchase Properties, and has conducted such due diligence examinations of the Purchase Properties as Purchaser has deemed necessary, advisable and prudent in its sole discretion and judgment. Purchaser acknowledges that all records made available to Purchaser by Sellers were prepared for the internal business purposes of Sellers and that Sellers have made these records available to Purchaser as a convenience to Purchaser. Sellers make no representations or warranties, express or implied, as to the accuracy or completeness of such records and, in entering into this Agreement, Purchaser acknowledges that it has relied solely upon its independent investigation of, and judgment with respect to, the Purchase Properties.

15.4 Sellers and Purchaser shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments and take such other action as may be necessary or advisable to carry out their obligations under this Agreement and under any exhibit, document, certificate or other instrument delivered pursuant hereto.

15.5 Other than those covenants in Section 2.5 through 2.10, Article III, Article IV, Section 7.2, 7.4, 7.5, 11.2, 11.3, 11.4, 11.5, Article XIV, 15.2, 15.4, 15.5, 15.7, 15.8, 15.12, 15.16, 15.17 or 15.18, after Closing, all of the terms, representations, warrants, covenants, and conditions of this Agreement shall terminate at Closing.

15.6 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors (including in the case of Sellers, a trustee appointed under chapter 7 or chapter 11 of the Bankruptcy Code or any successor to Sellers pursuant to a confirmed plan of reorganization under chapter 11 of the Bankruptcy Code) and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without prior written consent of the other Parties (which shall not be unreasonably withheld or delayed); except: (i) Sellers or Purchaser may assign this Agreement to any Person that succeeds to a substantial majority of such Party's assets, is the surviving company following a merger of a Party and one or more additional Persons, or is the surviving company after a name change or corporate reorganization of such Party and (ii) Purchaser may grant a security interest in its rights and interests hereunder to its lenders. Nothing contained herein, express or implied, is intended to confer on any person other than the Parties hereto or their successors and assigns, any rights, remedies, obligations, claims, or liabilities under or by reason of this Agreement. After Closing, Purchaser may assign any portion of the Purchase Properties without obtaining the consent of the other Parties.

15.7 All notices, consents, requests, instructions, approvals and other communications provided for herein shall be deemed to be validly given, made or served, if in writing and delivered personally or sent by courier service, telex, facsimile or certified mail to the address listed below:

TO PURCHASER:

Equal Energy US Inc.
Attn: Don Klapko
2700, 500 4th Avenue SW
Calgary, Alberta T2P 2V6
(403) 263-0262
Fax: (403) 294-1197

and

Equal Energy US Inc.
Attn: Richard F. Dixon
4801 Gaillardia Parkway, Suite 325
Oklahoma City, OK 73142
(405) 242-6000
Fax: (405) 242-6099

TO SELLERS:

North American Petroleum Corporation USA
Prize Petroleum LLC
Petroflow Energy Ltd.
525 S. Main St., Suite 1120
Tulsa, OK 74103
Attn: Dennis Baggett
(918) 592-1010
Fax: (918) 592-1030

and

Richard Menchaca
North American Petroleum Corporation, USA
7373 Broadway, Suite 403
San Antonio, TX
(210) 785-2893

With a copy, which shall not constitute notice, to

Kirkland & Ellis LLP
300 N. LaSalle
Chicago, IL 60654-3406
Attn: David Seligman
email: David.Seligman@kirkland.com
Telephone: 312-862-2000
Facsimile: 312-862-2200

15.8 This Agreement, the Settlement Agreement and the Operating Agreements provided for under Section 3.1 above constitute the entire Agreement between Sellers and Purchaser with respect to the transactions contemplated herein, and supersedes all prior oral or written agreements, commitments, understanding, or information otherwise furnished by Sellers to Purchaser with respect to such matters, including but not limited to the letter agreement between Sellers and Purchaser dated as of March 16, 2011. [To the extent of any conflict between this Agreement and the Settlement Agreement, the Settlement Agreement shall control unless and until the Lenders (as defined in the Settlement Agreement) have indefeasibly and irrevocably received $98 million, the Lenders Tax Rebate Assignment (as defined in the Settlement Agreement), and the releases in favor of Lenders all as provided for in the Settlement Agreement. Only after such receipt by Lenders (as defined in the Settlement Agreement), to the extent of any conflict between the Settlement Agreement and this Agreement, this Agreement shall control.]

15.9 This Agreement may not be amended and no rights hereunder may be waived except by a written document signed by the duly authorized representative of the Party to be charged with such amendment or waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

15.10 Each Party acknowledges that it has read and understands the terms of this Agreement and has had the opportunity to consult with legal counsel of its choice concerning the meaning and effect thereof. No Party has relied upon another Party or its counsel or advisers with respect to the meaning or effect of such an agreement or provision.

15.11 With the exception of Section 15.10, which is intended to be for the benefit of Sellers' Related Persons and Purchaser's Related Persons, nothing contained in this Agreement, express or implied, is intended to confer upon any other Person or entity any benefits, rights or remedies.

15.12

(i) Purchaser (to the extent it has the authority to do so, on behalf of its Related Persons) acknowledges and agrees, and to the extent it does not have the authority to do so shall use its reasonable efforts to cause its Related Persons to acknowledge and agree, that, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action it may have against Sellers' Related Persons relating to the operation of the Business or relating to the subject matter of this Agreement and the transactions contemplated hereby arising under or based upon any law (including any right, whether arising at law or in equity, to seek indemnification, contribution, cost recovery, damages, or any other recourse or remedy, including as may arise under common law or environmental Law) are hereby waived.

(ii) Sellers (to the extent they have the authority to do so, on behalf of its Related Persons) acknowledges and agrees, and to the extent it does not have the authority to do so shall use its reasonable efforts to cause its Related Persons to acknowledge and agree, that, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action it may have against Purchaser's Related Persons relating to the subject matter of this Agreement and the transactions contemplated hereby arising under or based upon any Law (including any right, whether arising at law or in equity, to seek indemnification, contribution, cost recovery, damages, or any other recourse or remedy, including as may arise under common law or environmental Law) are hereby waived.

(iii) Each of Purchaser and Sellers acknowledge and agree that the representations, warranties, covenants agreements contained in this Section 15.12

are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement.

15.13 NO CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL PURCHASER OR SELLERS BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL LOSS OR DAMAGE, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS OR REVENUE, LOSS OF OPPORTUNITY OR USE.

15.14 In the event any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, which other provisions shall remain in full force and effect.

15.15 Sellers and Purchaser shall consult with each other with regard to all press releases and other announcements concerning this Agreement or the transaction contemplated hereby and, except as may be required by Law or regulations of any Governmental Entity or stock exchange, neither Purchaser, Petroflow nor Sellers shall issue any such press release or make any other announcement without the prior written consent of the other Party.

15.16 This Agreement and any claim, controversy or dispute arising under or in relation to this Agreement or the relationship of the Parties is construed, performed and enforced in accordance with, and governed by, the Laws of the State of Oklahoma (without giving effect to the principles of conflicts of Laws thereof), except to the extent that the Laws of such State are superseded by the Bankruptcy Code. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. After Sellers are no longer subject to the jurisdiction of the Bankruptcy Court, any legal action or proceeding with respect to this Agreement or the transactions contemplated hereby may be brought in the courts of the State of Oklahoma sitting in Oklahoma County or of the United States for the Western District of Oklahoma, and by execution and delivery of this Agreement, each of the Parties consents to the non-exclusive jurisdiction of those courts. Each of the Parties irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in any such jurisdiction in respect of this Agreement or the transactions contemplated hereby.

15.17

(i) THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLERS CONTAINED IN THIS AGREEMENT AND IN THE ASSIGNMENT AND ANY OTHER DOCUMENTS TO BE EXECUTED BY SELLERS PURSUANT TO THIS AGREEMENT ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES,

EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, AND SELLERS EXPRESSLY DISCLAIM ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES. WITHOUT LIMITATION OF THE FOREGOING, AND SUBJECT TO THE PROVISIONS OF THIS AGREEMENT, THE REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, AND CONTAINED IN THE ASSIGNMENT AND ANY OTHER DOCUMENTS TO BE EXECUTED BY SELLERS PURSUANT TO THIS AGREEMENT, THE INTERESTS SHALL BE CONVEYED PURSUANT HERETO WITHOUT ANY ADDITIONAL WARRANTY OR REPRESENTATION, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE RELATING TO THE CONDITION, QUANTITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, CONFORMITY TO THE MODELS OR SAMPLES OF MATERIALS, OR MERCHANTABILITY OF ANY EQUIPMENT OR ITS FITNESS FOR ANY PURPOSE, AND WITHOUT ANY OTHER EXPRESS, IMPLIED, STATUTORY, OR OTHER WARRANTY OR REPRESENTATION WHATSOEVER. PURCHASER HAS INSPECTED, OR WAIVED (AND UPON CLOSING SHALL BE DEEMED TO HAVE WAIVED), ITS RIGHT TO INSPECT, THE INTERESTS FOR ALL PURPOSES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING, BUT NOT LIMITED TO, CONDITIONS SPECIFICALLY RELATED TO THE PRESENCE, RELEASE, OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES, ASBESTOS OR OTHER MANMADE FIBERS OR NATURALLY OCCURRING RADIOACTIVE MATERIALS ("NORM") IN, ON, OR UNDER THE INTERESTS. PURCHASER IS RELYING SOLELY UPON ITS OWN INSPECTION OF THE INTERESTS, AND PURCHASER SHALL, EXCEPT AS PROVIDED OTHERWISE HEREIN, ACCEPT ALL OF THE SAME "AS IS, WHERE IS". WITHOUT LIMITATION OF THE FOREGOING, SELLERS MAKES NO WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, REPORTS, RECORDS, PROJECTIONS, INFORMATION, OR MATERIALS NOW, HERETOFORE, OR HEREAFTER FURNISHED OR MADE AVAILABLE TO PURCHASER IN CONNECTION WITH THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, PRICING ASSUMPTIONS OR QUALITY OR QUANTITY OF HYDROCARBON RESERVES (IF ANY) ATTRIBUTABLE TO THE INTERESTS OR THE ABILITY OR POTENTIAL OF THE INTERESTS TO PRODUCE HYDROCARBONS OR THE ENVIRONMENTAL CONDITION OF THE INTERESTS OR ANY OTHER MATERIALS FURNISHED OR MADE AVAILABLE TO PURCHASER BY SELLERS, OR BY SELLERS'S AGENTS OR REPRESENTATIVES. SUBJECT TO THE EXPRESS PROVISIONS OF THIS AGREEMENT, ANY AND ALL SUCH DATA, RECORDS, REPORTS, PROJECTIONS, INFORMATION, AND OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED BY SELLERS OR OTHERWISE MADE AVAILABLE OR DISCLOSED TO PURCHASER ARE PROVIDED TO PURCHASER AS A

CONVENIENCE AND SHALL NOT CREATE OR GIVE RISE TO ANY LIABILITY OF OR AGAINST SELLERS, AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT PURCHASER'S SOLE RISK TO THE MAXIMUM EXTENT PERMITTED BY LAW.

(ii) No material representation, warranty, covenant, agreement, promise, inducement or statement, whether oral or written, has been made by Sellers or Purchaser and relied upon by the other that is not set forth in this Agreement or in the instruments referred to herein, and neither Sellers nor Purchaser shall be bound by or liable for any alleged representation, warranty, covenant, agreement, promise, inducement or statement not so set forth.

15.18 In the event any Party hereto commences an action in a court of competent jurisdiction to enforce a right under this Agreement, or commences an action for breach of any term or provision of this Agreement, then the prevailing Party shall be entitled to recover from the other Party to said action any damages it has incurred, together with any attorney's fees and costs incurred by it as a result of such action.

15.19 This Agreement may be executed in counterpart, each of which shall be deemed an original; provided, however, that no Party shall be bound by this Agreement until such time as all Parties have executed a copy of the same. A facsimile of an executed copy of this Agreement sent by facsimile transmission to the other Parties shall be given the same binding effect as the executed original of this Agreement.

15.20 Notwithstanding the time period in Section 7.5 of this Agreement above, for seven (7) years after the Closing, the Parties agree, upon written request, to furnish each other, at the requesting Parties cost, with a copy of any records pertaining to the Farmout Property or this Transaction which are in the possession of the Party to whom the request is made, provided that such Records are necessary in order for requesting Party to meet the required reporting requirements of any Governmental Entity or stock exchange.

15.21 Except to the extent that the context or the express provisions of this Agreement otherwise require:

(i) any agreement or document defined or referred to in this Agreement shall include each amendment, modification and supplement thereto, and waiver thereof as may become effective from time to time up to and including the date hereof, in accordance with the terms thereof, except where otherwise indicated;

(ii) any term defined by reference to any other agreement or document shall have such meaning whether or not such agreement or document remains in effect;

(iii) the terms "hereof" or "thereof", "herein" or "therein", "hereunder" or "thereunder", and comparable terms refer to the entire agreement with respect to which such terms are used and not to any particular article, section or other subdivision thereof;

(iv) a reference to any Person or Party includes its successors and permitted assigns;

(v) a reference to any governmental entity or includes any governmental entity or authority succeeding to such entity's or authority's functions and capabilities;

(vi) references to, or to a provision of, any law include any amendment, extension, re enactment or replacement, up to and including the date of this Agreement;

(vii) words denoting the singular shall include the plural and vice versa;

(viii) clause headings shall not affect the interpretation of this Agreement, provided, however, all Preamble and Recitals of Fact provisions shall be considered as full parts of this Agreement;

(ix) "company" includes any partnership, limited liability company, joint venture, unincorporated association or other legal entity; and

if any provision of this Agreement contemplates that the Parties shall negotiate or agree to any matter after the date that this Agreement is signed, such provision shall be construed to include an obligation of the Parties to negotiate or reach an agreement in good faith within the spirit and intent of this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Sellers, Petroflow (as parent of NAPCUS and not as a Sellers), Purchaser, acting through their authorized representatives, do hereby execute and deliver this Agreement as of the date first written above.

PURCHASER:

Equal Energy US Inc.

By:______________________________

Name:____________________________

Title:____________________________

IN WITNESS WHEREOF, Sellers, Petroflow (as parent of NAPCUS and not as a Sellers), Purchaser, acting through their authorized representatives, do hereby execute and deliver this Agreement as of the date first written above.

SELLERS:

North American Petroleum Corporation USA

By:______________________________

Name: Richard Menchaca

Title: President

Prize Petroleum LLC

By:______________________________

Name: Richard Menchaca

Title: Manager

PETROFLOW, solely for purposes of Section 4.1, 4.2 and 5.2:

Petroflow Energy Ltd.

By:______________________________

Name: Richard Menchaca

Title: President