Section 1: 10-Q (10-Q)

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2019
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____to_____

Commission File No.: 0-26823

ALLIANCE RESOURCE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**73-1564280**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1717 South Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119
(Address of principal executive offices and zip code)
(918) 295-7600
(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer .☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐
Emerging Growth Company ☐

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common units representing limited partner interests	ARLP	NASDAQ Global Select Market

As of August 5, 2019, 128,391,191 common units are outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	June 30, 2019	I
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,215	$
Trade receivables	178,128	
Other receivables	628	
Inventories, net	84,661	
Advance royalties, net	1,274	
Prepaid expenses and other assets	11,592	
Total current assets	331,498	
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, at cost	3,496,144	
Less accumulated depreciation, depletion and amortization	(1,584,513)	
Total property, plant and equipment, net	1,911,631	
OTHER ASSETS:		
Advance royalties, net	52,911	
Equity method investments	28,672	
Equity securities	—	
Goodwill	136,399	
Operating lease right-of-use assets	20,421	
Other long-term assets	21,189	
Total other assets	259,592	
TOTAL ASSETS	$ 2,502,721	$
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 108,116	$
Accrued taxes other than income taxes	17,507	
Accrued payroll and related expenses	42,484	
Accrued interest	5,154	
Workers' compensation and pneumoconiosis benefits	11,270	
Current finance lease obligations	38,214	
Current operating lease obligations	5,554	
Other current liabilities	18,734	
Current maturities, long-term debt, net	78,144	
Total current liabilities	325,177	
LONG-TERM LIABILITIES:		
Long-term debt, excluding current maturities, net	467,141	
Pneumoconiosis benefits	73,607	
Accrued pension benefit	40,841	
Workers' compensation	45,422	
Asset retirement obligations	132,414	
Long-term finance lease obligations	2,549	
Long-term operating lease obligations	14,806	
Other liabilities	21,285	
Total long-term liabilities	798,065	
Total liabilities	1,123,242	
PARTNERS' CAPITAL:		
ARLP Partners' Capital:		
Limited Partners - Common Unitholders 128,391,191 and 128,095,511 units outstanding, respectively	1,417,962	
Accumulated other comprehensive loss	(50,573)	
Total ARLP Partners' Capital	1,367,389	
Noncontrolling interest	12,090	
Total Partners' Capital	1,379,479	
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 2,502,721	$

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except unit and per unit data)
(Unaudited)

	Three Months Ended June 30,		Six Months End June 30,	
	2019	2018	2019	
SALES AND OPERATING REVENUES:				
Coal sales	$ 461,310	$ 475,925	$ 937,326	$
Oil & gas royalties	11,892	—	22,285	
Transportation revenues	32,630	27,532	62,868	
Other revenues	11,222	12,680	21,177	
Total revenues	517,054	516,137	1,043,656	
EXPENSES:				
Operating expenses (excluding depreciation, depletion and amortization)	314,273	311,201	617,001	
Transportation expenses	32,630	27,532	62,868	
Outside coal purchases	5,311	68	5,311	
General and administrative	19,521	17,026	37,333	
Depreciation, depletion and amortization	76,913	72,150	148,052	
Settlement gain	—	—	—	
Total operating expenses	448,648	427,977	870,565	
INCOME FROM OPERATIONS	68,406	88,160	173,091	
Interest expense (net of interest capitalized for the three and six months ended June 30, 2019 and 2018 of $238, $296, $492 and $561, respectively)	(10,711)	(9,955)	(22,133)	
Interest income	138	24	229	
Equity method investment income	550	4,839	874	
Equity securities income	—	3,854	12,906	
Acquisition gain	—	—	177,043	
Other expense	(13)	(542)	(142)	
INCOME BEFORE INCOME TAXES	58,370	86,380	341,868	
INCOME TAX EXPENSE (BENEFIT)	186	3	80	
NET INCOME	58,184	86,377	341,788	
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(114)	(187)	(7,290)	
NET INCOME ATTRIBUTABLE TO ARLP	$ 58,070	$ 86,190	$ 334,498	$
NET INCOME ATTRIBUTABLE TO ARLP				
GENERAL PARTNER	$ —	$ —	$ —	$
LIMITED PARTNERS	$ 58,070	$ 86,190	$ 334,498	$
EARNINGS PER LIMITED PARTNER UNIT - BASIC AND DILUTED	$ 0.44	$ 0.64	$ 2.57	$
WEIGHTED-AVERAGE NUMBER OF UNITS OUTSTANDING – BASIC AND DILUTED	128,391,191	131,279,910	128,271,158	

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months June 3
	2019	**2018**	**2019**
NET INCOME	$ 58,184	$ 86,377	$ 341,788
OTHER COMPREHENSIVE INCOME (LOSS):			
Defined benefit pension plan			
Amortization of prior service cost (1)	46	47	93
Amortization of net actuarial loss (1)	982	969	1,961
Total defined benefit pension plan adjustments	1,028	1,016	2,054
Pneumoconiosis benefits			
Net actuarial loss	—	—	(3,465)
Amortization of net actuarial loss (gain) (1)	(1,146)	—	(2,291)
Total pneumoconiosis benefits adjustments	(1,146)	—	(5,756)
OTHER COMPREHENSIVE INCOME (LOSS)	(118)	1,016	(3,702)
COMPREHENSIVE INCOME	58,066	87,393	338,086
Less: Comprehensive income attributable to noncontrolling interest	(114)	(187)	(7,290)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ARLP	$ 57,952	$ 87,206	$ 330,796

(1) Amortization of prior service cost and net actuarial gain or loss is included in the computation of net periodic benefit cost (see Notes 14 and 16 for additional details).

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ende June 30,	
	2019	
CASH FLOWS FROM OPERATING ACTIVITIES	$ 301,703	$
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(165,627)	
Increase in accounts payable and accrued liabilities	4,442	
Proceeds from sale of property, plant and equipment	701	
Contributions to equity method investments	—	
Distributions received from investments in excess of cumulative earnings	2,358	
Payment for acquisition of business, net of cash acquired	(175,060)	
Escrow payment for Wing acquisition	(10,875)	
Cash received from redemption of equity securities	134,288	
Net cash used in investing activities	(209,773)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under securitization facility	118,000	
Payments under securitization facility	(135,000)	
Proceeds from equipment financing	10,000	
Payments on equipment financing	(253)	
Borrowings under revolving credit facilities	90,000	
Payments under revolving credit facilities	(195,000)	
Payments on finance lease obligations	(16,554)	
Payments for purchases of units under unit repurchase program	(5,251)	
Net settlement of withholding taxes on issuance of units in deferred compensation plans	(7,817)	
Cash contribution by General Partner	—	
Cash contribution by affiliated entity	—	
Cash obtained in Simplification Transactions	—	
Distributions paid to Partners	(138,500)	
Other	(490)	
Net cash used in financing activities	(280,865)	
NET CHANGE IN CASH AND CASH EQUIVALENTS	(188,935)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	244,150	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 55,215	$
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 20,748	$
Cash paid for income taxes	$ —	$
SUPPLEMENTAL NON-CASH ACTIVITY:		
Accounts payable for purchase of property, plant and equipment	$ 19,027	$
Assets acquired by finance lease	$ —	$
Right-of-use assets acquired by operating lease	$ 25,179	$
Market value of common units issued under deferred compensation plans before tax withholding requirements	$ 17,415	$
Acquisition of business:		
Fair value of assets assumed	$ 484,303	$
Previously held equity-method investments	(307,322)	
Cash paid, net of cash acquired	(175,060)	
Fair value of liabilities assumed	$ 1,921	$

See notes to condensed consolidated financial statements.

ALLIANCE RESOURCE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND PRESENTATION

Significant Relationships Referenced in Notes to Condensed Consolidated Financial Statements

- References to "we," "us," "our" or "ARLP Partnership" mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to "ARLP" mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to "MGP" mean Alliance Resource Management GP, LLC, ARLP's general partner.
- References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.
- References to "Alliance Resource Properties" mean Alliance Resource Properties, LLC, the land-holding company for the mining operations of Alliance Resource Operating Partners, L.P.
- References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the coal mining operations of Alliance Resource Operating Partners, L.P.

Organization

ARLP is a Delaware limited partnership listed on the NASDAQ Global Select Market under the ticker symbol "ARLP." ARLP was formed in May 1999 and completed its initial public offering on August 19, 1999 when it acquired substantially all of the coal production and marketing assets of Alliance Resource Holdings, Inc., a Delaware corporation, and its subsidiaries. We are managed by our general partner, MGP, a Delaware limited liability company which holds a non-economic general partner interest in ARLP.

AllDale I & II Acquisition

On January 3, 2019 (the " AllDale Acquisition Date"), we acquired all of the limited partner interests not owned by Cavalier Minerals JV, LLC ("Cavalier Minerals") in AllDale Minerals LP ("AllDale I") and AllDale Minerals II, LP ("AllDale II", and collectively with AllDale I, "AllDale I & II") and the general partner interests in AllDale I & II (the "AllDale Acquisition"). As a result of the AllDale Acquisition and our previous investments held through Cavalier Minerals, we now control approximately 43,000 net royalty acres in premier oil & gas resource plays. The AllDale Acquisition provides us with diversified exposure to industry leading operators and is consistent with our general business strategy to pursue accretive acquisitions. See Note 3 – Acquisition for more information.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts and operations of the ARLP Partnership and present our financial position as of June 30, 2019 and December 31, 2018, the results of our operations and comprehensive income for the three and six months ended June 30, 2019 and 2018, and the cash flows for the six months ended June 30, 2019 and 2018. All intercompany transactions and accounts have been eliminated.

These condensed consolidated financial statements and notes are prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and do not include all of the information normally included with financial statements prepared in accordance with generally accepted accounting principles ("GAAP") of the United States. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018 and particularly as it relates to the simplification transactions completed by the Partnership on May 31, 2018 ("Simplification Transactions").

For the periods presented prior to the Simplification Transactions, MGP's previous interests in both Alliance Coal and the Intermediate Partnership are reported as part of the general partner's interest in the ARLP Partnership's condensed consolidated financial statements.

These condensed consolidated financial statements and notes are unaudited. However, in the opinion of management, these condensed consolidated financial statements reflect all normal recurring adjustments necessary for a fair presentation of the results for the periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full year ending December 31, 2019.

Use of Estimates

The preparation of the ARLP Partnership's condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in our condensed consolidated financial statements. Actual results could differ from those estimates.

Leases

We lease buildings and equipment under operating lease agreements that provide for the payment of minimum rentals. We also have noncancelable lease agreements with third parties for land and equipment under finance lease obligations. Some of our arrangements within these agreements have both lease and non-lease components, which are generally accounted for separately. We have elected a practical expedient to account for lease and non-lease components as a single lease component for leases of buildings and office equipment. Our leases have lease terms of one year to 20 years, some of which include automatic renewals up to ten years which are likely to be exercised, and some of which include options to terminate the lease within one year. We also hold numerous mineral reserve leases with both related parties as well as third parties, none of which are accounted for as an operating lease or as a finance lease.

We review each agreement to determine if an arrangement within the agreement contains a lease at the inception of an arrangement. Once an arrangement is determined to contain either an operating or finance lease with a term greater than 12 months, we recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term based on the present value of lease payments over the lease term. The lease term includes all noncancelable periods defined in the lease as well as periods covered by options to extend the lease that we are reasonably certain to exercise. As an implicit borrowing rate cannot be determined under most of our leases, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Expenses related to leases determined to be operating leases will be recognized on a straight-line basis over the lease term including any reasonably assured renewal periods, while those determined to be finance leases will be recognized following a front-loaded expense profile in which interest and amortization are presented separately in the income statement. The determination of whether a lease is accounted for as a finance lease or an operating lease requires management to make estimates primarily about the fair value of the asset and its estimated economic useful life.

2. NEW ACCOUNTING STANDARDS

New Accounting Standards Issued and Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet and disclose key information about lease arrangements. Leases are now classified as either finance or operating, with the resulting classification affecting the pattern of expense recognition in the income statement. We elected to use the modified retrospective transition method which allows a cumulative effect adjustment on the balance sheet upon adoption. The adoption of the standard resulted in the recognition of approximately $25.0 million in additional net lease assets and respective lease liabilities as of January 1, 2019.

As part of our transition there are a number of practical expedients available in the new standard. We elected a package of practical expedients that, among other things, allows us to not reassess the lease classification of expired or existing leases. In addition to the package of practical expedients, we also elected to use a practical expedient allowing us to use hindsight in determining the lease term for existing leases.

New Accounting Standards Issued and Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments to require the use of a new forward-looking "expected loss" model that generally will result in earlier recognition of allowances for losses. The new standard will require disclosure of significantly more information related to these items. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for the fiscal year beginning after December 15, 2018, including interim periods. We do not have a history of credit losses on our financial instruments, accordingly we do not anticipate ASU 2016-13 will have a material impact on our condensed consolidated financial statements.

3. ACQUISITION

On the AllDale Acquisition Date, we acquired all of the limited partner interests not owned by Cavalier Minerals in AllDale I & II and the general partner interests in AllDale I & II for $176.0 million, which was funded with cash on hand and borrowings under the Revolving Credit Facility discussed in Note 8 – Long-Term Debt. As a result of the AllDale Acquisition and our previous investments held through Cavalier Minerals, we now control approximately 43,000 net royalty acres strategically positioned in the core of the Anadarko (SCOOP/STACK), Permian (Delaware and Midland), Williston (Bakken) and Appalachian basins. The AllDale Acquisition provides us with diversified exposure to industry leading operators and is consistent with our general business strategy to pursue accretive acquisitions.

Because the underlying mineral interests held by AllDale I & II include royalty interests in producing properties, we have determined that the AllDale Acquisition should be accounted for as a business combination and the underlying assets and liabilities of AllDale I & II should be recorded at their AllDale Acquisition Date fair value on our condensed consolidated balance sheet. We consider our fair value measurements to be preliminary as we continue to obtain additional information from operators of the mineral interests about reserve and production quantities and projections.

The total fair value of the cash paid in the AllDale Acquisition and our previous investments were as follows:

	As of Jan (in th
Cash	$
Previously held investments	
Total	$

Prior to the AllDale Acquisition Date, we accounted for our investments in AllDale I & II, held through Cavalier Minerals, as equity method investments. The combined fair value of our equity method investments on the AllDale Acquisition Date was $307.3 million. We re-measured our equity method investments, which had an aggregate carrying value of $130.3 million immediately prior to the AllDale Acquisition. The re-measurement resulted in a gain of $177.0 million which is recorded in the *Acquisition gain* line item in our condensed consolidated statements of income.

The following table summarizes the fair value allocation of assets acquired and liabilities assumed as of the AllDale Acquisition Date:

	As of Jan (in th
Cash and cash equivalents	$
Mineral interests in proved properties	
Mineral interests in unproved properties	
Receivables	
Accounts payable	
Net assets acquired	$

Our previous equity method investments in AllDale I & II were held through Cavalier Minerals. Bluegrass Minerals continues to hold a 4% membership interest (the "Bluegrass Interest") as well as a profits interest in Cavalier Minerals as it did before the AllDale Acquisition. This Bluegrass Interest represents an indirect noncontrolling interest in AllDale I & II. The AllDale Acquisition Date fair value of the Bluegrass Interest was $12.3 million.

The fair value of our previous equity method investments, the mineral interests and the Bluegrass Interest were determined using an income approach primarily comprised of discounted cash flow models. The assumptions used in the discounted cash flow models include estimated production, projected cash flows, forward oil & gas prices and a risk adjusted discount rate. Certain assumptions used are not observable in active markets, therefore the fair value measurements represent Level 3 fair value measurements. AllDale I & II's carrying value of the receivables and accounts payable represent their fair value given their short-term nature.

The amounts of revenue and earnings, exclusive of the acquisition gain, of AllDale I & II included in our condensed consolidated statements of income since the AllDale Acquisition Date are as follows:

	Three Months Ended June 30, 2019	Six M J
	(in thousands)	
Revenue	$ 12,428	$
Net income	4,901	

The following represents the pro forma revenues and net income for the three and six months ended June 30, 2018 as if AllDale I & II had been included in our consolidated results since January 1, 2018. These amounts have been calculated after applying our accounting policies. Pro forma information is not necessary for the three and six months ended June 30, 2019 as the AllDale Acquisition occurred at the beginning of the year. Additionally, our results have been adjusted to remove the effect of our past equity method investments in AllDale I & II.

	Three Months Ended June 30, 2018	Six Mo Ju
	(in thousands)	
Total revenues		
As reported	$ 516,137	$
Pro forma	525,013	
Net income		
As reported	$ 86,377	$
Pro forma	85,062	

4. CONTINGENCIES

Various lawsuits, claims and regulatory proceedings incidental to our business are pending against the ARLP Partnership. We record accruals for potential losses related to these matters when, in management's opinion, such losses are probable and reasonably estimable. Based on known facts and circumstances, we believe the ultimate outcome of these outstanding lawsuits, claims and regulatory proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity. However, if the results of these matters were different from management's current opinion and in amounts greater than our accruals, then they could have a material adverse effect.

5. INVENTORIES

Inventories consist of the following:

	June 30, 2019	Decer 2
	(in thousands)	
Coal	$ 46,387	$
Supplies (net of reserve for obsolescence of $5,306 and $5,453, respectively)	38,274	
Total inventories, net	$ 84,661	$

6. LEASES

The components of lease expense were as follows:

	Three Months Ended June 30, 2019	Six M J
	(in thousands)	
Finance lease cost:		
Amortization of right-of-use assets	$ 4,496	$
Interest on lease liabilities	619	
Operating lease cost	2,400	
Short-term lease cost	106	
Variable lease cost	343	
Total lease cost	$ 7,964	$

Supplemental cash flow information related to leases was as follows:

	Three Months Ended June 30, 2019	Six M J
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 2,325	$
Operating cash flows for finance leases	$ 619	$
Financing cash flows for finance leases	$ 9,213	$
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ —	$

Supplemental balance sheet information related to leases was as follows:

	June 30, 2019	Decer 2
	(in thousands)	
Finance leases:		
Property and equipment finance lease assets, gross	$ 140,717	$
Accumulated depreciation	(83,291)	
Property and equipment finance lease assets, net	$ 57,426	$

	June 30, 2019
Weighted average remaining lease term	
Operating leases	
Finance leases	
Weighted average discount rate	
Operating leases	
Finance leases	

Maturities of lease liabilities as of June 30, 2019 were as follows:

	Operating leases	Finance
	(in thousands)	
2019	$ 3,796	$
2020	3,788	
2021	2,236	
2022	2,172	
2023	1,995	
Thereafter	14,864	
Total lease payments	28,851	
Less imputed interest	(8,491)	
Total	$ 20,360	$

7. FAIR VALUE MEASUREMENTS

The following table summarizes our fair value measurements within the hierarchy:

	June 30, 2019			December 31, 2018	
	Level 1	Level 2	Level 3	Level 1	Level 2
			(in thousands)		
Long-term debt	$ —	$ 587,757	$ —	$ —	$ 669,864
Total	$ —	$ 587,757	$ —	$ —	$ 669,864

The carrying amounts for cash equivalents, accounts receivable, accounts payable, accrued and other liabilities, due from affiliates and due to affiliates approximate fair value due to the short maturity of those instruments.

The estimated fair value of our long-term debt, including current maturities, is based on interest rates that we believe are currently available to us in active markets for issuance of debt with similar terms and remaining maturities (See Note 8 – Long-Term Debt). The fair value of debt, which is based upon these interest rates, is classified as a Level 2 measurement under the fair value hierarchy.

[redacted]

8. LONG-TERM DEBT

Long-term debt consists of the following:

	Principal		Unamortized Discount and Debt Issuance Costs	
	June 30, 2019	December 31, 2018	June 30, 2019	D
	(in thousands)			
Revolving credit facility	$ 70,000	$ 175,000	$ (4,126)	$
Senior notes	400,000	400,000	(5,336)	
Securitization facility	75,000	92,000	—	
Equipment financing	9,747	—	—	
	554,747	667,000	(9,462)	
Less current maturities	(78,144)	(92,000)	—	
Total long-term debt	$ 476,603	$ 575,000	$ (9,462)	$

Credit Facility. On January 27, 2017, our Intermediate Partnership entered into a Fourth Amended and Restated Credit Agreement (the "Credit Agreement") with various financial institutions. The Credit Agreement provides for a $494.75 million revolving credit facility, including a sublimit of $125 million for the issuance of letters of credit and a sublimit of $15.0 million for swingline borrowings (the "Revolving Credit Facility"), with a termination date of May 23, 2021.

The Credit Agreement is guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership, and is secured by substantially all of the Intermediate Partnership's assets. Borrowings under the Revolving Credit Facility bear interest, at the option of the Intermediate Partnership, at either (i) the Base Rate at the greater of three benchmarks or (ii) a Eurodollar Rate, plus margins for (i) or (ii), as applicable, that fluctuate depending upon the ratio of Consolidated Debt to Consolidated Cash Flow (each as defined in the Credit Agreement). The Eurodollar Rate, with applicable margin, under the Revolving Credit Facility was 4.77% as of June 30, 2019. At June 30, 2019, we had $9.3 million of letters of credit outstanding with $415.5 million available for borrowing under the Revolving Credit Facility. We currently incur an annual commitment fee of 0.35% on the undrawn portion of the Revolving Credit Facility. We utilize the Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments, scheduled debt payments and distribution payments.

The Credit Agreement contains various restrictions affecting our Intermediate Partnership and its subsidiaries including, among other things, restrictions on incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions, and the payment of cash distributions by our Intermediate Partnership if such payment would result in a certain fixed charge coverage ratio (as defined in the Credit Agreement). The Credit Agreement requires the Intermediate Partnership to maintain (a) a debt to cash flow ratio of not more than 2.5 to 1.0 and (b) a cash flow to interest expense ratio of not less than 3.0 to 1.0, in each case, during the four most recently ended fiscal quarters. The debt to cash flow ratio and cash flow to interest expense ratio were 0.87 to 1.0 and 15.7 to 1.0, respectively, for the trailing twelve months ended June 30, 2019. We remain in compliance with the covenants of the Credit Agreement as of June 30, 2019.

Senior Notes. On April 24, 2017, the Intermediate Partnership and Alliance Resource Finance Corporation (as co-issuer), a wholly owned subsidiary of the Intermediate Partnership ("Alliance Finance"), issued an aggregate principal amount of $400.0 million of senior unsecured notes due 2025 ("Senior Notes") in a private placement to qualified institutional buyers. The Senior Notes have a term of eight years, maturing on May 1, 2025 (the "Term") and accrue interest at an annual rate of 7.5%. Interest is payable semi-annually in arrears on each May 1 and November 1. The indenture governing the Senior Notes contains customary terms, events of default and covenants relating to, among other things, the incurrence of debt, the payment of distributions or similar restricted payments, undertaking transactions with affiliates and limitations on asset sales. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price equal to 107.5% of the principal amount redeemed, plus accrued and unpaid interest, if any, to the redemption date. The issuers of the Senior Notes may also redeem all or a part of the notes at any time on or after May 1, 2020, at redemption prices set forth in the indenture governing the Senior Notes. At any time prior to May 1, 2020, the

issuers of the Senior Notes may redeem the Senior Notes at a redemption price equal to the principal amount of the Senior Notes plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the redemption date.

Accounts Receivable Securitization. On December 5, 2014, certain direct and indirect wholly owned subsidiaries of our Intermediate Partnership entered into a $100.0 million accounts receivable securitization facility ("Securitization Facility"). Under the Securitization Facility, certain subsidiaries sell trade receivables on an ongoing basis to our Intermediate Partnership, which then sells the trade receivables to AROP Funding, LLC ("AROP Funding"), a wholly owned bankruptcy-remote special purpose subsidiary of our Intermediate Partnership, which in turn borrows on a revolving basis up to $100.0 million secured by the trade receivables. After the sale, Alliance Coal, as servicer of the assets, collects the receivables on behalf of AROP Funding. The Securitization Facility bears interest based on a Eurodollar Rate. It was renewed in January 2019 and matures in January 2020. At June 30, 2019, we had $75.0 million outstanding balance under the Securitization Facility.

Cavalier Credit Agreement. On October 6, 2015, Cavalier Minerals (see Note 9 – Variable Interest Entities) entered into a credit agreement (the "Cavalier Credit Agreement") with Mineral Lending, LLC ("Mineral Lending") for a $100.0 million line of credit (the "Cavalier Credit Facility"). The commitment under the Cavalier Credit Facility is reduced by any distributions received from Cavalier Minerals' investment in AllDale II. As of June 30, 2019, the commitment under the Cavalier Credit Facility was $67.5 million. Mineral Lending is an entity owned by (a) Alliance Resource Holdings II, Inc. ("ARH II"), an entity owned by Joseph W. Craft III, the Chairman, President and Chief Executive Officer of MGP ("Mr. Craft") and Kathleen S. Craft, (b) an entity owned by an individual who is an officer and director of ARH II ("ARH Officer") and (c) charitable foundations established by Mr. Craft and Kathleen S. Craft. There is no commitment fee under the facility. Mineral Lending's obligation to make the line of credit available terminates no later than October 6, 2019. Borrowings under the Cavalier Credit Facility bear interest at a one month LIBOR rate plus 6% with interest payable quarterly, and mature on September 30, 2024, at which time all amounts then outstanding are required to be repaid. The Cavalier Credit Agreement requires repayment of the principal balance beginning in 2018, in quarterly payments of an amount equal to the greater of $1.3 million initially, escalated to $2.5 million after two years, or fifty percent of Cavalier Minerals' excess cash flow. To secure payment of the facility, Cavalier Minerals pledged all of its partnership interests, owned or later acquired, in AllDale I & II. Cavalier Minerals may prepay the Cavalier Credit Facility at any time in whole or in part subject to terms and conditions described in the Cavalier Credit Agreement. As of June 30, 2019, Cavalier Minerals had not drawn on the Cavalier Credit Facility.

Equipment Financing. On May 17, 2019, the Intermediate Partnership entered into an equipment financing arrangement accounted for as debt, wherein the Intermediate Partnership received $10.0 million in exchange for conveying its interest in certain equipment owned by an indirect wholly-owned subsidiary of the Intermediate Partnership and entering into a master lease agreement for that equipment (the “Equipment Financing”). The Equipment Financing contains customary terms and events of default and provides for thirty-six monthly payments with an implicit interest rate of 6.25%, maturing on May 1, 2022. Upon maturity, the equipment will revert back to the Intermediate Partnership.

9. VARIABLE INTEREST ENTITIES

Cavalier Minerals

On November 10, 2014, our subsidiary, Alliance Minerals, and Bluegrass Minerals Management, LLC ("Bluegrass Minerals") entered into a limited liability company agreement (the "Cavalier Agreement") to create Cavalier Minerals, which was formed to indirectly acquire oil & gas mineral interests through its ownership in AllDale I & II. Alliance Minerals' ownership interest in Cavalier Minerals is 96%. Bluegrass Minerals owns a 4% membership interest in Cavalier Minerals and a profits interest which entitles it to receive distributions equal to 25% of all distributions (including in liquidation) after all members have recovered their investment. Distributions with respect to Bluegrass Minerals' profits interest will be offset by all distributions received by Bluegrass Minerals from the former general partners of AllDale I & II. Bluegrass Minerals was Cavalier Minerals' managing member prior to the AllDale Acquisition (see Note 3 – Acquisition). In conjunction with the AllDale Acquisition, we became the managing member in Cavalier Minerals. Total contributions to and cumulative distributions from Cavalier Minerals are as follows:

	Alliance Minerals	B M
	(in thousands)	
Contributions	$ 143,112	$
Distributions	62,870	

We have concluded that Cavalier Minerals is a variable interest entity ("VIE") which we consolidate as the primary beneficiary because we are the managing member and a substantial equity owner in Cavalier Minerals. Bluegrass Minerals' equity ownership of Cavalier Minerals is accounted for as noncontrolling ownership interest in our condensed consolidated balance sheets. In addition, earnings attributable to Bluegrass Minerals are recognized as noncontrolling interest in our condensed consolidated statements of income.

AllDale I & II

As a result of the AllDale Acquisition, we now own 100% of the general partner interests and, including the limited partner interests we hold indirectly through our ownership in Cavalier Minerals, approximately 97% of the limited partner interests in AllDale I & II. See Note 3 – Acquisition for more information on the AllDale Acquisition. As the general partner of AllDale I & II, we are entitled to receive 20.0% of all distributions from AllDale I & II with the remaining 80.0% allocated to limited partners based upon ownership percentages.

Since AllDale I & II are structured as limited partnerships with the limited partners 1) not having the ability to remove the general partner and 2) not participating significantly in the operational decisions, we concluded that AllDale I & II are VIEs. We consolidate AllDale I & II as the primary beneficiary because we have the power to direct the activities that most significantly impact AllDale I & II's economic performance in addition to substantial equity ownership.

The following table presents the carrying amounts and classification of AllDale I & II's assets and liabilities included in our condensed consolidated balance sheets:

	(i
Assets (liabilities):	
Cash and cash equivalents	$
Trade receivables	
Other receivables	
Prepaid expenses and other assets	
Total property, plant and equipment, net	
Other long-term assets	
Accounts payable	
Due to affiliates	
Accrued taxes other than income taxes	
Other current liabilities	

AllDale III

In February 2017, Alliance Minerals committed to directly invest $30.0 million in AllDale Minerals III, LP ("AllDale III") which was created for similar investment purposes as AllDale I & II. Alliance Minerals completed funding of this commitment in 2018. Alliance Minerals' limited partner interest in AllDale III at June 30, 2019 was 13.9%.

The AllDale III Partnership Agreement includes a 25% profits interest for the general partner, subject to a return hurdle equal to the greater of 125% of cumulative capital contributions and a 10% internal rate of return, and following an 80/20 "catch-up" provision for the general partner. AllDale III distributed to Alliance Minerals $0.6 million and $0.3 million during the three months ended June 30, 2019 and 2018, respectively, and $1.2 million and $0.7 million during the six months ended June 30, 2019 and 2018, respectively.

Since AllDale III is structured as a limited partnership with the limited partners 1) not having the ability to remove the general partner and 2) not participating significantly in the operational decisions, we concluded that AllDale III is a

VIE. We are not the primary beneficiary of AllDale III as we do not have the power to direct the activities that most significantly impact AllDale III's economic performance. We account for our ownership interest in the income or loss of AllDale III as an equity method investment. We record equity income or loss based on AllDale III's distribution structure.

WKY CoalPlay

On November 17, 2014, SGP Land, LLC ("SGP Land"), an indirect, wholly owned subsidiary of ARH II, and two limited liability companies ("Craft Companies") owned by irrevocable trusts established by Mr. Craft, entered into a limited liability company agreement to form WKY CoalPlay, LLC ("WKY CoalPlay"). WKY CoalPlay was formed, in part, to purchase and lease coal reserves. WKY CoalPlay is managed by the ARH Officer discussed in Note 8 – Long-Term Debt, who is also a trustee of the irrevocable trusts owning the Craft Companies. In December 2014 and February 2015, we entered into various coal reserve leases with WKY CoalPlay. During the six months ended June 30, 2019, we paid $10.8 million of advanced royalties to WKY CoalPlay.

We have concluded that WKY CoalPlay is a VIE because of our ability to exercise options to acquire reserves under lease with WKY CoalPlay, which is not within the control of the equity holders and, if it occurs, could potentially limit the expected residual return to the owners of WKY CoalPlay. We do not have any economic or governance rights related to WKY CoalPlay and our options that provide us with a variable interest in WKY CoalPlay's reserve assets do not give us any rights that constitute power to direct the primary activities that most significantly impact WKY CoalPlay's economic performance. SGP Land has the sole ability to replace the manager of WKY CoalPlay at its discretion and therefore has power to direct the activities of WKY CoalPlay. Consequently, we concluded that SGP Land is the primary beneficiary of WKY CoalPlay.

10. INVESTMENTS

AllDale III

As discussed in Note 9 – Variable Interest Entities, we account for our ownership interest in the income or loss of AllDale III as an equity method investment. We record equity income or loss based on AllDale III's distribution structure. The changes in our equity method investment in AllDale III for each of the periods presented were as follows:

	Three Months Ended June 30,		Six Months En June 30,	
	2019	2018	2019	
	(in thousands)			
Beginning balance	$ 28,770	$ 25,249	$ 28,974	$
Contributions	—	—	—	
Equity method investment income	550	155	874	
Distributions received	(648)	(278)	(1,176)	
Ending balance	$ 28,672	$ 25,126	$ 28,672	$

Kodiak

On July 19, 2017, Alliance Minerals purchased $100 million of Series A-1 Preferred Interests from Kodiak Gas Services, LLC ("Kodiak"), a privately-held company providing large-scale, high-utilization gas compression assets to customers operating primarily in the Permian Basin. This structured investment provided us with a quarterly cash or payment-in-kind return. We accounted for our ownership interests in Kodiak as equity securities without readily determinable fair values. On February 8, 2019, Kodiak redeemed our preferred interest for $135.0 million in cash resulting in an $11.5 million gain due to an early redemption premium. The gain is included in the *Equity securities income* line item. We no longer hold any ownership interests in Kodiak.

11. PARTNERS' CAPITAL

Distributions

Distributions paid or declared during 2018 and 2019 were as follows:

Payment Date	Per Unit Cash Distribution	Total Cash D (in thous
February 14, 2018	$ 0.5100	$
May 15, 2018	0.5150	
August 14, 2018	0.5200	
November 14, 2018	0.5250	
Total	$ 2.0700	$
February 14, 2019	$ 0.5300	$
May 15, 2019	0.5350	
August 14, 2019 (1)	0.5400	
Total	$ 1.6050	$

[redacted]

(1) On July 26, 2019, we declared this quarterly distribution payable on August 14, 2019 to all unitholders of record as of August 7, 2019.

Unit Repurchase Program

In May 2018, the MGP board of directors approved the establishment of a unit repurchase program authorizing us to repurchase and retire up to $100 million of ARLP common units. The program has no time limit and we may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate us to repurchase any dollar amount or number of units. During the six months ended June 30, 2019, we repurchased and retired 300,970 units for $5.3 million. Since inception of the program, we have repurchased and retired 3,985,045 units at an average unit price of $19.03 for an aggregate purchase price of $75.9 million. Total units repurchased includes the repurchase and retirement of 35 units representing fractional units as part of the Simplification Transactions which are not part of the unit repurchase program.

[redacted]

Change in Partners' Capital

The following tables present the quarterly change in Partners' Capital for the six months ended June 30, 2019 and 2018:

	Number of Limited Partner Units	Limited Partners' Capital	Accumulated Other Comprehensive Loss	Noncontrolling Interest	
			(in thousands, except unit data)		
Balance at January 1, 2019	128,095,511	$ 1,229,268	$ (46,871)	$ 5,290	$
Comprehensive income:					
Net income	—	276,428	—	7,176	
Actuarially determined long-term liability adjustments	—	—	(3,584)	—	
Total comprehensive income					
Settlement of deferred compensation plans	596,650	(7,817)	—	—	
Purchase of units under unit repurchase program	(300,970)	(5,251)	—	—	
Common unit-based compensation	—	2,743	—	—	
Distributions on deferred common unit-based compensation	—	(1,280)	—	—	
Distributions from consolidated company to noncontrolling interest	—	—	—	(262)	
Distributions to Partners	—	(67,731)	—	—	
Balance at March 31, 2019	128,391,191	1,426,360	(50,455)	12,204	
Comprehensive income:					
Net income	—	58,070	—	114	
Actuarially determined long-term liability adjustments	—	—	(118)	—	
Total comprehensive income					
Common unit-based compensation	—	3,021	—	—	
Distributions on deferred common unit-based compensation	—	(799)	—	—	
Distributions from consolidated company to noncontrolling interest	—	—	—	(228)	
Distributions to Partners	—	(68,690)	—	—	
Balance at June 30, 2019	128,391,191	$ 1,417,962	$ (50,573)	$ 12,090	$

[redacted]

	Number of Limited Partner Units	Limited Partners' Capital	General Partner's Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	
			(in thousands, except unit data)			
Balance at January 1, 2018	130,704,217	$ 1,183,219	$ 14,859	$ (51,940)	$ 5,348	$
Comprehensive income:						
Net income	—	154,348	1,560	—	148	
Actuarially determined long-term liability adjustments	—	—	—	1,017	—	
Total comprehensive income						
Settlement of deferred compensation plans	199,039	(2,081)	—	—	—	
Simplification Transactions fees	—	(1)	—	—	—	
Common unit-based compensation	—	3,006	—	—	—	
Distributions on deferred common unit-based compensation	—	(1,062)	—	—	—	
General Partner contribution	—	—	41	—	—	
Distributions from consolidated company to noncontrolling interest	—	—	—	—	(162)	
Distributions to Partners	—	(66,660)	(674)	—	—	
Balance at March 31, 2018	130,903,256	1,270,769	15,786	(50,923)	5,334	
Comprehensive income:						
Net income	—	86,190	—	—	187	
Actuarially determined long-term liability adjustments	—	—	—	1,016	—	
Total comprehensive income						
Settlement of deferred compensation plans	—	(664)	—	—	—	
Issuance of units to Owners of SGP in Simplification Transactions	1,322,388	14,742	(15,106)	—	—	
Issuance of units to SGP related to Exchange Transaction	20,960	—	—	—	—	
Simplification Transactions fees	—	(59)	—	—	—	
Contribution of units and cash by affiliated entity	(467,018)	2,142	—	—	—	
Purchase of units under unit repurchase program	(383,599)	(7,639)	—	—	—	
Common unit-based compensation	—	2,897	—	—	—	
Distributions on deferred common unit-based compensation	—	(910)	—	—	—	
Distributions from consolidated company to noncontrolling interest	—	—	—	—	(194)	
Distributions to Partners	—	(67,457)	(680)	—	—	
Balance at June 30, 2018	131,395,987	$ 1,300,011	$ —	$ (49,907)	$ 5,327	$

[redacted]

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table illustrates the disaggregation of our revenues by type, including a reconciliation to our segment presentation as presented in Note 17 – Segment Information, for the three and six months ended June 30, 2019 and 2018.

	Illinois Basin	Appalachia	Minerals	Other and Corporate	Elimination
			(in thousands)		
Three Months Ended June 30, 2019					
Coal sales	$ 301,981	$ 157,951	$ —	$ 5,551	$ (4,173)
Oil & gas royalties	—	—	11,892	—	—
Transportation revenues	31,287	1,343	—	—	—
Other revenues	2,405	950	536	10,439	(3,108)
Total revenues	$ 335,673	$ 160,244	$ 12,428	$ 15,990	$ (7,281)
Three Months Ended June 30, 2018					
Coal sales	$ 310,464	$ 162,886	$ —	$ 9,398	$ (6,823)
Transportation revenues	26,327	1,203	—	2	—
Other revenues	4,388	723	—	10,600	(3,031)
Total revenues	$ 341,179	$ 164,812	$ —	$ 20,000	$ (9,854)
Six Months Ended June 30, 2019					
Coal sales	$ 619,251	$ 315,404	$ —	$ 10,841	$ (8,170)
Oil & gas royalties	—	—	22,285	—	—
Transportation revenues	60,525	2,343	—	—	—
Other revenues	5,293	1,901	871	19,311	(6,199)
Total revenues	$ 685,069	$ 319,648	$ 23,156	$ 30,152	$ (14,369)
Six Months Ended June 30, 2018					
Coal sales	$ 586,529	$ 308,175	$ —	$ 17,109	$ (12,278)
Transportation revenues	44,598	2,717	—	2	—
Other revenues	8,734	1,552	—	22,441	(6,320)
Total revenues	$ 639,861	$ 312,444	$ —	$ 39,552	$ (18,598)

The following table illustrates the amount of our transaction price for all current coal supply contracts allocated to performance obligations that are unsatisfied or partially unsatisfied as of June 30, 2019 and disaggregated by segment and contract duration.

	2019	2020	2021	2022 and Thereafter	
			(in thousands)		
Illinois Basin coal revenues	$ 533,472	$ 580,097	$ 236,331	$ —	$
Appalachia coal revenues	354,869	303,517	130,316	434,700	
Other and Corporate coal revenues	11,798	—	—	—	
Elimination	(8,864)	—	—	—	
Total coal revenues (1)	$ 891,275	$ 883,614	$ 366,647	$ 434,700	$

[redacted]

(1) Coal revenues consists of coal sales and transportation revenues.

[redacted]

13. EARNINGS PER LIMITED PARTNER UNIT

We utilize the two-class method in calculating basic and diluted earnings per limited partner unit ("EPU"). Subsequent to the Simplification Transactions, net income attributable to ARLP is only allocated to limited partners and participating securities under deferred compensation plans. Prior to the Simplification Transactions, net income attributable to ARLP was allocated to MGP, limited partners and participating securities under deferred compensation plans in accordance with their respective ownership percentages of the ARLP Partnership, after giving effect to any special income or expense allocations.

Our participating securities under deferred compensation plans include rights to nonforfeitable distributions or distribution equivalents. Our participating securities are outstanding awards under our Long-Term Incentive Plan ("LTIP") and phantom units in notional accounts under our Supplemental Executive Retirement Plan ("SERP") and the MGP Amended and Restated Deferred Compensation Plan for Directors ("Directors' Deferred Compensation Plan").

As a result of the Simplification Transactions, MGP no longer holds economic interests in the Intermediate Partnership or Alliance Coal. We no longer make distributions or allocate income and losses to MGP in our calculation of EPU.

The following is a reconciliation of net income attributable to ARLP used for calculating basic and diluted earnings per unit and the weighted-average units used in computing EPU for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months June 3
	2019	2018	2019
	(in thousands, except per unit data)		
Net income attributable to ARLP	$ 58,070	$ 86,190	$ 334,498
Adjustments:			
General partner's equity ownership (1)	—	—	—
Limited partners' interest in net income attributable to ARLP	58,070	86,190	334,498
Less:			
Distributions to participating securities	(1,122)	(1,261)	(2,227)
Undistributed earnings attributable to participating securities	—	(343)	(3,196)
Net income attributable to ARLP available to limited partners	$ 56,948	$ 84,586	$ 329,075
Weighted-average limited partner units outstanding – basic and diluted	128,391	131,280	128,271
Earnings per limited partner unit - basic and diluted (2)	$ 0.44	$ 0.64	$ 2.57

[redacted]

(1) Amounts presented for periods subsequent to the first quarter of 2018 reflect the impact of the Simplification Transactions which ended net income allocations and quarterly cash distributions to MGI Prior to the Simplification Transactions, MGP maintained a 1.0001% general partner interest in the Intermediate Partnership and a 0.001% managing member interest in Alliance Coal and th distributions and income and loss allocations during this time period.

(2) Diluted EPU gives effect to all potentially dilutive common units outstanding during the period using the treasury stock method. Diluted EPU excludes all potentially dilutive units calculated unc method if their effect is anti-dilutive. The combined total of LTIP, SERP and Directors' Deferred Compensation Plan units of 1,060 and 1,227 for the three and six months ended June 30, 2019, respec 1,511 for the three and six months ended June 30, 2018, respectively, were considered anti-dilutive under the treasury stock method.

[redacted]

14. WORKERS' COMPENSATION AND PNEUMOCONIOSIS

The changes in the workers' compensation liability, including current and long-term liability balances, for each of the periods presented were as follows:

	Three Months Ended June 30,		Six Months Er June 30,	
	2019	2018	2019	
		(in thousands)		
Beginning balance	$ 48,428	$ 54,646	$ 49,539	$
Accruals increase	2,247	285	4,208	
Payments	(2,452)	(3,048)	(5,925)	
Interest accretion	401	364	802	
Valuation loss (1)	4,801	695	4,801	
Ending balance	$ 53,425	$ 52,942	$ 53,425	$

[redacted]

(1) Our estimate of the liability for the present value of current workers' compensation benefits is based on our actuarial calculations. Our actuarial calculations are based on a blend of actuarial pr numerous assumptions including claims development patterns, mortality, medical costs and interest rates. We conducted a mid-year 2019 review of our actuarial assumptions which resulted in a valu to unfavorable changes in claims development and a decrease in the discount rate from 3.89% to 3.06%. Our mid-year 2018 actuarial review resulted in a valuation loss in 2018 primarily attributable to in claims development, offset in part by an increase in the discount rate used to calculate the estimated present value of future obligations from 3.22% to 3.82%.

We limit our exposure to traumatic injury claims by purchasing a high deductible insurance policy that starts paying benefits after deductibles for a claim have been met. The deductible level may vary by claim year. Our workers' compensation liability above is presented on a gross basis and does not include our expected receivables on our insurance policy. Our receivables for traumatic injury claims under this policy as of June 30, 2019 are $8.5 million and are included in *Other long-term assets* on our condensed consolidated balance sheet.

Certain of our mine operating entities are liable under state statutes and the Federal Coal Mine Health and Safety Act of 1969, as amended, to pay pneumoconiosis, or black lung, benefits to eligible employees and former employees and their dependents. Components of the net periodic benefit cost for each of the periods presented are as follows:

	Three Months Ended June 30,		Six Months Er June 30,	
	2019	2018	2019	
		(in thousands)		
Service cost	$ 646	$ 632	$ 1,291	$
Interest cost (1)	762	636	1,522	
Net amortization (1)	(1,146)	—	(2,291)	
Net periodic benefit cost	$ 262	$ 1,268	$ 522	$

[redacted]

(1) Interest cost and net amortization is included in the *Other expense* line item within our condensed consolidated statements of income.

15. COMPENSATION PLANS

Long-Term Incentive Plan

We maintain the LTIP for certain employees and officers of MGP and its affiliates who perform services for us. The LTIP awards are grants of non-vested "phantom" or notional units, also referred to as "restricted units", which upon satisfaction of time and performance-based vesting requirements, entitle the LTIP participant to receive ARLP common units. Annual grant levels and vesting provisions for designated participants are recommended by the Chairman, President and Chief Executive Officer of MGP, subject to review and approval of the compensation committee of the MGP board

[redacted]

of directors (the "Compensation Committee"). Vesting of all grants outstanding is subject to the satisfaction of certain financial tests, which management currently believes is probable. Grants issued to LTIP participants are expected to cliff vest on January 1st of the third year following issuance of the grants. We account for forfeitures of non-vested LTIP grants as they occur. We will settle the non-vested LTIP grants by delivery of ARLP common units, except for the portion of the grants that will satisfy employee tax withholding obligations of LTIP participants. As provided under the distribution equivalent rights ("DERs") provisions of the LTIP and the terms of the LTIP awards, all non-vested grants include contingent rights to receive quarterly distributions in cash or, at the discretion of the Compensation Committee, phantom units in lieu of cash credited to a bookkeeping account with value, equal to the cash distributions we make to unitholders during the vesting period.

A summary of non-vested LTIP grants as of and for the six months ended June 30, 2019 is as follows:

	Number of units	Weighted average grant date fair value per unit	Intri (in th
Non-vested grants at January 1, 2019	1,828,080	$ 17.18	$
Granted	586,644	19.93	
Vested (1)	(885,381)	12.38	
Forfeited	(6,558)	21.06	
Non-vested grants at June 30, 2019	1,522,785	21.01	

[redacted]2019, we issued 596,650 unrestricted common units to the LTIP participants. The remaining vested units were settled in cash to satisfy tax withholding ob participants.

LTIP expense was $2.7 million for each of the three months ended June 30, 2019 and 2018 and $5.1 million and $5.4 million for the six months ended June 30, 2019 and 2018, respectively. The total obligation associated with the LTIP as of June 30, 2019 was $15.0 million and is included in the partners' capital *Limited partners-common unitholders* line item in our condensed consolidated balance sheets. As of June 30, 2019, there was $17.0 million in total unrecognized compensation expense related to the non-vested LTIP grants that are expected to vest. That expense is expected to be recognized over a weighted-average period of 1.6 years.

After consideration of the January 1, 2019 vesting and subsequent issuance of 596,650 common units, approximately 1.9 million units remain available under the LTIP for issuance in the future, assuming all grants issued in 2019, 2018 and 2017 and currently outstanding are settled with common units without reduction for tax withholding, no future forfeitures occur and DERs continue being paid in cash versus additional phantom units.

Supplemental Executive Retirement Plan and Directors' Deferred Compensation Plan

We utilize the SERP to provide deferred compensation benefits for certain officers and key employees. All allocations made to participants under the SERP are made in the form of "phantom" ARLP units and SERP distributions will be settled in the form of ARLP common units. The SERP is administered by the Compensation Committee.

Our directors participate in the Directors' Deferred Compensation Plan. Pursuant to the Directors' Deferred Compensation Plan, for amounts deferred either automatically or at the election of the director, a notional account is established and credited with notional common units of ARLP, described in the Directors' Deferred Compensation Plan as "phantom" units. Distributions from the Directors' Deferred Compensation Plan will be settled in the form of ARLP common units.

For both the SERP and Directors' Deferred Compensation Plan, when quarterly cash distributions are made with respect to ARLP common units, an amount equal to such quarterly distribution is credited to each participant's notional account as additional phantom units. All grants of phantom units under the SERP and Directors' Deferred Compensation Plan vest immediately.

[redacted]

A summary of SERP and Directors' Deferred Compensation Plan activity as of and for the six months ended June 30, 2019 is as follows:

	Number of units	Weighted average grant date fair value per unit	Intri (in th
Phantom units outstanding as of January 1, 2019	635,837	$ 27.34	$
Granted	34,320	18.84	
Issued	(115,484)	25.20	
Phantom units outstanding as of June 30, 2019	554,673	27.26	

Total SERP and Directors' Deferred Compensation Plan expense was $0.4 million for each of the three months ended June 30, 2019 and 2018 and $0.7 million and $0.8 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, the total obligation associated with the SERP and Directors' Deferred Compensation Plan was $15.1 million and is included in the partners' capital *Limited partners-common unitholders* line item in our condensed consolidated balance sheets. During the six months ended June 30, 2019, we provided 115,484 ARLP common units to a director under the Directors' Deferred Compensation Plan.

16. COMPONENTS OF PENSION PLAN NET PERIODIC BENEFIT COSTS

Eligible employees at certain of our mining operations participate in a defined benefit plan (the "Pension Plan") that we sponsor. The Pension Plan is currently closed to new applicants and participants in the Pension Plan are no longer receiving benefit accruals for service. The benefit formula for the Pension Plan is a fixed dollar unit based on years of service. Components of the net periodic benefit cost for each of the periods presented are as follows:

	Three Months Ended June 30,		Six Months End June 30,	
	2019	2018	2019	
		(in thousands)		
Interest cost	$ 1,216	$ 1,116	$ 2,432	$
Expected return on plan assets	(1,234)	(1,548)	(2,466)	
Amortization of prior service cost	46	47	93	
Amortization of net loss	982	969	1,961	
Net periodic benefit cost (1)	$ 1,010	$ 584	$ 2,020	$

[redacted]sion Plan is included in the *Other expense* line item within our condensed consolidated statements of income.

During the six months ended June 30, 2019, we made contribution payments of $1.2 million to the Pension Plan for the 2018 plan year and $1.1 million for the 2019 plan year. In July 2019, we made a contribution payment of $1.1 million for the 2019 plan year.

17. SEGMENT INFORMATION

We operate in the United States as a diversified natural resource company that generates income from the production and marketing of coal to major domestic and international utilities and industrial users as well as income from oil & gas mineral interests. We aggregate multiple operating segments into three reportable segments, Illinois Basin, Appalachia, and Minerals. We also have an "all other" category referred to as Other and Corporate. Our two coal reportable segments correspond to major coal producing regions in the eastern United States with similar economic characteristics including coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The two coal segments include eight mining complexes operating in Illinois, Indiana, Kentucky, Maryland and West Virginia and a coal loading terminal in Indiana on the Ohio River. The Minerals reportable segment aggregates our oil & gas mineral interests which are located primarily in the Anadarko (SCOOP/STACK), Permian (Delaware and Midland), Williston (Bakken) and Appalachian basins. We have no operations within our Minerals reportable segment other than receiving royalties for our oil & gas mineral interests.

[redacted]

As a result of the AllDale Acquisition discussed in Note 3 – Acquisitions, we now control the underlying oil & gas mineral interests held by AllDale I & II. This control over the oil & gas mineral interests held by AllDale I & II reflects a strategic change in how we manage our business and how resources are allocated by our chief operating decision maker. Due to this strategic change, we have restructured our reportable segments in the first quarter of 2019 to include our oil & gas mineral interests within a new Minerals reportable segment. We have also included our Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") and Mid-America Carbonates, LLC ("MAC") in the Illinois Basin reportable segment rather than Other and Corporate to better align our Illinois Basin related activities. Prior periods have been recast to include our oil & gas minerals interests in the Minerals segment, and Mt. Vernon and MAC in the Illinois Basin segment.

The Illinois Basin reportable segment includes currently operating mining complexes (a) Webster County Coal, LLC's Dotiki mining complex, (b) Gibson County Coal, LLC's mining complex, which includes the Gibson North and Gibson South mines, (c) Warrior Coal, LLC's mining complex, (d) River View Coal, LLC's mining complex and (e) Hamilton County Coal, LLC's mining complex. The Illinois Basin reportable segment also includes our currently operating Mt. Vernon coal loading terminal in Indiana on the Ohio River. The Gibson North mine had been idled since the fourth quarter of 2015 in response to market conditions but resumed production in May 2018.

The Illinois Basin reportable segment also includes White County Coal, LLC's Pattiki mining complex, Hopkins County Coal, LLC's mining complex, which includes the Elk Creek mine, the Pleasant View surface mineable reserves and the Fies underground project, Sebree Mining, LLC's mining complex, which includes the Onton mine, Steamport, LLC and certain reserves, CR Services, LLC, CR Machine Shop, LLC, certain properties and equipment of Alliance Resource Properties, ARP Sebree, LLC, ARP Sebree South, LLC, UC Coal, LLC and its subsidiaries, UC Mining, LLC and UC Processing, LLC and Mid-America Carbonates, LLC ("MAC").

The Appalachia reportable segment includes currently operating mining complexes (a) Mettiki mining complex, (b) Tunnel Ridge, LLC mining complex and (c) MC Mining, LLC mining complex. The Mettiki mining complex includes Mettiki Coal (WV), LLC's Mountain View mine and Mettiki Coal, LLC's preparation plant. The Appalachia reportable segment also includes the Penn Ridge property and certain properties and equipment of Alliance Resource Properties.

The Minerals reportable segment includes AllDale I & II, Alliance Royalty, LLC, AllRoy GP, LLC, CavMM, LLC, and Alliance Minerals' equity interests in both AllDale III (Note 10 – Investments) and Cavalier Minerals.

Other and Corporate includes marketing and administrative activities, ASI and its subsidiary, Matrix Design Group, LLC and its subsidiaries Matrix Design International, LLC and Matrix Design Africa (PTY) LTD ("Matrix Design"), Alliance Design Group, LLC ("Alliance Design") (collectively, the Matrix Design entities and Alliance Design are referred to as the "Matrix Group"), ASI's ownership of aircraft, Alliance Coal's coal brokerage activity, Alliance Minerals' equity investment in Kodiak which was redeemed in February 2019 by Kodiak (see Note 10 – Investments), certain of Alliance Resource Properties' land and mineral interest activities, Pontiki Coal, LLC's prior workers' compensation and pneumoconiosis liabilities, Wildcat Insurance, LLC ("Wildcat Insurance"), which assists the ARLP Partnership with its insurance requirements, and AROP Funding and Alliance Finance (both discussed in Note 8 – Long-Term Debt).

Reportable segment results as of and for the three and six months ended June 30, 2019 and 2018 are presented below.

	Illinois Basin	Appalachia	Minerals	Other and Corporate	Elimination (1)	
			(in thousands)			
Three Months Ended June 30, 2019						
Revenues - Outside	$ 331,500	$ 160,244	$ 12,428	$ 12,882	$ —	$
Revenues - Intercompany	4,173	—	—	3,108	(7,281)	
Total revenues (2)	335,673	160,244	12,428	15,990	(7,281)	
Segment Adjusted EBITDA Expense (3)	208,309	105,122	1,765	9,442	(5,041)	
Segment Adjusted EBITDA (4)	96,075	53,779	11,098	6,551	(2,240)	
Capital expenditures	59,476	20,987	—	1,121	—	
Three Months Ended June 30, 2018						
Revenues - Outside	$ 334,355	$ 164,812	$ —	$ 16,970	$ —	$
Revenues - Intercompany	6,824	—	—	3,030	(9,854)	
Total revenues (2)	341,179	164,812	—	20,000	(9,854)	
Segment Adjusted EBITDA Expense (3)	202,886	103,538	—	13,136	(7,749)	
Segment Adjusted EBITDA (4)	111,967	60,069	4,652	10,717	(2,105)	
Capital expenditures	46,555	21,445	—	1,121	—	
Six Months Ended June 30, 2019						
Revenues - Outside	$ 676,899	$ 319,648	$ 23,156	$ 23,953	$ —	$
Revenues - Intercompany	8,170	—	—	6,199	(14,369)	
Total revenues (2)	685,069	319,648	23,156	30,152	(14,369)	
Segment Adjusted EBITDA Expense (3)	405,731	204,871	3,592	18,148	(9,888)	
Segment Adjusted EBITDA (4)	218,812	112,434	20,230	24,912	(4,481)	
Total assets	1,407,019	483,265	516,503	460,353	(364,419)	
Capital expenditures (5)	107,930	54,333	—	3,364	—	
Six Months Ended June 30, 2018						
Revenues - Outside	$ 627,650	$ 312,377	$ —	$ 33,232	$ —	$
Revenues - Intercompany	12,211	67	—	6,320	(18,598)	
Total revenues (2)	639,861	312,444	—	39,552	(18,598)	
Segment Adjusted EBITDA Expense (3)	386,347	196,036	—	23,275	(14,388)	
Segment Adjusted EBITDA (4)	208,917	113,690	8,240	23,853	(4,210)	
Total assets	1,440,776	454,972	158,376	394,175	(182,465)	
Capital expenditures	84,034	34,820	—	1,792	—	

[redacted]

(1) The Elimination column represents the elimination of intercompany transactions and is primarily comprised of sales from the Matrix Group to our mining operations, coal sales and purchases betwe different segments, sales of receivables to AROP Funding, financing between segments and insurance premiums paid to Wildcat Insurance.

(2) Revenues included in the Other and Corporate column are primarily attributable to the Matrix Group revenues, administrative service revenues from affiliates, Wildcat Insurance revenues and brokerag

[redacted]

(3) Segment Adjusted EBITDA Expense includes operating expenses, coal purchases and other income. Transportation expenses are excluded as these expenses are recognized in an amount equal to tra when title passes to the customer.

The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to *Operating expenses (excluding depreciation, depletion and amortization)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	
	(in thousands)			
Segment Adjusted EBITDA Expense	$ 319,597	$ 311,811	$ 622,454	$
Outside coal purchases	(5,311)	(68)	(5,311)	
Other expense	(13)	(542)	(142)	
Operating expenses (excluding depreciation, depletion and amortization)	$ 314,273	$ 311,201	$ 617,001	$

(4) Segment Adjusted EBITDA is defined as net income attributable to ARLP before net interest expense, income taxes, depreciation, depletion and amortization, general and administrative expenses acquisition gain. Management therefore is able to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses, which are primarily control Consolidated Segment Adjusted EBITDA is reconciled to net income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	
	(in thousands)			
Consolidated Segment Adjusted EBITDA	$ 165,263	$ 185,300	$ 371,907	$
General and administrative	(19,521)	(17,026)	(37,333)	
Depreciation, depletion and amortization	(76,913)	(72,150)	(148,052)	
Settlement gain	—	—	—	
Interest expense, net	(10,573)	(9,931)	(21,904)	
Acquisition gain	—	—	177,043	
Income tax (expense) benefit	(186)	(3)	(80)	
Acquisition gain attributable to noncontrolling interest	—	—	(7,083)	
Net income attributable to ARLP	$ 58,070	$ 86,190	$ 334,498	$
Noncontrolling interest	114	187	7,290	
Net income	$ 58,184	$ 86,377	$ 341,788	$

(5) Capital Expenditures shown exclude the AllDale Acquisition on January 3, 2019 (Note 3 – Acquisitions) and the escrow payment made in connection with the Wing Acquisition (Note 18 – Subsequent

18. SUBSEQUENT EVENTS

Other than those events described below and in Notes 11 and 16, there were no subsequent events.

Wing Acquisition

On June 21, 2019, ARLP entered into an agreement with Wing Resources LLC and Wing Resources II LLC (collectively, "Wing") to acquire certain mineral interests. The agreement provides for the acquisition of approximately 9,000 net royalty acres in the Midland Basin, with exposure to more than 400,000 gross acres, for a cash purchase price of $145 million (the "Wing Acquisition") before consideration of typical closing adjustments for due diligence and the net cash impact related to a May 1, 2019 effective date, among other adjustments. Upon entering into the agreement, we provided a cash deposit of $10.9 million, which was held in escrow and applied to the purchase price upon closing of the transaction. On August 2, 2019, ARLP closed on the Wing Acquisition using cash on hand and borrowings under our Revolving Credit Facility.

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

Significant relationships referenced in this management's discussion and analysis of financial condition and results of operations include the following:

- References to "we," "us," "our" or "ARLP Partnership" mean the business and operations of Alliance Resource Partners, L.P., the parent company, as well as its consolidated subsidiaries.
- References to "ARLP" mean Alliance Resource Partners, L.P., individually as the parent company, and not on a consolidated basis.
- References to "MGP" mean Alliance Resource Management GP, LLC, ARLP's general partner.
- References to "Intermediate Partnership" mean Alliance Resource Operating Partners, L.P., the intermediate partnership of Alliance Resource Partners, L.P.
- References to "Alliance Resource Properties" mean Alliance Resource Properties, LLC, the land-holding company for the mining operations of Alliance Resource Operating Partners, L.P.
- References to "Alliance Coal" mean Alliance Coal, LLC, the holding company for the mining operations of Alliance Resource Operating Partners, L.P.

Summary

We operate in the United States as a diversified natural resource company that generates income from the production and marketing of coal to major domestic and international utilities and industrial users as well as income from oil & gas mineral interests. We began coal mining operations in 1971 and, since then, have grown through acquisitions and internal development in strategic producing regions to become the second largest coal producer in the eastern United States. As is customary in the coal industry, we have entered into long-term coal supply agreements with many of our customers. In 2014, we began acquiring oil & gas mineral interests in premier oil & gas producing regions across the United States.

We have three reportable segments, Illinois Basin, Appalachia and Minerals. We also have an "all other" category referred to as Other and Corporate. The two coal reportable segments correspond to major coal producing regions in the eastern United States with similar economic characteristics including coal quality, geology, coal marketing opportunities, mining and transportation methods and regulatory issues. The two coal mining segments include eight underground mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia and a coal loading terminal in Indiana on the Ohio River. The Minerals segment includes our oil & gas mineral interests which are located primarily in the Anadarko (SCOOP/STACK), Permian (Delaware and Midland), Williston (Bakken) and Appalachian basins. We have no operations within our Minerals reportable segment other than receiving royalties for our oil & gas mineral interests.

On January 3, 2019 (the "AllDale Acquisition Date"), we acquired all of the limited partner interests not owned by Cavalier Minerals JV, LLC ("Cavalier Minerals") in AllDale Minerals LP ("AllDale I") and AllDale Minerals II, LP ("AllDale II", and collectively with AllDale I, "AllDale I & II") and the general partner interests in AllDale I & II for $176.0 million (the "AllDale Acquisition"). As a result of the AllDale Acquisition and our previous investments held through Cavalier Minerals, we now control approximately 43,000 net royalty acres in premier oil & gas resource plays. The AllDale Acquisition provides us with diversified exposure to industry leading operators and is consistent with our general business strategy to pursue accretive acquisitions. Please read “Item 1. Financial Statements (Unaudited) - Note 3 – Acquisition” of this Quarterly Report on Form 10-Q for more information on the AllDale Acquisition.

As a result of the AllDale Acquisition, we now control the underlying oil & gas mineral interests held by AllDale I & II. This control over the oil & gas mineral interests held by AllDale I & II reflects a strategic change in how we manage our business and how resources are allocated by our chief operating decision maker. Due to this strategic change we have restructured our reportable segments in the first quarter of 2019 to include our oil & gas mineral interests within a new Minerals reportable segment. We have also included our Mt. Vernon Transfer Terminal, LLC ("Mt. Vernon") and Mid-America Carbonates, LLC ("MAC") in the Illinois Basin reportable segment rather than Other and Corporate to better align our Illinois Basin related activities. Prior periods have been recast to include our oil & gas minerals interests in the Minerals segment, and Mt. Vernon and MAC in the Illinois Basin segment.

- *Illinois Basin* reportable segment includes currently operating mining complexes (a) Webster County Coal, LLC's Dotiki mining complex ("Dotiki"), (b) Gibson County Coal, LLC's mining comple Gibson

North and Gibson South mines, (c) Warrior Coal, LLC's mining complex, (d) River View Coal, LLC's mining complex ("River View") and (e) Hamilton County Coal, LLC's mining complex ("Hamilto reportable segment also includes our currently operating Mt. Vernon coal loading terminal in Indiana on the Ohio River. The Gibson North mine had been idled since the fourth quarter of 2015 conditions but resumed production in May 2018.

The Illinois Basin reportable segment also includes MAC's manufacturing and sales (primarily to our mines) of rock dust, CR Services, LLC, CR Machine Shop, LLC, certain properties and equipment of Alliance Resource Properties, ARP Sebree, LLC, ARP Sebree South, LLC, UC Coal, LLC and its subsidiaries, UC Mining, LLC and UC Processing, LLC (collectively "UC Coal") and our mining complexes currently not operating: (a) White County Coal, LLC's Pattiki mining complex ("Pattiki"), (b) Hopkins County Coal, LLC's mining complex, which includes the Elk Creek mine, the Pleasant View surface mineable reserves and the Fies underground project and (c) Sebree Mining, LLC's mining complex, which includes the Onton mine, Steamport, LLC and certain reserves.

- *Appalachia* reportable segment includes currently operating mining complexes (a) Mettiki mining complex ("Mettiki"), (b) Tunnel Ridge, LLC mining complex ("Tunnel Ridge"), and (c) MC complex ("MC Mining"). Mettiki includes Mettiki Coal (WV), LLC's Mountain View mine and Mettiki Coal, LLC's preparation plant. The Appalachia reportable segment also includes the Pen certain properties and equipment of Alliance Resource Properties.

- *Minerals* reportable segment includes AllDale I & II; Alliance Royalty, LLC; AllRoy GP, LLC; CavMM, LLC; and Alliance Minerals, LLC's ("Alliance Minerals") equity interests in AllDale Mine III") and Cavalier Minerals. Please read "Item 1 - Financial Statements (Unaudited) - Note 10 – Investments" and "Note 9 – Variable Interest Entities" of this Quarterly Report on Form 10-Q fo Alliance Minerals and Cavalier Minerals.

- *Other and Corporate* includes marketing and administrative activities, Alliance Service, Inc. ("ASI") and its subsidiary, Matrix Design Group, LLC and its subsidiaries Matrix Design Internatio Design Africa (PTY) LTD ("Matrix Design"), Alliance Design Group, LLC (collectively along with Matrix Design, the "Matrix Group"), ASI's ownership of aircraft, Alliance Coal's coal broke Minerals' equity investment in Kodiak Gas Services, LLC ("Kodiak") which was redeemed in February 2019 by Kodiak (see Note 10 – Investments) certain of Alliance Resource Properties' lan activities, Pontiki Coal, LLC's legacy workers' compensation and pneumoconiosis liabilities, Wildcat Insurance, LLC, which assists the ARLP Partnership with its insurance requirements, AROP F Funding") and Alliance Resource Finance Corporation ("Alliance Finance"). Please read "Item 1. Financial Statements (Unaudited) – Note 8. Long-term Debt" "and Note 10. Investments" of this Form 10-Q for more information on AROP Funding and the Kodiak redemption, respectively.

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

We reported net income attributable to ARLP of $58.1 million for the three months ended June 30, 2019 ("2019 Quarter") compared to $86.2 million for the three months ended June 30, 2018 ("2018 Quarter"). The decrease of $28.1 million was primarily due to lower coal sales, higher total operating expenses and lower equity securities income in the 2019 Quarter. Total revenues increased slightly to $517.1 million in the 2019 Quarter compared to $516.1 million for the 2018 Quarter, as the addition of oil & gas royalties and increased transportation revenues were partially offset by reduced coal sales.

	Three Months Ended June 30,			
	2019	2018	2019	
	(in thousands)		(per ton sc	
Tons sold	10,216	10,488	N/A	
Tons produced	10,036	9,714	N/A	
Coal sales	$ 461,310	$ 475,925	$ 45.16	$
Coal - Segment Adjusted EBITDA Expense (1) (2)	$ 317,832	$ 311,811	$ 31.11	$

[redacted]

[redacted]

(1) For a definition of Segment Adjusted EBITDA Expense and related reconciliation to comparable generally accepted accounting principles ("GAAP") financial measures, please see below under "—F
GAAP "Segment Adjusted EBITDA Expense" to GAAP "Operating Expenses."
(2) Coal - Segment Adjusted EBITDA Expense is defined as consolidated Segment Adjusted EBITDA Expense excluding our Minerals segment.

Coal sales. Coal sales decreased $14.6 million or 3.1% to $461.3 million for the 2019 Quarter from $475.9 million for the 2018 Quarter. The decrease was attributable to a volume variance of $12.3 million resulting from decreased tons sold and a price variance of $2.3 million due to lower average coal sales prices. Coal sales volumes declined 2.6% to 10.2 million tons as flooding and high water continued to delay approximately 500,000 tons of planned export shipments in the 2019 Quarter which we expect will be shipped in the second half of the year. Also in comparison, the 2018 Quarter benefited from the fulfillment of 1.4 million tons in shipments delayed during the first quarter of 2018. Production volumes increased 3.3% compared to the 2018 Quarter to 10.0 million tons, primarily due to increased production from the addition of two mining units at our River View mine, strong performance at our Tunnel Ridge mine and a full quarter of production from our Gibson North mine, which resumed operations in the 2018 Quarter. Coal sales price realizations declined slightly in the 2019 Quarter to $45.16 per ton sold, compared to $45.38 per ton sold during the 2018 Quarter.

Royalty revenues. As a result of the AllDale Acquisition on January 3, 2019, we obtained control of AllDale I & II and thus began consolidation of AllDale I & II in our financial statements. As a result of the consolidation, in the first quarter of 2019 we began recording royalty revenues from AllDale I & II. Prior to 2019, our investments in AllDale I & II were accounted for as equity method investments. AllDale I & II contributed royalty revenues of $11.9 million in the 2019 Quarter. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisition" of this Quarterly Report on Form 10-Q for more information on the AllDale Acquisition.

Coal - Segment Adjusted EBITDA Expense. Segment Adjusted EBITDA Expense, excluding our Minerals segment, of $317.8 million for the 2019 Quarter remained comparable to the 2018 Quarter. On a per ton basis, Segment Adjusted EBITDA Expense, excluding our Minerals segment, increased to $31.11 per ton sold compared to $29.73 per ton sold in the 2018 Quarter due to a longwall move at our Hamilton mine, lower recoveries at our River View mine due to adverse geological conditions, higher coal inventory costs and sales of higher-cost, outside coal purchases, partially offset by reduced expenses per ton resulting from strong production at our Tunnel Ridge mine. In addition, other cost increases are discussed by category below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, increased 6.3% to $9.83 per ton in the 2019 Quarter from $9.25 per ton in the 2018 Quarter. The increase of $0.58 due to additional labor expenses at our River View mine in addition to the impact of a longwall move at our Hamilton mine in the 2019 Quarter; and

- Workers' compensation expenses per ton produced increased to $0.82 per ton in the 2019 Quarter from $0.45 per ton in the 2018 Quarter. The increase of $0.37 per ton produced resulted fron discount rates and adverse claims experience on mid-year actuarial workers' compensation accrual adjustments.

Segment Adjusted EBITDA Expense increases above were partially offset by the following decreases:

- Material and supplies expenses per ton produced decreased 1.9% to $11.24 per ton in the 2019 Quarter from $11.46 per ton in the 2018 Quarter. The decrease of $0.22 per ton produced resulted pri of $0.11 per ton for power and fuel used in the mining process and $0.10 per ton in longwall subsidence expense; and

- Production taxes and royalty expenses incurred as a percentage of coal sales prices and volumes decreased $0.56 per produced ton sold in the 2019 Quarter compared to the 2018 Quarter prir favorable state production mix and a lower federal excise tax rate in 2019.

General and administrative. General and administrative expenses for the 2019 Quarter increased to $19.5 million compared to $17.0 million in the 2018 Quarter. The increase of $2.5 million was primarily due to higher professional services resulting from the AllDale Acquisition and increased benefit accruals.

[redacted]

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to $76.9 million in the 2019 Quarter from $72.2 million in the 2018 Quarter. The increase of $4.7 million resulted primarily from production from our AllDale I & II oil & gas mineral interests.

Equity method investment income. Equity method investment income decreased to $0.6 million in the 2019 Quarter from $4.8 million in the 2018 Quarter as a result of the AllDale Acquisition and related consolidation of AllDale I & II in 2019. Prior to 2019, our investments in AllDale I & II were accounted for as equity method investments.

Equity securities income. Equity securities income decreased $3.9 million compared to the 2018 Quarter as we did not recognize equity securities income in the 2019 Quarter due to the redemption of our preferred interest in Kodiak in the first quarter of 2019.

Transportation revenues and expenses. Transportation revenues and expenses were $32.6 million and $27.5 million for the 2019 and 2018 Quarters, respectively. The increase of $5.1 million was primarily attributable to an increase in average third-party transportation rates in the 2019 Quarter resulting from higher shipping costs for coal exported to international markets, partially offset by decreased tonnage for which we arrange third-party transportation at certain mines. The cost of third-party transportation services are passed through to our customers and we recognize transportation revenue equal to transportation expense when title to the coal passes to the customer.

Segment Adjusted EBITDA. Our 2019 Quarter Segment Adjusted EBITDA decreased $20.0 million, or 10.8%, to $165.3 million from the 2018 Quarter Segment Adjusted EBITDA of $185.3 million. Segment Adjusted EBITDA, tons sold, coal sales, other revenues, royalty revenues, BOE volume and Segment Adjusted EBITDA Expense by segment are as follows:

	Three Months Ended June 30,		
	2019	2018	Increase (Decre
		(in thousands)	
Segment Adjusted EBITDA			
Coal - Illinois Basin	$ 96,075	$ 111,967	$ (15,892)
Coal - Appalachia	53,779	60,069	(6,290)
Minerals	11,098	4,652	6,446
Other and Corporate	6,551	10,717	(4,166)
Elimination	(2,240)	(2,105)	(135)
Total Segment Adjusted EBITDA (2)	$ 165,263	$ 185,300	$ (20,037)
Tons sold			
Coal - Illinois Basin	7,567	7,820	(253)
Coal - Appalachia	2,649	2,666	(17)
Other and Corporate	142	222	(80)
Elimination	(142)	(220)	78
Total tons sold	10,216	10,488	(272)
Coal sales			
Coal - Illinois Basin	$ 301,981	$ 310,464	$ (8,483)
Coal - Appalachia	157,951	162,886	(4,935)
Other and Corporate	5,551	9,398	(3,847)
Elimination	(4,173)	(6,823)	2,650
Total coal sales	$ 461,310	$ 475,925	$ (14,615)
Other revenues			
Coal - Illinois Basin	$ 2,405	$ 4,388	$ (1,983)
Coal - Appalachia	950	723	227
Minerals	536	—	536
Other and Corporate	10,439	10,600	(161)
Elimination	(3,108)	(3,031)	(77)
Total other sales and operating revenues	$ 11,222	$ 12,680	$ (1,458)
Royalty revenues and BOE volume			
Volume - BOE (3)	274	—	274
Oil & gas royalties	$ 11,892	$ —	$ 11,892
Segment Adjusted EBITDA Expense			
Coal - Illinois Basin	$ 208,309	$ 202,886	$ 5,423
Coal - Appalachia	105,122	103,538	1,584
Minerals	1,765	—	1,765
Other and Corporate	9,442	13,136	(3,694)
Elimination	(5,041)	(7,749)	2,708
Total Segment Adjusted EBITDA Expense (2)	$ 319,597	$ 311,811	$ 7,786

[redacted]
(1) Percentage change not meaningful.
(2) For a definition of Segment Adjusted EBITDA and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBI income."
(3) Barrels of oil equivalent ("BOE") is calculated on a 6:1 basis (6,000 cubic feet of natural gas to one barrel of oil).

[redacted]

Illinois Basin – Segment Adjusted EBITDA decreased 14.2% to $96.1 million in the 2019 Quarter from $112.0 million in the 2018 Quarter. The decrease of $15.9 million was primarily attributable to lower coal sales, which decreased 2.7% to $302.0 million in the 2019 Quarter from $310.5 million in the 2018 Quarter, and increased operating expenses. The decrease of $8.5 million in coal sales reflects decreased coal sales volumes partially offset by higher price realizations. Tons sold in the 2019 Quarter decreased 3.2% compared to the 2018 Quarter as a result of lower volumes at our Hamilton and Gibson South mines due to reduced export sales, as well as significant fulfillments in the 2018 Quarter of delayed first quarter 2018 shipments, partially offset by increased domestic sales volumes from our Gibson North and River View mines. Segment Adjusted EBITDA Expense increased 2.7% to $208.3 million in the 2019 Quarter from $202.9 million in the 2018 Quarter due to higher expenses per ton. Segment Adjusted EBITDA Expense per ton increased $1.59 per ton sold to $27.53 from $25.94 per ton sold in the 2018 Quarter, primarily due to a longwall move at our Hamilton mine, as well as reduced recoveries and per ton cost increases for labor and materials and supplies expenses at our River View mine during the 2019 Quarter in addition to certain cost increases described above under "–Coal - Segment Adjusted EBITDA Expense."

Appalachia – Segment Adjusted EBITDA decreased 10.5% to $53.8 million for the 2019 Quarter from $60.1 million in the 2018 Quarter. The decrease of $6.3 million was primarily attributable to lower coal sales, which decreased 3.0% to $158.0 million in the 2019 Quarter from $162.9 million in the 2018 Quarter. The decrease of $4.9 million in coal sales resulted primarily from lower coal sale prices, which decreased 2.4% compared to the 2018 Quarter due to decreased export price realizations and export volumes at our Mettiki mine, partially offset by increased domestic prices from our MC Mining operation. Segment Adjusted EBITDA Expense increased slightly to $105.1 million in the 2019 Quarter from $103.5 million in the 2018 Quarter due to higher expenses per ton. Segment Adjusted EBITDA Expense per ton increased $0.84 per ton sold to $39.68 compared to $38.84 per ton sold in the 2018 Quarter, primarily due to reduced recoveries at our Mettiki and MC Mining mines and sales of higher cost outside coal purchases, as well as certain cost increases described above under "–Coal - Segment Adjusted EBITDA Expense," partially offset by strong production at our Tunnel Ridge mine during the 2019 Quarter.

Minerals – Segment Adjusted EBITDA increased to $11.1 million for the 2019 Quarter from $4.7 million in the 2018 Quarter. The increase of $6.4 million primarily resulted from the AllDale Acquisition in 2019.

Other and Corporate – Segment Adjusted EBITDA decreased by $4.1 million to $6.6 million in the 2019 Quarter compared to $10.7 million in the 2018 Quarter. The decrease was primarily attributable to lower equity securities income as a result of the redemption of our preferred interest in Kodiak in the first quarter of 2019 and decreased coal brokerage activity.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

We reported net income attributable to ARLP of $334.5 million for the six months ended June 30, 2019 ("2019 Period") compared to $242.1 million for the six months ended June 30, 2018 ("2018 Period"). The increase of $92.4 million was primarily due to higher revenues and gains related to the AllDale Acquisition and the redemption of our preferred equity interest in Kodiak. Increased coal sales volumes, improved coal sales prices and the addition of royalty revenues in the 2019 Period drove total revenues higher to $1.04 billion compared to $0.97 billion in the 2018 Period.

	Six Months Ended June 30,			
	2019	2018	2019	
	(in thousands)		(per ton so	
Tons sold	20,537	19,886	N/A	
Tons produced	21,359	20,196	N/A	
Coal sales	$ 937,326	$ 899,535	$ 45.64	$
Coal - Segment Adjusted EBITDA Expense (1) (2)	$ 618,862	$ 591,270	$ 30.13	$

[redacted]

(1) For a definition of Segment Adjusted EBITDA Expense and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjuste to GAAP "Operating Expenses."

(2) Coal - Segment Adjusted EBITDA Expense is defined as consolidated Segment Adjusted EBITDA Expense excluding our Minerals segment.

[redacted]

Coal sales. Coal sales increased $37.8 million or 4.2% to $937.3 million for the 2019 Period from $899.5 million for the 2018 Period. The increase was attributable to a volume variance of $29.5 million resulting from increased tons sold and a price variance of $8.3 million due to higher average coal sales prices. For the 2019 Period, a strong performance at our Tunnel Ridge mine, increased volumes from our River View mine due to the additional two production units previously mentioned and the resumption of operations in the 2018 Period at our Gibson North mine drove coal sales volumes up by 3.3% to 20.5 million tons and production volumes higher by 5.8% to 21.4 million tons, both as compared to the 2018 Period. Total coal sales volumes benefited from increased domestic shipments offset in part by a reduction in export volumes as flooding and high water continued to delay approximately 500,000 tons of planned export shipments in the 2019 Period, which we expect will be shipped in the second half of the year. Coal sales price realizations increased 0.9% to $45.64 per ton sold in the 2019 Period, compared to $45.23 per ton sold during the 2018 Period.

Royalty revenues. AllDale I & II contributed royalty revenues of $22.3 million in the 2019 Period. Please read "Item 1. Financial Statements (Unaudited) - Note 3 – Acquisition" of this Quarterly Report on Form 10-Q for more information on the AllDale Acquisition.

Coal - Segment Adjusted EBITDA Expense. Segment Adjusted EBITDA Expense, excluding our Minerals segment, increased 4.7% to $618.9 million for the 2019 Period from $591.3 million for the 2018 Period primarily as a result of increased coal sales volumes. On a per ton basis, Segment Adjusted EBITDA Expense, excluding our Minerals segment, increased to $30.13 per ton sold compared to $29.73 per ton sold in the 2018 Period due to a longwall move in the 2019 Period at our Hamilton mine and lower recoveries and mining conditions at certain mines in addition to other cost increases, which are discussed by category below:

- Labor and benefit expenses per ton produced, excluding workers' compensation, increased 4.4% to $9.35 per ton in the 2019 Period from $8.96 per ton in the 2018 Period. The increase of $0.39 per to additional labor expenses at our River View mine in addition to the impact of a longwall move at our Hamilton mine in the 2019 Period and other production variances previously discussed;

- Workers' compensation expenses per ton produced increased to $0.55 per ton in the 2019 Period from $0.45 per ton in the 2018 Period. The increase of $0.10 per ton produced resulted fro compensation expense due to the impact of lower discount rates and adverse claims experience on mid-year actuarial adjustments; and

- Material and supplies expenses per ton produced increased 2.0% to $11.12 per ton in the 2019 Period from $10.90 per ton in the 2018 Period. The increase of $0.22 per ton produced resulted prima $0.25 per ton in longwall subsidence expense and $0.21 per ton for roof support, partially offset by a decrease of $0.18 per ton for power and fuel used in the mining process.

Segment Adjusted EBITDA Expense increases above were partially offset by the following decrease:

- Production taxes and royalty expenses incurred as a percentage of coal sales prices and volumes decreased $0.69 per produced ton sold in the 2019 Period compared to the 2018 Period prin favorable state production mix and a lower federal excise tax rate in 2019.

General and administrative. General and administrative expenses for the 2019 Period increased to $37.3 million compared to $33.7 million in the 2018 Period. The increase of $3.6 million was due to higher professional services primarily resulting from the AllDale Acquisition and increased benefit accruals.

Depreciation, depletion and amortization. Depreciation, depletion and amortization expense increased to $148.1 million in the 2019 Period from $134.0 million in the 2018 Period. The increase of $14.1 million resulted primarily from increased coal sales volumes mentioned above and depletion beginning in the 2019 Period, attributable to production from our AllDale I & II oil & gas mineral interests.

Settlement gain. During the 2018 Period, we finalized an agreement with a customer and certain of its affiliates to settle litigation we initiated in 2015. The agreement provided for a $93.0 million cash payment to us in the 2018 Period, future conditional coal supply commitments, continued export transloading capacity for our Appalachian mines and the acquisition of certain coal reserves near our Tunnel Ridge operation. A settlement gain of $80.0 million was recorded in

the 2018 Period reflecting the cash payment received net of $13.0 million of combined legal fees paid and associated incentive compensation accruals.

Equity method investment income. Equity method investment income decreased to $0.9 million in the 2019 Period from $8.6 million in the 2018 Period as a result of the AllDale Acquisition and related consolidation of AllDale I & II in the 2019 Period. Prior to 2019, our investments in AllDale I & II were accounted for as equity method investments.

Acquisition gain. We were required to re-measure Cavalier Minerals' equity method investments in AllDale I & II to fair value as a result of the AllDale Acquisition. The re-measurement resulted in a gain of $177.0 million in the 2019 Period.

Transportation revenues and expenses. Transportation revenues and expenses were $62.9 million and $47.3 million for the 2019 and 2018 Periods, respectively. The increase of $15.6 million was primarily attributable to an increase in average third-party transportation rates in the 2019 Period resulting from higher shipping costs for coal exported to international markets, partially offset by decreased tonnage for which we arrange third-party transportation at certain mines. The cost of third-party transportation services are passed through to our customers and we recognize transportation revenue equal to transportation expense when title to the coal passes to the customer.

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest increased to $7.3 million in the 2019 Period from $0.3 million in the 2018 Period as a result of allocating $7.1 million of the acquisition gain discussed above to noncontrolling interest related to Bluegrass Minerals' equity interest in Cavalier Minerals.

Segment Adjusted EBITDA. Our 2019 Period Segment Adjusted EBITDA increased $21.4 million, or 6.1%, to $371.9 million from the 2018 Period Segment Adjusted EBITDA of $350.5 million. Segment Adjusted EBITDA, tons sold, coal sales, other revenues, royalty revenues, BOE volume and Segment Adjusted EBITDA Expense by segment are as follows:

	Six Months Ended June 30,		
	2019	2018	Increase (Decre
		(in thousands)	
Segment Adjusted EBITDA			
Coal - Illinois Basin	$ 218,812	$ 208,917	$ 9,895
Coal - Appalachia	112,434	113,690	(1,256)
Minerals	20,230	8,240	11,990
Other and Corporate	24,912	23,853	1,059
Elimination	(4,481)	(4,210)	(271)
Total Segment Adjusted EBITDA (2)	$ 371,907	$ 350,490	$ 21,417
Tons sold			
Coal - Illinois Basin	15,240	14,828	412
Coal - Appalachia	5,297	5,056	241
Other and Corporate	278	403	(125)
Elimination	(278)	(401)	123
Total tons sold	20,537	19,886	651
Coal sales			
Coal - Illinois Basin	$ 619,251	$ 586,529	$ 32,722
Coal - Appalachia	315,404	308,175	7,229
Other and Corporate	10,841	17,109	(6,268)
Elimination	(8,170)	(12,278)	4,108
Total coal sales	$ 937,326	$ 899,535	$ 37,791
Other revenues			
Coal - Illinois Basin	$ 5,293	$ 8,734	$ (3,441)
Coal - Appalachia	1,901	1,552	349
Minerals	871	—	871
Other and Corporate	19,311	22,441	(3,130)
Elimination	(6,199)	(6,320)	121
Total other sales and operating revenues	$ 21,177	$ 26,407	$ (5,230)
Royalty revenues and BOE volume			
Volume - BOE (3)	526	—	526
Oil & gas royalties	$ 22,285	$ —	$ 22,285
Segment Adjusted EBITDA Expense			
Coal - Illinois Basin	$ 405,731	$ 386,347	$ 19,384
Coal - Appalachia	204,871	196,036	8,835
Minerals	3,592	—	3,592
Other and Corporate	18,148	23,275	(5,127)
Elimination	(9,888)	(14,388)	4,500
Total Segment Adjusted EBITDA Expense	$ 622,454	$ 591,270	$ 31,184

[redacted]
(1) Percentage change not meaningful.
(2) For a definition of Segment Adjusted EBITDA and related reconciliation to comparable GAAP financial measures, please see below under "—Reconciliation of non-GAAP "Segment Adjusted EBI income."
(3) Barrels of oil equivalent ("BOE") is calculated on a 6:1 basis (6,000 cubic feet of natural gas to one barrel of oil).

[redacted]

Illinois Basin – Segment Adjusted EBITDA increased 4.7% to $218.8 million in the 2019 Period from $208.9 million in the 2018 Period. The increase of $9.9 million was primarily attributable to higher coal sales, which increased 5.6% to $619.3 million in the 2019 Period from $586.5 million in the 2018 Period, partially offset by increased operating expenses and lower operating revenues from our Mt. Vernon transloading facility. The increase of $32.8 million in coal sales reflects higher coal sales volumes and prices. The resumption of operations at our Gibson North mine in the 2018 Period and the addition of two production units at the River View mine in the second half of 2018 drove Illinois Basin coal sales volumes in the 2019 Period higher by 2.8% to 15.2 million tons compared to 14.8 million tons sold in the 2018 Period. Coal sales volumes also benefited from increased domestic shipments, offset in part by a reduction in export volumes due to weather disruptions throughout the first half of 2019, which also reduced transloading tonnage running through our Mt. Vernon facility. Coal sales price per ton sold in the 2019 Period increased 2.7% due to higher export sales prices compared to the 2018 Period. Segment Adjusted EBITDA Expense increased 5.0% to $405.7 million in the 2019 Period from $386.3 million in the 2018 Period due to increased sales volumes and higher expenses per ton. Segment Adjusted EBITDA Expense per ton increased $0.56 per ton sold to $26.62 from $26.06 per ton sold in the 2018 Period, primarily due to a longwall move at our Hamilton mine and reduced recoveries at our River View mine during the 2019 Period, as well as certain per ton cost increases described above under "–Coal - Segment Adjusted EBITDA Expense."

Appalachia – Segment Adjusted EBITDA decreased 1.1% to $112.4 million for the 2019 Period from $113.7 million in the 2018 Period. The decrease of $1.3 million was primarily attributable to reduced coal sales prices and increased operating expenses, partially offset by higher coal sales volumes. Coal sales, which increased 2.3% to $315.4 million in the 2019 Period from $308.2 million in the 2018 Period resulted from higher coal sales volumes of 5.3 million tons sold in the 2019 Period, compared to 5.1 million tons sold in the 2018 Period, as a result of a strong performance at our Tunnel Ridge longwall operation, partially offset by lower coal sales prices. Segment Adjusted EBITDA Expense increased 4.5% to $204.9 million in the 2019 Period from $196.0 million in the 2018 Period due to increased sales volumes. Segment Adjusted EBITDA Expense per ton decreased slightly to $38.68 per ton compared to $38.77 per ton sold in the 2018 Period reflecting the strong production and sales performance at our Tunnel Ridge mine and certain cost variances described above under "–Coal - Segment Adjusted EBITDA Expense."

Minerals – Segment Adjusted EBITDA increased to $20.2 million for the 2019 Period from $8.2 million in the 2018 Period. The increase of $12.0 million primarily resulted from the AllDale Acquisition in the 2019 Period.

Other and Corporate – Segment Adjusted EBITDA increased by $1.0 million to $24.9 million in the 2019 Period compared to $23.9 million in the 2018 Period. The increase was primarily attributable to higher equity securities income in the 2019 Period as a result of the redemption of our preferred interest in Kodiak, which included an $11.5 million gain due to an early redemption premium, partially offset by reduced mining technology product sales from Matrix Group.

Reconciliation of non-GAAP "Segment Adjusted EBITDA" to GAAP "net income" and reconciliation of non-GAAP "Segment Adjusted EBITDA Expense" to GAAP "Operating Expenses"

Segment Adjusted EBITDA (a non-GAAP financial measure) is defined as net income attributable to ARLP before net interest expense, income taxes, depreciation, depletion and amortization, general and administrative expenses, settlement gain and acquisition gain. Segment Adjusted EBITDA is a key component of consolidated EBITDA, which is used as a supplemental financial measure by management and by external users of our financial statements such as investors, commercial banks, research analysts and others. We believe that the presentation of EBITDA provides useful information to investors regarding our performance and results of operations because EBITDA, when used in conjunction with related GAAP financial measures, (i) provides additional information about our core operating performance and ability to generate and distribute cash flow, (ii) provides investors with the financial analytical framework upon which we base financial, operational, compensation and planning decisions and (iii) presents a measurement that investors, rating agencies and debt holders have indicated is useful in assessing us and our results of operations.

Segment Adjusted EBITDA is also used as a supplemental financial measure by our management for reasons similar to those stated in the previous explanation of EBITDA. In addition, the exclusion of corporate general and administrative expenses from consolidated Segment Adjusted EBITDA allows management to focus solely on the evaluation of segment operating profitability as it relates to our revenues and operating expenses, which are primarily controlled by our segments.

The following is a reconciliation of consolidated Segment Adjusted EBITDA to net income, the most comparable GAAP financial measure:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	
	(in thousands)			
Consolidated Segment Adjusted EBITDA	$ 165,263	$ 185,300	$ 371,907	$
General and administrative	(19,521)	(17,026)	(37,333)	
Depreciation, depletion and amortization	(76,913)	(72,150)	(148,052)	
Settlement gain	—	—	—	
Interest expense, net	(10,573)	(9,931)	(21,904)	
Acquisition gain	—	—	177,043	
Income tax (expense) benefit	(186)	(3)	(80)	
Acquisition gain attributable to noncontrolling interest	—	—	(7,083)	
Net income attributable to ARLP	$ 58,070	$ 86,190	$ 334,498	$
Noncontrolling interest	114	187	7,290	
Net income	$ 58,184	$ 86,377	$ 341,788	$

Segment Adjusted EBITDA Expense (a non-GAAP financial measure) includes operating expenses, coal purchases and other income. Transportation expenses are excluded as these expenses are passed through to our customers and, consequently, we do not realize any gain or loss on transportation revenues. Segment Adjusted EBITDA Expense is used as a supplemental financial measure by our management to assess the operating performance of our segments. Segment Adjusted EBITDA Expense is a key component of Segment Adjusted EBITDA in addition to coal sales, royalty revenues and other sales and operating revenues. The exclusion of corporate general and administrative expenses from Segment Adjusted EBITDA Expense allows management to focus solely on the evaluation of segment operating performance as it primarily relates to our operating expenses.

The following is a reconciliation of consolidated Segment Adjusted EBITDA Expense to operating expense, the most comparable GAAP financial measure:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	
	(in thousands)			
Segment Adjusted EBITDA Expense	$ 319,597	$ 311,811	$ 622,454	$
Outside coal purchases	(5,311)	(68)	(5,311)	
Other expense	(13)	(542)	(142)	
Operating expenses (excluding depreciation, depletion and amortization)	$ 314,273	$ 311,201	$ 617,001	$

Liquidity and Capital Resources

Liquidity

We have historically satisfied our working capital requirements and funded our capital expenditures, investments and debt service obligations with cash generated from operations, cash provided by the issuance of debt or equity, borrowings under credit and securitization facilities and other financing transactions. We believe that existing cash balances, future cash flows from operations and investments, borrowings under credit facilities and cash provided from the issuance of debt or equity will be sufficient to meet our working capital requirements, capital expenditures and additional investments, debt payments, commitments and distribution payments. Nevertheless, our ability to satisfy our working capital requirements, to fund planned capital expenditures, to service our debt obligations or to pay distributions will depend upon our future operating performance and access to and cost of financing sources, which will be affected by prevailing economic conditions generally and in the coal and oil & gas industries specifically, as well as other financial and business factors, some of which are beyond our control. Based on our recent operating results, current cash position, current unitholder distributions, anticipated future cash flows and sources of financing that we expect to have available, we do not anticipate any constraints to our liquidity at this time. However, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. Please read "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018.

In May 2018, the MGP board of directors approved the establishment of a unit repurchase program authorizing us to repurchase up to $100 million of ARLP common units. The program has no time limit and we may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate us to repurchase any dollar amount or number of units. Please read "Part II - Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" of this Quarterly Report on Form 10-Q for more information on unit repurchase program.

On January 3, 2019, we acquired all of the limited partner interests in AllDale I & II not owned by Cavalier Minerals and the general partner interests in AllDale I & II for $176.0 million, which was funded with cash on hand and borrowings under our revolving credit facility. On February 8, 2019, Kodiak redeemed our preferred equity interest for $135.0 million in cash. On August 2, 2019, we closed on the Wing Acquisition using cash on hand and borrowings under our revolving credit facility. For more information on these transactions, please read "Item 1. Financial Statements (Unaudited) – Note 3. Acquisition", "– Note 10. Investments" and "– Note 18. Subsequent Events" of this Quarterly Report on Form 10-Q.

Mine Development Project

We have begun development activity for MC Mining's Excel Mine No. 5 and currently anticipate deploying total capital of approximately $35.0 million to $40.0 million during 2019 with an additional $5.0 million to $10.0 million during the first half of 2020, which we expect to fund with cash from operations or borrowings under our credit facilities. We anticipate the new mine will enable us to access an additional 15 million tons of coal reserves with an expected mine life of approximately 12 years assuming the current level of production at MC Mining's Excel Mine No. 4 continues at the new mine. We expect the development plan for the new Excel Mine No. 5 will provide a seamless transition from the current MC Mining operation as its reserves deplete in 2020.

Cash Flows

Cash provided by operating activities was $301.7 million for the 2019 Period compared to $373.2 million for the 2018 Period. The decrease in cash provided by operating activities was primarily due to $93 million received in the 2018 Period for a one-time settlement related to litigation with a customer and certain of its affiliates initiated in 2015. The decrease also resulted from unfavorable working capital changes related to inventories, and payroll and related benefit accruals. The decreases were partially offset by a favorable working capital change related to accounts payable.

Net cash used in investing activities was $209.8 million for the 2019 Period compared to $128.0 million for the 2018 Period. The increase in cash used in investing activities was primarily attributable to the AllDale Acquisition, an escrow payment for the Wing Acquisition and increased capital expenditures for mine infrastructure and equipment at

various mines. This increase was partially offset by cash received from the redemption of our equity securities in the 2019 Period and equity method investment contributions in the 2018 Period.

Net cash used in financing activities was $280.9 million for the 2019 Period compared to $200.8 million for the 2018 Period. The increase in cash used in financing activities was primarily attributable to increased overall net payments on the securitization and revolving credit facilities and an increase in withholding taxes on issuance of units primarily under our long-term incentive plan in the 2019 Period compared to the 2018 Period. These increases were partially offset by proceeds received in connection with equipment financing in the 2019 Period.

Capital Expenditures

Capital expenditures increased to $165.6 million in the 2019 Period from $120.7 million in the 2018 Period. See our discussion of "Cash Flows" above concerning the increase in capital expenditures.

We currently project average estimated annual maintenance capital expenditures over the five-year period beginning in January 2019 of approximately $5.57 per ton produced. Our anticipated total capital expenditures (including investments) for the year ending December 31, 2019 are estimated in a range of $345.0 million to $375.0 million, which includes expenditures for maintenance capital at various mines. Management anticipates funding remaining 2019 capital requirements with cash and cash equivalents ($55.2 million as of June 30, 2019), cash flows from operations and investments, borrowings under revolving credit and securitization facilities and cash provided from the issuance of debt or equity. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability and cost of additional capital will depend upon prevailing market conditions, the market price of our common units and several other factors over which we have limited control, as well as our financial condition and results of operations.

Debt Obligations

Credit Agreement. On January 27, 2017, our Intermediate Partnership entered into a Fourth Amended and Restated Credit Agreement (the "Credit Agreement") with various financial institutions. The Credit Agreement provides for a $494.75 million revolving credit facility, including a sublimit of $125 million for the issuance of letters of credit and a sublimit of $15.0 million for swingline borrowings (the "Revolving Credit Facility"), with a termination date of May 23, 2021.

The Credit Agreement is guaranteed by all of the material direct and indirect subsidiaries of our Intermediate Partnership, and is secured by substantially all of the Intermediate Partnership's assets. Borrowings under the Revolving Credit Facility bear interest, at the option of the Intermediate Partnership, at either (i) the Base Rate at the greater of three benchmarks or (ii) a Eurodollar Rate, plus margins for (i) or (ii), as applicable, that fluctuate depending upon the ratio of Consolidated Debt to Consolidated Cash Flow (each as defined in the Credit Agreement). The Eurodollar Rate, with applicable margin, under the Revolving Credit Facility was 4.77% as of June 30, 2019. At June 30, 2019, we had $9.3 million of letters of credit outstanding with $415.5 million available for borrowing under the Revolving Credit Facility. We currently incur an annual commitment fee of 0.35% on the undrawn portion of the Revolving Credit Facility. We utilize the Revolving Credit Facility, as appropriate, for working capital requirements, capital expenditures and investments, scheduled debt payments and distribution payments.

The Credit Agreement contains various restrictions affecting our Intermediate Partnership and its subsidiaries including, among other things, restrictions on incurrence of additional indebtedness and liens, sale of assets, investments, mergers and consolidations and transactions with affiliates, in each case subject to various exceptions, and the payment of cash distributions by our Intermediate Partnership if such payment would result in a certain fixed charge coverage ratio (as defined in the Credit Agreement). The Credit Agreement requires the Intermediate Partnership to maintain (a) a debt to cash flow ratio of not more than 2.5 to 1.0 and (b) a cash flow to interest expense ratio of not less than 3.0 to 1.0, in each case, during the four most recently ended fiscal quarters. The debt to cash flow ratio and cash flow to interest expense ratio were 0.87 to 1.0 and 15.7 to 1.0, respectively, for the trailing twelve months ended June 30, 2019. We remain in compliance with the covenants of the Credit Agreement as of June 30, 2019.

Senior Notes. On April 24, 2017, the Intermediate Partnership and Alliance Resource Finance Corporation (as co-issuer), a wholly owned subsidiary of the Intermediate Partnership ("Alliance Finance"), issued an aggregate principal amount of $400.0 million of senior unsecured notes due 2025 ("Senior Notes") in a private placement to qualified

institutional buyers. The Senior Notes have a term of eight years, maturing on May 1, 2025 (the "Term") and accrue interest at an annual rate of 7.5%. Interest is payable semi-annually in arrears on each May 1 and November 1. The indenture governing the Senior Notes contains customary terms, events of default and covenants relating to, among other things, the incurrence of debt, the payment of distributions or similar restricted payments, undertaking transactions with affiliates and limitations on asset sales. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price equal to 107.5% of the principal amount redeemed, plus accrued and unpaid interest, if any, to the redemption date. The issuers of the Senior Notes may also redeem all or a part of the notes at any time on or after May 1, 2020, at redemption prices set forth in the indenture governing the Senior Notes. At any time prior to May 1, 2020, the issuers of the Senior Notes may redeem the Senior Notes at a redemption price equal to the principal amount of the Senior Notes plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the redemption date.

Accounts Receivable Securitization. On December 5, 2014, certain direct and indirect wholly owned subsidiaries of our Intermediate Partnership entered into a $100.0 million accounts receivable securitization facility ("Securitization Facility"). Under the Securitization Facility, certain subsidiaries sell trade receivables on an ongoing basis to our Intermediate Partnership, which then sells the trade receivables to AROP Funding, LLC ("AROP Funding"), a wholly owned bankruptcy-remote special purpose subsidiary of our Intermediate Partnership, which in turn borrows on a revolving basis up to $100.0 million secured by the trade receivables. After the sale, Alliance Coal, as servicer of the assets, collects the receivables on behalf of AROP Funding. The Securitization Facility bears interest based on a Eurodollar Rate. It was renewed in January 2019 and matures in January 2020. At June 30, 2019, we had $75.0 million outstanding balance under the Securitization Facility.

Cavalier Credit Agreement. On October 6, 2015, Cavalier Minerals (see Note 9 – Variable Interest Entities) entered into a credit agreement (the "Cavalier Credit Agreement") with Mineral Lending, LLC ("Mineral Lending") for a $100.0 million line of credit (the "Cavalier Credit Facility"). The commitment under the Cavalier Credit Facility is reduced by any distributions received from Cavalier Minerals' investment in AllDale II. As of June 30, 2019, the commitment under the Cavalier Credit Facility was $67.5 million. Mineral Lending is an entity owned by (a) Alliance Resource Holdings II, Inc. ("ARH II"), an entity owned by Joseph W. Craft III, the Chairman, President and Executive Officer of MGP ("Mr. Craft") and Kathleen S. Craft, (b) an entity owned by an individual who is an officer and director of ARH II and (c) charitable foundations established by Mr. Craft and Kathleen S. Craft. There is no commitment fee under the facility. Mineral Lending's obligation to make the line of credit available terminates no later than October 6, 2019. Borrowings under the Cavalier Credit Facility bear interest at a one month LIBOR rate plus 6% with interest payable quarterly, and mature on September 30, 2024, at which time all amounts then outstanding are required to be repaid. The Cavalier Credit Agreement requires repayment of the principal balance beginning in 2018, in quarterly payments of an amount equal to the greater of $1.3 million initially, escalated to $2.5 million after two years, or fifty percent of Cavalier Minerals' excess cash flow. To secure payment of the facility, Cavalier Minerals pledged all of its partnership interests, owned or later acquired, in AllDale I & II. Cavalier Minerals may prepay the Cavalier Credit Facility at any time in whole or in part subject to terms and conditions described in the Cavalier Credit Agreement. As of June 30, 2019, Cavalier Minerals had not drawn on the Cavalier Credit Facility.

Equipment Financing. On May 17, 2019, the Intermediate Partnership entered into an equipment financing arrangement accounted for as debt, wherein the Intermediate Partnership received $10.0 million in exchange for conveying its interest in certain equipment owned by an indirect wholly-owned subsidiary of the Intermediate Partnership and entering into a master lease agreement for that equipment (the “Equipment Financing”). The Equipment Financing contains customary terms and events of default and provides for thirty-six monthly payments with an implicit interest rate of 6.25%, maturing on May 1, 2022. Upon maturity, the equipment will revert back to the Intermediate Partnership.

Other. We also have an agreement with a bank to provide additional letters of credit in an amount of $5.0 million to maintain surety bonds to secure certain asset retirement obligations and our obligations for workers' compensation benefits. At June 30, 2019, we had $5.0 million in letters of credit outstanding under this agreement.

Related-Party Transactions

We have related-party transactions with MGP, ARH II and their respective affiliates. These related-party transactions relate principally to mineral leases with charitable foundations established by Mr. Craft and Kathleen S. Craft and agreements relating to the use of aircraft. We also have transactions with (a) WKY CoalPlay, LLC ("WKY CoalPlay") regarding three mineral leases, (b) Bluegrass Minerals Management, LLC ("Bluegrass Minerals") through its

noncontrolling ownership interest in Cavalier Minerals and (c) AllDale III to support its acquisition of oil & gas mineral interests. For more information regarding WKY CoalPlay, Bluegrass Minerals and AllDale III, please read "Item 1. Financial Statements (Unaudited) – Note 9. Variable Interest Entities" and "– Note 10. Investments" of this Quarterly Report on Form 10-Q. Please read our Annual Report on Form 10-K for the year ended December 31, 2018, "Item 8. Financial Statements and Supplementary Data – Note 18. Related-Party Transactions" for additional information concerning related-party transactions.

Prior to the AllDale Acquisition and Kodiak redemption, we also had transactions with AllDale I & II to support their acquisition of oil & gas mineral interests, and Kodiak to support its gas compression services. For more information regarding the AllDale Acquisition and Kodiak redemption, please read "Item 1. Financial Statements (Unaudited) – Note 3. Acquisition" and "– Note 10. Investments" of this Quarterly Report on Form 10-Q.

New Accounting Standards

See "Item 1. Financial Statements (Unaudited) – Note 2. New Accounting Standards" of this Quarterly Report on Form 10-Q for a discussion of new accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We have significant long-term coal supply agreements. Most of the long-term coal supply agreements are subject to price adjustment provisions, which periodically permit an increase or decrease in the contract price typically to reflect changes in specified indices or changes in production costs resulting from regulatory changes, or both.

Our results of operations are highly dependent upon the prices we receive for our coal. The short-term coal contracts favored by some of our customers leave us more exposed to risks of declining price periods. Also, a significant decline in oil and natural gas prices would have a significant impact on our royalty revenues.

We have exposure to coal, oil and natural gas sales prices and price risk for supplies that are used directly or indirectly in the normal course of coal and oil & gas production such as steel, electricity and other supplies. We manage our risk for these items through strategic sourcing contracts for normal quantities required by our operations. Historically, we have not utilized any commodity price-hedges or other derivatives related to either our sales price or supply cost risks.

Credit Risk

Most of our coal is sold to United States electric utilities or into the international markets through brokered transactions. Therefore, our credit risk is primarily with domestic electric power generators and reputable global brokerage firms. Our policy is to independently evaluate each customer's creditworthiness prior to entering into transactions and to constantly monitor outstanding accounts receivable against established credit limits. When deemed appropriate by our credit management department, we will take steps to reduce our credit exposure to customers that do not meet our credit standards or whose credit has deteriorated. These steps may include obtaining letters of credit or cash collateral, requiring prepayment for shipments or establishing customer trust accounts held for our benefit in the event of a failure to pay.

Exchange Rate Risk

Almost all of our transactions are denominated in United States dollars, and as a result, we do not have material exposure to currency exchange-rate risks. However, because coal is sold internationally in United States dollars, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide our foreign competitors with a competitive advantage. If our competitors' currencies decline against the United States dollar or against foreign purchasers' local currencies, those competitors may be able to offer lower prices for coal to these purchasers. Furthermore, if the currencies of overseas purchasers were to significantly decline in value in comparison to the United States dollar, those purchasers may seek decreased prices for the coal we sell to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets.

Interest Rate Risk

Borrowings under the Revolving Credit Facility, Securitization Facility and Cavalier Credit Agreement are at variable rates and, as a result, we have interest rate exposure. Historically, our earnings have not been materially affected by changes in interest rates and we have not utilized interest rate derivative instruments related to our outstanding debt. We had $70.0 million in borrowings under the Revolving Credit Facility and $75.0 million in borrowings under the Securitization Facility at June 30, 2019. A one percentage point increase in the interest rates related to the Revolving Facility and Securitization Facility would result in an annualized increase in interest expense of $1.5 million, based on borrowing levels at June 30, 2019.

There were no other changes in our quantitative and qualitative disclosures about market risk as set forth in our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

We maintain controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act) as of June 30, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these controls and procedures are effective as of June 30, 2019.

During the quarterly period ended June 30, 2019, other than the changes that have resulted or may result from the AllDale Acquisition as discussed below, there have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 3, 2019 (the "AllDale Acquisition Date"), we acquired all of the limited partner interests in AllDale Minerals, LP and AllDale Minerals II, LP (collectively, "AllDale I & II") not owned by Cavalier Minerals JV, LLC and the general partner interests in AllDale I & II (the "AllDale Acquisition") as described in "Item 1. Financial Statements (Unaudited) – Note 3. Acquisition" of this Quarterly Report on Form 10-Q. As a result of the AllDale Acquisition, we now own 100% of the general partner interests and, including the limited partner interests we hold indirectly through our ownership in Cavalier Minerals, approximately 97% of the limited partner interests in AllDale I & II. In addition, we assumed control and began accounting for AllDale I & II on a consolidated basis. At this time, we continue to evaluate the business and internal controls and processes of AllDale I & II and are making various changes to their management and organizational structures based on our business plan. We are in the process of implementing our internal control structure over the acquired businesses. We expect to complete the evaluation and integration of the internal controls and processes of AllDale I & II in the first quarter of 2020.

FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q may constitute "forward-looking statements." These statements are based on our beliefs as well as assumptions made by, and information currently available to, us. When used in this document, the words "anticipate," "believe," "continue," "estimate," "expect," "forecast," "may," "project," "will," and similar expressions identify forward-looking statements. Without limiting the foregoing, all statements relating to our future outlook, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements. These statements reflect our current views with respect to future events and are subject to numerous assumptions that we believe are reasonable, but are open to a wide range of uncertainties and business risks, and actual results may differ materially from those discussed in these statements. Among the factors that could cause actual results to differ from those in the forward-looking statements are:

- changes in coal prices, which could affect our operating results and cash flows;
- changes in competition in domestic and international coal markets and our ability to respond to such changes;
- legislation, regulations, and court decisions and interpretations thereof, both domestic and foreign, including those relating to the environment and the release of greenhouse gases, mini safety and health care;
- deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions;
- risks associated with the expansion of our operations and properties;
- our ability to identify and complete acquisitions;
- dependence on significant customer contracts, including renewing existing contracts upon expiration;
- adjustments made in price, volume or terms to existing coal supply agreements;
- changing global economic conditions or in industries in which our customers operate;
- recent action and the possibility of future action on trade made by United States and foreign governments;
- the effect of new tariffs and other trade measures;
- liquidity constraints, including those resulting from any future unavailability of financing;
- customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform;
- customer delays, failure to take coal under contracts or defaults in making payments;
- fluctuations in coal demand, prices and availability;
- changes in oil & gas prices, which could, among other things, affect our investments in oil & gas mineral interests;
- our productivity levels and margins earned on our coal sales;
- decline in or change in the coal industry's share of electricity generation, including as a result of environmental concerns related to coal mining and combustion and the cost and percei sources of electricity, such as natural gas, nuclear energy and renewable fuels;
- changes in raw material costs;
- changes in the availability of skilled labor;
- our ability to maintain satisfactory relations with our employees;
- increases in labor costs including costs of health insurance and taxes resulting from the Affordable Care Act, adverse changes in work rules, or cash payments or projections assoc reclamation and workers' compensation claims;
- increases in transportation costs and risk of transportation delays or interruptions;
- operational interruptions due to geologic, permitting, labor, weather-related or other factors;
- risks associated with major mine-related accidents, mine fires, mine floods or other interruptions;
- results of litigation, including claims not yet asserted;
- foreign currency fluctuations that could adversely affect the competitiveness of our coal abroad;
- difficulty maintaining our surety bonds for mine reclamation as well as workers' compensation and black lung benefits;
- difficulty in making accurate assumptions and projections regarding post-mine reclamation as well as pension, black lung benefits and other post-retirement benefit liabilities;
- uncertainties in estimating and replacing our coal reserves;
- uncertainties in estimating and replacing our oil & gas reserves;

- uncertainties in the amount of oil & gas production due to the level of drilling and completion activity by the operators of our oil & gas properties;
- a loss or reduction of benefits from certain tax deductions and credits;
- difficulty obtaining commercial property insurance, and risks associated with our participation in the commercial insurance property program;
- difficulty in making accurate assumptions and projections regarding future revenues and costs associated with equity investments in companies we do not control; and
- other factors, including those discussed in "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2018.

If one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those described in any forward-looking statement. When considering forward-looking statements, you should also keep in mind the risk factors described in "Item 1A. Risk Factors" below. These risk factors could also cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

You should consider the information above when reading or considering any forward-looking statements contained in:

- this Quarterly Report on Form 10-Q;
- other reports filed by us with the SEC;
- our press releases;
- our website *http://www.arlp.com*; and
- written or oral statements made by us or any of our officers or other authorized persons acting on our behalf.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 4. Contingencies to the Unaudited Condensed Consolidated Financial Statements included in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report on Form 10-Q herein is hereby incorporated by reference. See also "Item 3. Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factor set forth below and the risk factors discussed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q are not our only risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial based on current knowledge and factual circumstances, if such knowledge or facts change, also may materially adversely affect our business, financial condition and/or operating results in the future.

The tax treatment of publicly traded partnerships or an investment in our units could be subject to potential legislative, judicial or administrative changes or differing interpretations, possibly applied on a retroactive basis.

The present United States federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units, may be modified by administrative, legislative or judicial changes or differing interpretations at any time. From time to time, members of Congress have proposed and considered substantive changes to the existing United States federal income tax laws that would affect publicly traded partnerships including elimination of partnership tax treatment for certain publicly traded partnerships. Any modification to the United States federal income tax laws may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for United States federal income tax purposes. For example, recently enacted legislation repealed Section 199 of the Code, which, prior to its repeal, entitled our unitholders to a deduction equal to a specified percentage of our qualified production activities income that was allocated to such unitholder. In addition, the “Clean Energy for America Act”, which is similar to legislation that was commonly proposed during the Obama Administration, was introduced in the Senate on May 2, 2019. If enacted, this proposal would, among other things, repeal the qualifying income exception within Section 7704(d)(1)(E) of the Code upon which we rely for our status as a partnership for United States federal income tax purposes.

In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to United States federal income tax laws or the Treasury Department’s interpretation of such income tax laws in a manner that could impact our ability to qualify as a publicly traded partnership in the future. We are unable to predict whether any changes or other proposals will ultimately be enacted. Any future legislative changes could negatively impact the value of an investment in our common units. You are urged to consult with your own tax advisor with respect to the status of regulatory or administrative developments and proposals and their potential effect on your investment in our common units.

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

On May 31, 2018, ARLP announced that the MGP board of directors approved the establishment of a unit repurchase program authorizing ARLP to repurchase up to $100 million of its outstanding limited partner common units. The unit repurchase program is intended to enhance ARLP’s ability to achieve its goal of creating long-term value for its unitholders and provides another means, along with quarterly cash distributions, of returning cash to unitholders. The program has no time limit and ARLP may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate ARLP to repurchase any dollar amount or number of units, and repurchases may be commenced or suspended from time to time without prior notice.

During the three months ended June 30, 2019, we did not repurchase and retire any units. Since inception of the program, we have repurchased and retired 3,985,010 units at an average unit price of $19.03 for an aggregate purchase price of $75.8 million. The remaining authorized amount for unit repurchases under this program was $24.2 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	SEC File No. and Film No.	Exhibit	Filing Date
3.1	Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 17990766	3.2	07/28/2017
3.2	Amendment No. 1 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	10-K	000-26823 18634634	3.9	02/23/2018
3.3	Amendment No. 2 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 18883834	3.3	06/06/2018
3.4	Amendment No. 3 to Fourth Amended and Restated Agreement of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 18883834	3.4	06/06/2018
3.5	Amended and Restated Agreement of Limited Partnership of Alliance Resource Operating Partners, L.P.	10-K	000-26823 583595	3.2	03/29/2000
3.6	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership of Alliance Resource Operating Partners, L.P.	8-K	000-26823 18883834	3.5	06/06/2018
3.7	Amended and Restated Certificate of Limited Partnership of Alliance Resource Partners, L.P.	8-K	000-26823 17990766	3.6	07/28/2017
3.8	Certificate of Limited Partnership of Alliance Resource Operating Partners, L.P.	S-1/A	333-78845 99669102	3.8	07/23/1999
3.9	Certificate of Formation of Alliance Resource Management GP, LLC	S-1/A	333-78845 99669102	3.7	07/23/1999
3.10	Third Amended and Restated Operating Agreement of Alliance Resource Management GP, LLC	8-K	000-26823 18883834	3.7	06/06/2018
3.11	Certificate of Formation of MGP II, LLC	8-K	000-26823 17990766	3.5	07/28/2017
3.12	Amended and Restated Operating Agreement of MGP II, LLC	8-K	000-26823 17990766	3.4	07/28/2017

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	SEC File No. and Film No.	Exhibit	Filing Date
10.1	Purchase and Sale Agreement by and between Wing Resources LLC, and Wing Resources II LLC, as sellers, and Alliance Resource Partners, L.P., as buyer, dated as of June 21, 2019				
31.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the general partner of Alliance Resource Partners, L.P., dated August 5, 2019, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance Resource Management GP, LLC, the general partner of Alliance Resource Partners, L.P., dated August 5, 2019, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1	Certification of Joseph W. Craft III, President and Chief Executive Officer of Alliance Resource Management GP, LLC, the general partner of Alliance Resource Partners, L.P., dated August 5, 2019, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2	Certification of Brian L. Cantrell, Senior Vice President and Chief Financial Officer of Alliance Resource Management GP, LLC, the general partner of Alliance Resource Partners, L.P., dated August 5, 2019, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
95.1	Federal Mine Safety and Health Act Information				
101	Interactive Data File (Form 10-Q for the quarter ended June 30, 2019 filed in Inline XBRL).				

[redacted] and 32.2.

[redacted]

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Tulsa, Oklahoma, on August 5, 2019.

ALLIANCE RESOURCE PARTNERS, L.P.

By: Alliance Resource Management GP, LLC
its general partner

/s/ Joseph W. Craft, III
Joseph W. Craft, III
President, Chief Executive Officer
and Chairman, duly authorized to sign on behalf
of the registrant.

/s/ Robert J. Fouch
Robert J. Fouch
Vice President, Controller and
Chief Accounting Officer

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

WING RESOURCES LLC,

AND

WING RESOURCES II LLC

(as Sellers)

AND

ALLIANCE RESOURCE PARTNERS, L.P.

(as Buyer)

Dated as of: June 21, 2019

[redacted]

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (the "***Agreement***") is dated as of the 21st day of June, 2019 (the "***Execution Date***"), and is by and among **Wing Resources LLC** ("***Wing I***"), **Wing Resources II LLC** ("***Wing II***," each of Wing I and Wing II, a "***Seller***," and collectively, the "***Sellers***"), each a Delaware limited liability company, with an address of 2100 McKinney Ave, Suite 1540, Dallas, Texas 75201, on the one hand, and **Alliance Resource Partners, L.P.**, a Delaware limited partnership ("***Buyer***"), whose address is 1717 S. Boulder Avenue, Suite 400, Tulsa, Oklahoma 74119-4833, on the other hand. Sellers and Buyer are each individually referred to in this Agreement as a "***Party***" and collectively as the "***Parties***".

RECITALS

WHEREAS, Sellers own certain rights, title and interests in and to certain mineral interests, royalty interests and overriding royalty interests in the oil, gas, and other minerals underlying certain lands located in Borden, Ector, Glasscock, Howard, Martin, Midland, Reagan and Upton Counties, Texas (collectively, the "***Midland Basin***"), Sellers desire to sell such rights, title and interests to Buyer, and Buyer desires to purchase such rights, titles and interests from Sellers.

NOW THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Sellers hereby agree as follows:

ARTICLE 1
PURCHASE AND SALE

1.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, at the Closing, Buyer agrees to purchase from each Seller, and each Seller agrees to sell, assign, transfer, convey and deliver to Buyer, all of such Seller's right, title and interest in and to the Assets for the consideration specified in Article 2, and Buyer agrees to assume the Assumed Liabilities.

1.2 Effective Time. If the Closing occurs, the purchase and sale of the Assets shall be effective as of May 1, 2019, at 7:00 a.m. Central time (the "***Effective Time***").

1.3 Excluded Assets. Notwithstanding any other provision of this Agreement to the contrary, the Assets to be conveyed and assigned under this Agreement do not include the Excluded Assets, all of which are reserved by Sellers.

ARTICLE 2
PURCHASE PRICE; REVENUES AND EXPENSES

2.1 Purchase Price. Subject to the adjustments set forth below and the other terms and conditions of this Agreement, the purchase price to be paid by Buyer to Sellers in cash for the Assets is $145,000,000.00 (the "***Purchase Price***").

2.2 Deposit. Contemporaneously with the signing of this Agreement, Buyer shall deliver to Citibank, N.A., as Escrow Agent (the "***Escrow Agent***") $10,875,000.00 (such amount, the "***Deposit***") by wire transfer in immediately available funds to be held in accordance with the Escrow Agreement of even date herewith (the "***Escrow Agreement***") by and among the Parties and the Escrow Agent. At Closing, the Parties shall jointly instruct the Escrow Agent to deliver the Deposit (together with any interest accrued thereon) to Sellers and the amount thereof shall be applied against the Purchase Price to be delivered by Buyer to Sellers at Closing. If this Agreement is terminated by Buyer or Sellers in accordance with Section

[redacted]

8.4 below, the Parties shall jointly instruct the Escrow Agent to pay the Deposit (together with any interest accrued thereon) to Buyer or to Sellers as provided in Section 8.5(a) or Section 8.5(c), as applicable.

2.3 Allocation of Purchase Price. The unadjusted Purchase Price shall be allocated among each tract of the Lands identified on Exhibit A-Part 1 (each, a "***Tract***"), with each such Tract having the "***Allocated Value***" set forth for such Tract on Exhibit A-Part 2.

2.4 Adjustments to the Purchase Price at Closing.

(a) At Closing, without limiting Section 2.5, the Purchase Price will be adjusted as set forth in Section 2.2 and this Section 2.4. No later than two Business Days prior to the Closing Date, Sellers will in good faith prepare (as a reasonable and prudent Person) and provide to Buyer a preliminary settlement statement (the "***Preliminary Settlement Statement***") identifying all adjustments to the Purchase Price, without duplication, known by Sellers to be made at Closing, in accordance with this Agreement and as of the time of the preparation of the Preliminary Settlement Statement (including reasonable estimates of any such amounts). After the delivery of the Preliminary Settlement Statement to Buyer and prior to the Closing, Sellers shall consult in good faith with Buyer regarding any reasonable changes to the Preliminary Settlement Statement proposed by Buyer prior to the Closing. Without limiting Section 2.5, the Preliminary Settlement Statement, as agreed upon in writing by Sellers and Buyer, will be used to adjust the Purchase Price at Closing; provided, however, that if Sellers and Buyer cannot agree in writing on the Preliminary Settlement Statement prior to Closing, the Preliminary Settlement Statement as presented by Sellers (including any changes thereto which are agreed upon by the Parties) will be used to determine the adjusted Purchase Price at Closing. Sellers and Buyer acknowledge that some items in the Preliminary Settlement Statement may be estimates or otherwise subject to change in the Final Settlement Statement.

(b) The Purchase Price will be increased (without duplication) by the following:

(i) the amount of any proceeds (including any lease bonuses, royalties and other proceeds and benefits) received by Buyer to the extent attributable to (x) any of the Assets and (y) the time period before the Effective Time;

(ii) subject to Section 3.2, the Title Credit Amount of any Title Credit;

(iii) the amount of all Taxes allocable to Buyer pursuant to Article 7 but paid or otherwise economically borne by Sellers; and

(iv) as otherwise agreed in writing by the Parties.

(c) The Purchase Price will be decreased (without duplication) by the following:

(i) the amount of any proceeds (including any lease bonuses, royalties and other proceeds and benefits) received by any Seller to the extent attributable to (x) any of the Assets and (y) the period beginning on and following the Effective Time;

(ii) subject to Section 3.2, the Title Defect Amount of any uncured Title Defect that is not waived in writing by Buyer;

(iii) the Allocated Value of any Asset that Sellers elect to retain under Section 3.2(h);

(iv) the amount of all Taxes allocable to Sellers pursuant to Article 7 but paid or otherwise economically borne by Buyer; and

(v) as otherwise agreed in writing by the Parties.

2.5 Adjustments to the Purchase Price Following Closing.

(a) Final Settlement Statement. Within 120 days after the Closing Date (such 120th day, the "***Final Settlement Date***"), Sellers will prepare a proposed final settlement statement containing a final reconciliation of the adjustments to the Purchase Price specified in Section 2.4 (the "***Final Settlement Statement***"), provided, however, that the failure of Sellers to deliver the proposed Final Settlement Statement to Buyer on or before the Final Settlement Date will not constitute a waiver of any right to an adjustment otherwise due; provided, further, that if Sellers so fail to deliver the proposed Final Settlement Statement to Buyer on or before the Final Settlement Date, Buyer may deliver a proposed Final Settlement Statement to Sellers (in which case all further references to Buyer in this Section 2.5 (except as to the final five sentences of Section 2.5(c)) shall be deemed to be to Sellers and all further references to Sellers in this Section 2.5 (except as to the final five sentences of Section 2.5(c)) shall be deemed to be to Buyer); provided, further, that if Buyer does not so deliver a proposed Final Settlement Statement within 30 days following the Final Settlement Date, then the Preliminary Settlement Statement will be deemed final and binding upon the Parties for all purposes under this Agreement. During normal business hours and upon reasonable advance notice, Sellers shall provide or otherwise make available to Buyer such data and information supporting the amounts reflected on the proposed Final Settlement Statement and provide access to each Seller's personnel and Representatives involved in preparing the proposed Final Settlement Statement, in each case as Buyer may reasonably request, to permit Buyer to comment on the proposed Final Settlement Statement. Buyer will have 30 days (the "***Review Period***") after receiving the Final Settlement Statement to provide Sellers with written exceptions to any items in the Final Settlement Statement that Buyer believes in good faith to be objectionable. All items in the Final Settlement Statement as to which Buyer does not make a timely written exception within the Review Period will be deemed to be conclusively accepted by Buyer.

(b) Payment of Post-Closing Adjustments. Any adjustments to the Purchase Price (including disputed items as if they were undisputed by Buyer) as reflected in the Final Settlement Statement will be offset against each other so that only one payment is required between the Parties. The Party owing payment will pay the other Party the net post-Closing adjustment to the Purchase Price set forth in the Final Settlement Statement within five Business Days following the date upon which all matters in the proposed Final Settlement Statement (excluding any Title Disputes) are either (x) agreed upon by the Sellers and Buyer in writing, (y) deemed accepted by Buyer at the end of the Review Period pursuant to Section 2.5(a), or (z) finally determined by the Accounting Consultant in accordance with Section 2.5(c), as applicable.

(c) Resolution of Disputed Items. After the completion and delivery of the proposed Final Settlement Statement, the Parties shall negotiate in good faith to attempt to reach agreement in writing on the amount due with respect to any disputed items in the proposed Final Settlement Statement; provided that any settlement negotiations will be subject to Federal Rule of Evidence 408 (and will not be discoverable in any Proceeding) and will not be communicated to the Accounting Consultant. If the Parties agree in writing on the amount due with respect to any disputed items in the proposed Final Settlement Statement, and any payment adjustment is required, the Party owing payment will pay the other Party the amount of such payment within 10 days after the Parties reach such agreement in writing. If the Parties are unable to agree in writing on the amount due with respect to any disputed items in the proposed Final Settlement Statement within 30 days after Sellers receive Buyer's written exceptions to the proposed Final Settlement Statement, then the disputed items in the proposed Final Settlement Statement shall be

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exclusively and finally resolved by arbitration to be conducted in Dallas, Texas, by an independent accounting firm (the "***Accounting Consultant***") selected by: (i) mutual written agreement of Buyer and Sellers; or (ii) absent such agreement, by the Dallas office of the American Arbitration Association (the "***AAA***"). The Accounting Consultant, if selected in accordance with clause (ii) of the preceding sentence, shall not have performed substantial work on behalf of any Party within the five year period preceding the arbitration. The Accounting Consultant, once appointed, shall have no *ex parte* communications with any of the Parties concerning the determination required under this Section 2.5(c). All communications between any Party or its Affiliates and the Accounting Consultant shall be conducted in writing, with copies sent simultaneously to the other Parties in the same manner, or at a meeting or conference call to which each of the Parties and their respective Representatives have been invited and of which such Parties have been provided at least five days' written notice. Within ten days of appointment of the Accounting Consultant, each of Sellers and Buyer shall present the Accounting Consultant with its position with respect to the disputed items, and all other supporting information that it desires, with a copy to the other Parties. The Accounting Consultant shall also be provided with a copy of this Agreement. In no event shall the Accounting Consultant select an amount (x) for any upward adjustment to the Purchase Price that is greater than Sellers' proposed amount or less than Buyer's proposed amount or (y) for any downward adjustment to the Purchase Price that is greater than Buyer's proposed amount or less than Sellers' proposed amount. Within 30 days after receipt of such materials from the Parties and after receipt of any additional information required by the Accounting Consultant, the Accounting Consultant shall make its determination, which shall be in accordance with the terms of this Agreement and shall be final and binding upon the Parties, without right of appeal, absent manifest error. The Accounting Consultant may not award damages, interest or penalties to either Buyer or Sellers with respect to any matter. Sellers and Buyer shall each bear their own respective legal fees and other costs of presenting its case. Sellers shall bear 50% and Buyer shall bear 50% of the costs and expenses of the Accounting Consultant.

(d) Further Revenues and Expenses. For a period of three years following the Closing Date, if a Party or Parties receive revenues that belong to another Party under this Agreement, the Party or Parties receiving the revenues agrees to hold such revenues in trust for the benefit of the other Party or Parties and remit those revenues to the applicable Party within five Business Days following such first Party's receipt thereof.

2.6 Payment Method. Unless the Parties otherwise agree in writing, all payments made or otherwise required under this Agreement (a) to Sellers, will be made in United States dollars by wire transfer in immediately available funds to such account(s) as are designated in writing by the Sellers to Buyer and (b) to Buyer, will be made in United States dollars by wire transfer in immediately available funds to such account(s) as are designated in writing by Buyer to Sellers.

2.7 Principles of Accounting. The Preliminary Settlement Statement and Final Settlement Statement will be prepared in accordance with accounting principles generally accepted in the petroleum industry, consistently applied, and applicable Laws.

ARTICLE 3
SCOPE OF DUE DILIGENCE AND TITLE DEFECTS

3.1 Scope of Due Diligence Review and Access.

(a) In order to allow Buyer to conduct due diligence with respect to the Assets, from and after the execution and delivery of this Agreement until 5:00 p.m. Central time on July 29, 2019 (the "***Title Claims Date***"), Sellers shall provide Buyer with electronic access to all of the Records in Sellers' possession; provided, however, that notwithstanding any other provision of this Agreement, in no event

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shall Sellers be required to provide Buyer with physical access to the Assets or access to the Excluded Records. Buyer shall keep confidential all information made available to Buyer by or on behalf of Sellers or their Representatives until the Closing in accordance with the Confidentiality Agreement.

(b) If Buyer exercises rights of access under this Article 3 or otherwise, or conducts examinations or inspections under this Article 3 or otherwise, then (a) such access, examination and inspection shall be at Buyer's sole risk, cost and expense and Buyer waives and releases all claims against the Seller Indemnitees arising in connection with the performance of Buyer's diligence of the Assets or arising in connection with the conduct of its directors, officers, employees, attorneys, contractors, agents and successors and assigns of such parties in connection with the performance of Buyer's diligence of the Assets, and (b) Buyer **SHALL RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS** the Seller Indemnitees from any and all Losses, arising out of or in any way connected with such matters, in each case except to the extent of any claims or Losses arising out of the mere discovery of existing conditions, or any diminution in value of the Assets resulting solely from any findings of Buyer. **AS TO ANY SELLER INDEMNITEE, THE FOREGOING RELEASE AND INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH CLAIMS, ACTIONS, CAUSES OF ACTION, LIABILITIES, DAMAGES, LOSSES, COSTS OR EXPENSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE OF ANY SELLER INDEMNITEE, OR ANY OTHER PERSON, BUT EXPRESSLY NOT INCLUDING ANY RELEASE OR INDEMNITY OF ANY SELLER INDEMNITEE AGAINST ITS OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), OR (ii) STRICT LIABILITY OF ANY SELLER INDEMNITEE, OR ANY OTHER PERSON.**

3.2 Title Defects and Purchase Price Adjustment.

(a) Title Defect Notice. Buyer shall give Sellers written notice of alleged Title Defects promptly upon Buyer's discovery thereof, and in any event, prior to the Title Claims Date. To be effective, such notice shall be in writing, delivered to Sellers before the Title Claims Date and shall include (i) a reasonably detailed description of the alleged Title Defect, including Buyer's detailed findings and reasons for concluding that such alleged Title Defect exists, (ii) the Allocated Value of the Tract that includes the Asset affected by the Title Defect, (iii) the amount by which Buyer reasonably believes that the Allocated Value of the affected Tract is reduced by the alleged Title Defect and the computations and information upon which Buyer's belief is based, and (iv) all supporting information and documents in Buyer's possession or reasonable control relating to such asserted Title Defect necessary for Sellers to verify such Title Defect and the value thereof. Except for any claim under the Special Warranty (but subject to any limitations on such claims in Article 10), Buyer shall be deemed for any and all purposes to have waived, and Sellers shall have no liability for, all Title Defects and other defects of title of which Sellers have not received a valid written notice from Buyer on or before the Title Claims Date meeting the requirements of this Section 3.2(a). Further, between the Execution Date and the Title Claims Date, on Friday of each calendar week, Buyer shall submit to Sellers a written notice (which may be preliminary in nature) describing any Title Defects discovered by Buyer during such calendar week and shall make Representatives of Buyer available to discuss such written notice with Representatives of Sellers by telephone at reasonable times during normal business hours. Notwithstanding the foregoing, Buyer shall be entitled to modify or amend any notice of Title Defect or other communication until the Title Claims Date, and Buyer shall not be deemed to have waived any Title Defects that are ultimately asserted in a valid written notice from Buyer on or before the Title Claims Date meeting the requirements of this Section 3.2(a). Prior to the Title Claims Date, Sellers shall notify Buyer if any written alleged Title Defects received from Buyer prior to the Title Claims Date do not comply with the provisions of the second sentence of this Section 3.2(a). Upon Sellers' receipt prior to the Title Claims Date of any written notice from Buyer alleging a Title Defect (a "***Defect Allegation***"), Sellers shall review such Defect Allegation in good faith and determine whether Sellers believe such Defect Allegation meets the requirements of this Section 3.2(a).

If Sellers determine that any Defect Allegation fails to meet the requirements of this Section 3.2(a), Sellers shall provide written notice to Buyer of such determination (and reasonable detail of the basis for such determination) (a "***Deficiency Notice***") as soon as reasonably practicable following Sellers' receipt of such Defect Allegation. Notwithstanding anything to the contrary, with respect to each Defect Allegation received by Sellers on or prior to July 24, 2019, Sellers may not dispute any alleged Title Defect set forth in any such Defect Allegation on the basis that it did not meet the requirements of this Section 3.2(a) unless they provide written notice to Buyer on or prior to July 25, 2019 of the basis upon which Sellers (acting in good faith) have determined that the Defect Allegation failed to meet the requirements of this Section 3.2(a).

(b) Title Credit Notice. Sellers may (but are not obligated to) give Buyer written notice of alleged Title Credits promptly upon Sellers' discovery thereof, and in any event, prior to the Title Claims Date. In the event that Buyer discovers a Title Credit, on or prior to the Title Claims Date it shall promptly notify Sellers upon such discovery (and in any event on or prior to the Title Claims Date). To be effective, such notice from Sellers shall be in writing, delivered to Buyer prior to the Title Claims Date, and shall include (i) a reasonably detailed description of the alleged Title Credit, including Sellers' detailed findings and reasons for concluding that such alleged Title Credit exists, (ii) the Allocated Value of the Tract that includes the Asset affected by the Title Credit, (iii) the amount by which Sellers reasonably believe that the Allocated Value of the affected Tract is increased by the alleged Title Credit and the computations and information upon which Sellers' belief is based, and (iv) all supporting information and documents in Sellers' possession or reasonable control relating to such asserted Title Credit necessary for Buyer to verify such Title Credit and the value thereof. Sellers shall be deemed for any and all purposes to have waived, and Buyer shall have no liability for, all Title Credits of which Buyer has not received a valid written notice from Sellers on or before the Title Claims Date meeting the requirements of this Section 3.2(b). Prior to the Title Claims Date, Buyer shall notify Sellers if any written alleged Title Credits received from Sellers prior to the Title Claims Date do not comply with the provisions of the third sentence of this Section 3.2(b). Upon Buyer's receipt prior to the Title Claims Date of any written notice from Buyer alleging a Title Credit (a "***Credit Notice***"), Buyer shall review such Credit Notice in good faith and determine whether Buyer believes such Credit Notice meets the requirements of this Section 3.2(b). If Buyer determines that any Credit Notice fails to meet the requirements of this Section 3.2(b), Buyer shall provide written notice to Sellers of such determination (and reasonable detail of the basis for such determination) (a "***Credit Deficiency Notice***") as soon as reasonably practicable following Buyer's receipt of such Credit Notice. Notwithstanding anything to the contrary, with respect to each Credit Notice received by Buyer on or prior to July 24, 2019, Buyer may not dispute any alleged Title Credit set forth in any such Credit Notice on the basis that it did not meet the requirements of this Section 3.2(b) unless it provides written notice to Sellers on or prior to July 25, 2019 of the basis upon which Buyer (acting in good faith) has determined that the Credit Notice failed to meet the requirements of this Section 3.2(b).

(c) Title Defect Amounts. The value of an uncured or unwaived Title Defect (a "***Title Defect Amount***"), and any adjustments to the Purchase Price for the same, shall be calculated as follows, without duplication:

(i) if Buyer and Sellers agree in writing on the Title Defect Amount, that amount shall be the Title Defect Amount;

(ii) if a Title Defect is an Encumbrance upon an Asset which is liquidated in amount, then the adjustment shall be the sum necessary to be paid to the obligee to remove the Title Defect from the affected Asset;

(iii) if a Title Defect is solely in respect of a discrepancy between (A) Sellers' Actual NRA for a Tract and (B) the aggregate Net Royalty Acres set forth on Exhibit A-Part 2 for such Tract (the "***Stated NRA***" for such Tract), then the Title Defect Amount shall

be the product of (1) the Allocated Value for such Tract, multiplied by (2) a fraction, (x) the numerator of which is the absolute value of difference between the Stated NRA and the Actual NRA, and (y) the denominator of which is the Stated NRA;

(iv) if the Title Defect represents an obligation or Encumbrance upon or other defect in title to the affected Tract of a type not described in Section 3.2(c)(i) through Section 3.2(c)(iii), above, then the Title Defect Amount shall be determined by taking into account the Allocated Value of the affected Tract, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the affected Tract, the values placed upon the Title Defect by Buyer and Sellers and such other reasonable factors as are necessary to make a proper evaluation; and

(v) in no case shall the value of all Title Defects asserted with regard to the Assets included in a Tract exceed the Allocated Value of the affected Tract. The Title Defect Amount with respect to a Title Defect shall be determined without any duplication of any costs or Losses included in any other Title Defect Amount hereunder, or for which Buyer otherwise receives credit in the calculation of the Purchase Price.

(d) Certain Limitations on Adjustments.

(i) Buyer shall have no remedy for any Title Defect, and Sellers shall have no remedy for any Title Credit, unless the Title Defect Amount for such Title Defect, or Title Credit Amount for such Title Credit, exceeds $25,000.00 (the "***Title Threshold***"), and no Title Defect or Title Credit shall be taken into consideration for the purpose of calculating any Purchase Price reduction or increase under this Section 3.2 unless the Title Defect Amount for such Title Defect, or Title Credit Amount for such Title Credit, exceeds the Title Threshold (which shall be treated as a threshold and not a deductible).

(ii) Buyer shall have no remedy for any Title Defect unless and until the sum of the aggregate Title Defect Amounts for Title Defects with Title Defect Amounts exceeding the Title Threshold exceeds $2,175,000.00 ("***Title Deductible***"). If, and only if, the Purchase Price reduction which would result from all Title Defect Amounts that exceed the Title Threshold exceeds the Title Deductible, then the Purchase Price shall be adjusted to the extent (and only to the extent) such Purchase Price reduction, in the aggregate, exceeds the Title Deductible.

(iii) The Title Threshold and Title Deductible shall not apply to (i) any reduction to the Purchase Price arising out of Sellers' exclusion of any Asset under Section 3.2(h) or (ii) Title Defects arising by, through or under any Seller or any of its Affiliates or any breach of the Special Warranty.

(e) Title Credit Amounts. The value of a Title Credit (a "***Title Credit Amount***") shall be calculated as follows:

(i) if Buyer and Sellers agree in writing on the Title Credit Amount, that amount shall be the Title Credit Amount;

(ii) if a Title Credit results from the Actual NRA for the Tract that contains the affected Asset exceeding the Stated NRA for such Tract, then the Title Credit Amount shall be the product of (1) the Allocated Value for such Tract, multiplied by (2) a fraction,

(x) the numerator of which is the absolute value of difference between the Stated NRA and the Actual NRA, and (y) the denominator of which is the Stated NRA; or

(iii) if the Title Credit is of a type not described in clauses (i) or (ii) above of this Section 3.2(e), then the Title Credit Amount will be determined by taking into account the Allocated Value of the affected Tract, the legal effect of the Title Credit, the potential economic effect of the Title Credit over the life of the affected Tract, the values placed upon the Title Credit by Buyer and Sellers and such other reasonable factors as are necessary to make a proper evaluation.

(iv) The Title Credit Amount with respect to a Title Credit shall be determined without any duplication of any credit included in any other Title Credit Amount hereunder, or for which any Seller otherwise receives credit in the calculation of the Purchase Price.

(f) Cure. Sellers may, but shall not be obligated to, cure Title Defects prior to the Closing or after the Closing subject to the provisions of this Section 3.2(f) and Section 3.2(g). In the event Sellers elect, in their sole discretion, to cure one or more Title Defects after Closing, Sellers shall deliver a written notice to Buyer prior to Closing identifying the Title Defects that Sellers have elected to cure (the "***Cure Notice***"). If Sellers timely deliver a Cure Notice, (i) the Assets included in Tracts affected by the Title Defects described in the Cure Notice shall be conveyed to Buyer at Closing, (ii) subject to Section 3.2(d), the Purchase Price shall be reduced by the Title Defect Amount for such Title Defect, as alleged by Buyer, and such amount shall be delivered by Buyer to the Escrow Agent at Closing in accordance with Section 3.2(g), (iii) Sellers shall be permitted, but shall not be obligated, to attempt to cure such Title Defects for a period of 90 days after Closing (such period, the "***Cure Period***"), (iv) Buyer shall cooperate with Sellers in connection with any such attempts by Sellers to so cure and (v) upon Sellers curing any such Title Defect during the Cure Period, subject to Section 3.2(g), Buyer and Sellers shall promptly provide the Escrow Agent with joint written instructions to release to Sellers the Title Defect Amount for such cured Title Defect; provided, however, if Sellers fail to cure any such Title Defect during the Cure Period, then subject to Section 3.2(g), Buyer and Sellers shall promptly provide the Escrow Agent with joint written instructions to release to Buyer the Title Defect Amount for such Title Defect. Notwithstanding anything to the contrary, (x) the Cure Notice shall not constitute an admission by Sellers of the validity of any Title Defect asserted by Buyer or waiver of Sellers' right to dispute any alleged Title Defect, and (y) in no event shall Sellers have any obligation to cure or attempt to cure any Title Defect identified in a Cure Notice.

(g) Title Adjustments; Dispute Resolution.

(i) Sellers and Buyer shall attempt to agree in writing on all alleged Title Defects and alleged Title Credits, the appropriate adjustment amounts for such alleged Title Defects and alleged Title Credits and the sufficiency of any cure of any such alleged Title Defects (any disagreement regarding the foregoing, a "***Title Dispute***") prior to Closing.

(ii) If Sellers and Buyer agree in writing prior to Closing on the existence of any Title Defect or Title Credit and the Title Defect Amount or Title Credit Amount in respect thereof, then subject to Section 3.2(d), the Purchase Price shall be reduced at Closing by the aggregate sum of all agreed Title Defect Amounts and the Purchase Price shall be increased at Closing by the aggregate sum of all agreed Title Credit Amounts.

(iii) If Sellers and Buyer are unable to agree in writing prior to Closing on any Title Dispute, and if Sellers do not elect to cure under Section 3.2(f), then (i) the Assets included in the Tracts affected by the unresolved Title Defect shall nevertheless be conveyed to Buyer at the Closing, (ii) subject to Section 3.2(d), the Purchase Price shall be

reduced by the Title Defect Amount for such Title Defect, as alleged by Buyer, and such amount shall be delivered by Buyer to the Escrow Agent at Closing and (iii) the Title Dispute shall be exclusively and finally resolved under Section 3.2(g)(iv). Promptly following the final determination of any disputed Title Defect or Title Defect Amount by the Parties or by the Title Consultant in accordance with the procedures set forth in Section 3.2(g)(iv), the Parties shall deliver documentation to the Escrow Agent required to release from the escrow account the amounts so determined to be owed to either Party with respect to such disputed matter.

(iv) If the Parties are unable to agree in writing as to any matters that constitute Title Disputes within 30 days following the expiration of the Cure Period, then the Title Disputes shall be exclusively and finally resolved by arbitration to be conducted in Dallas, Texas, by an independent title attorney (the "***Title Consultant***") selected by: (i) mutual written agreement of Buyer and Sellers; or (ii) absent such agreement, by the Dallas office of the AAA. The Title Consultant, if selected in accordance with clause (ii) of the preceding sentence, shall not have performed substantial work on behalf of any Party within the five year period preceding the arbitration. The Title Consultant, once appointed, shall have no *ex parte* communications with any of the Parties concerning the determination required under this Section 3.2(g). All communications between any Party or its Affiliates and the Title Consultant shall be conducted in writing, with copies sent simultaneously to the other Parties in the same manner, or at a meeting or conference call to which each of the Parties and their respective Representatives have been invited and of which such Parties have been provided at least five days' notice. Within 10 days of appointment of the Title Consultant, each of Sellers and Buyer shall present the Title Consultant with its position with respect to the disputed items, and all other supporting information that it desires, with a copy to the other Parties. The Title Consultant shall also be provided with a copy of this Agreement. In no event shall the Title Consultant select an amount (x) for any upward adjustment to the Purchase Price that is greater than Sellers' proposed amount or less than Buyer's proposed amount or (y) for any downward adjustment to the Purchase Price that is greater than Buyer's proposed amount or less than Sellers' proposed amount. Within 30 days after receipt of such materials and after receipt of any additional information required by the Title Consultant, the Title Consultant shall make its determination, which shall be in accordance with the terms of this Agreement and shall be final and binding upon the Parties, without right of appeal, absent manifest error. The Title Consultant may not award damages, interest or penalties to either Buyer or Sellers with respect to any matter. Sellers and Buyer shall each bear their own respective legal fees and other costs of presenting its case. Sellers shall bear 50% and Buyer shall bear 50% of the costs and expenses of the Title Consultant. If the Title Consultant determines that no Title Defect or Title Credit, as applicable, exists on an Asset, then after the Title Consultant delivers written notice to Sellers and Buyer of his or her award with respect to such Title Defect or Title Credit, as applicable, the matter shall be deemed resolved and no adjustment shall be made on account of such asserted Title Defect or Title Credit, as applicable. If the Title Consultant determines that a Title Defect or Title Credit, as applicable, exists on an Asset, then the Title Consultant will deliver written notice to Sellers and Buyer of his or her award with respect to such Title Defect or Title Credit, as applicable, and (x) if the Final Settlement Statement has not been finally resolved, such awards shall be reflected in the Final Settlement Statement, or (y) if the Final Settlement Statement has been finally resolved, Sellers shall deliver to Buyer, or Buyer shall deliver to Sellers, as applicable, within five Business Days after receipt of the Title Consultant's award, the amount owed to Buyer or Sellers, as applicable, after the determination of such award. Notwithstanding the foregoing, any such award by the Title Consultant that would

require a payment from Sellers to Buyer shall be subject to the limitations set forth in Section 3.2(d).

(h) Sellers' Right to Exclude. Notwithstanding anything in this Agreement to the contrary, if the Title Defect Amount asserted by Buyer with respect to the Assets included in any Tract exceeds 75% of the Allocated Value for such Tract, Sellers may elect prior to Closing to exclude all Assets included in such Tract from the transactions contemplated by this Agreement in which case the Purchase Price shall be reduced by the Allocated Value thereof and such Assets shall be considered Excluded Assets for all purposes; provided, however, the Allocated Value of any such Assets excluded under this Section 3.2(h) shall be included in the calculation of either Party's right to terminate this Agreement pursuant to Section 6.3.

ARTICLE 4
SELLERS' REPRESENTATIONS AND WARRANTIES

As of the Execution Date and the Closing Date, each Seller, severally as to itself and not jointly, represents and warrants to Buyer that, except as set forth on the Disclosure Schedules:

4.1 Organization. Such Seller is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation, with full limited liability company power and authority to enter into this Agreement and perform its obligations under this Agreement.

4.2 Qualification. Such Seller is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business as now conducted makes such qualification necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have a Material Adverse Effect.

4.3 Power; No Conflict. Such Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement, each Ancillary Agreement to which it is a party and to consummate the transactions contemplated by this Agreement and thereby and perform its obligations under this Agreement and thereunder. Assuming such Seller obtains all necessary third-party and governmental consents to transfer, and obtains all waivers of preferential purchase rights (or similar rights of third parties) affecting, the Assets, neither the execution and the delivery of this Agreement by Sellers, nor the consummation of the transactions contemplated by this Agreement by Sellers will (a) conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, (b) give rise to a right of termination, modification, revocation, cancellation or acceleration of any obligation or to the loss of a benefit under or (c) result in the creation of any claim upon any of the Assets or any Party under, in each case, any provision of (i) the organizational documents of such Seller, (ii) any applicable Law or (iii) any contract or instrument (including any judgment, decree or order) to which such Seller is directly a party or by which it is bound or that, to Sellers' Knowledge, otherwise relates to any of the Assets, except, with respect to the foregoing clauses (ii) and (iii) of this Section 4.3, where such event would not reasonably be expected to have a Material Adverse Effect.

4.4 Authorization and Enforceability. Each Seller's execution, delivery and performance of or under this Agreement and the Ancillary Agreements to which it is a party have been duly and validly authorized and approved by all necessary limited liability company actions. This Agreement constitutes, and each Ancillary Agreement to which such Seller is a party constitutes or will constitute at Closing, such Seller's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other applicable laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at Law.

4.5 Liability for Brokers' Fees. Neither such Seller nor its Affiliates (or other related Persons) have incurred and will not incur any liability, contingent or otherwise, for investment bankers', brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer or its Affiliates shall have any responsibility whatsoever.

4.6 Foreign Person. Such Seller is not a "foreign person" or a "disregarded entity" within the meaning of Section 1445 and Section 7701 of the Internal Revenue Code of 1986, as amended (the "***Code***") and the regulations promulgated thereunder.

4.7 No Bankruptcy. There are no bankruptcy Proceedings pending, being contemplated by or threatened in writing against such Seller.

4.8 Litigation. (a) As of the Execution Date, there are no Proceedings relating to the Assets or that challenge or impair such Seller's ability to enter into this Agreement or the Ancillary Agreements or to consummate the transactions contemplated hereby and thereby that are pending in which such Seller is a party, and to such Seller's Knowledge, no Proceeding relating to the Assets or that challenges or impairs such Seller's ability to enter into this Agreement or the Ancillary Agreements or to consummate the transactions contemplated hereby and thereby that is threatened against such Seller (or any of its affiliates or other related Persons) or any of the Assets in any court or by or before any Governmental Authority, and (b) as of the Closing, there are no material Proceedings relating to the Assets pending in which such Seller is a party. Such Seller is not in material default under any material order, writ, injunction or decree of any Governmental Authority applicable to them or any of the Assets, and there are no unsatisfied judgments or injunctions issued by a Governmental Authority outstanding against such Seller related to the Assets.

4.9 Taxes.

(a) All material Tax Returns required to be filed by such Seller with respect to Asset Taxes due and payable during such Seller's ownership of the Assets have been timely filed and all material Asset Taxes reported on such Tax Returns have been duly paid;

(b) there are no material audits, investigations, litigation or other proceedings with respect to Asset Taxes pending, or threatened in writing, against such Seller;

(c) there are no material Encumbrances on any of the Assets attributable to Taxes other than statutory liens for Taxes that are not yet due and payable or that are being contested in good faith by appropriate actions; and

(d) none of the Assets owned by such Seller is subject to any Tax partnership agreement or is otherwise treated, or required to be treated, as held in an arrangement requiring a partnership income Tax Return (other than partnership income Tax Returns required to be filed by such Seller) to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code.

Notwithstanding any other provisions of this Agreement, the representations and warranties contained in Section 4.6 and this Section 4.9 constitute Sellers' sole and exclusive representations and warranties relating to Taxes.

4.10 Consents and Preferential Rights. There are no material consents that are required to be obtained in connection with the transfer and conveyance of the Assets to Buyer which expressly provide that the failure to obtain such consent would render the assignment void, or would trigger an obligation of such Seller to pay liquidated damages or cause termination or loss of the affected Asset. There are no

[redacted]

material rights of first refusal, preferential purchase rights, options or other similar provisions to which the Assets are subject that are triggered in connection with the execution of this Agreement by such Seller.

4.11 Contracts and Leases. (a) All Material Contracts are listed in Section 4.11 of the Disclosure Schedules, (b) all Material Contracts and material Leases are in full force and effect, and each Material Contract and material Lease constitutes the legal, valid and binding obligation of the Seller or Sellers party thereto, on the one hand, and, to such Seller's Knowledge, the counterparties thereto, on the other hand, and is enforceable in accordance with its terms, (c) no Seller is in default or otherwise in breach with respect to any of such Seller's obligations under any of such Material Contracts or material Leases, (d) to such Seller's Knowledge, no other Person is in default or otherwise in breach with respect to such Person's obligations under such Material Contracts or material Leases, and (e) no event has occurred that with notice or lapse of time or both would constitute any default under any such Material Contract or material Lease by any Seller or, to such Seller's Knowledge, by any other Person who is a party to such Material Contract or material Lease, except, in each case of clauses (b) through (e), as would not reasonably be expected to have a Material Adverse Effect. No Seller has received or given any unresolved written notice of default or termination with respect to any Material Contract or material Lease.

4.12 Environmental Matters. To Sellers' Knowledge, as of the Execution Date, (a) none of the lessees or operators with respect to the Assets are subject to any material outstanding injunction, judgment, order, decree or ruling under any Environmental Laws, (b) there are no material unresolved violations of Environmental Law (or written notices thereof) with respect to the Assets which would reasonably be expected to result in any material Environmental Liabilities for which Buyer would be responsible under applicable Environmental Laws, and (c) there are no material pending or threatened claims, demands, written notices of violation or liability, actions, suits, proceedings, hearings or investigations before or by any Governmental Authority with respect to the Assets under any Environmental Laws.

4.13 No Cost-Bearing Interests. Except as set forth in Section 4.13 of the Disclosure Schedules, to the Knowledge of such Seller, the Assets located in the Midland Basin do not include any interests which obligate such Seller owning such Assets to bear a share of drilling, operating or any other costs of production or development, including costs associated with pipelines.

4.14 Liabilities. (a) All of the "current liabilities" (as such term is understood in accordance with GAAP) of Wing I and Wing II are either Taxes or Retained Obligations to the extent outstanding as of the Closing, (b) neither Wing I nor Wing II has any "long-term liabilities" (as such term is understood in accordance with GAAP) that would be required to be reflected on a balance sheet prepared in accordance with GAAP and (c) neither Wing I nor Wing II has (or would be required to have in accordance with FASB Standards) any amounts reserved for "commitments or contingencies" (as such term is understood in accordance with GAAP) that would be required to be reflected on a balance sheet prepared in accordance with GAAP.

ARTICLE 5
BUYER'S REPRESENTATIONS AND WARRANTIES

As of the Execution Date and the Closing Date, Buyer represents and warrants to Sellers that:

5.1 Organization. Buyer is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation, with full limited partnership power and authority to enter into this Agreement and perform its obligations under this Agreement.

5.2 Qualification. Buyer is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business as now conducted makes such qualification necessary, except

where the failure to be so qualified or in good standing would not materially hinder or impede the consummation by Buyer of the transactions contemplated by this Agreement.

5.3 Power. Buyer has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement, each Ancillary Agreement to which it is a party and to consummate the transactions contemplated by this Agreement and thereby and perform its obligations under this Agreement and thereunder. The execution and delivery of this Agreement does not, and the fulfillment of and compliance with the terms and conditions of this Agreement will not, as of Closing, violate, or be in conflict with, any provision of Buyer's governing documents, or, to Buyer's Knowledge, any judgment, decree, order, statute, rule or regulation applicable to Buyer. No material authorization, consent or approval by, or filing with, any Governmental Authority is required for, or in connection with, the authorization, execution, delivery and performance by the Buyer of this Agreement or the consummation of the transactions contemplated by this Agreement and by the Ancillary Agreements.

5.4 Authorization and Enforceability. Buyer's execution, delivery and performance of or under this Agreement and the Ancillary Agreements to which it is a party have been duly and validly authorized and approved by all necessary limited partnership actions. This Agreement constitutes, and each Ancillary Agreement to which Buyer is a party constitutes or will constitute at Closing, Buyer's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and other applicable Laws for the protection of creditors, as well as to general principles of equity, regardless whether such enforceability is considered in a proceeding in equity or at Law.

5.5 Liability for Brokers' Fees. Buyer has not incurred and will not incur any liability, contingent or otherwise, for investment bankers', brokers' or finders' fees relating to the transactions contemplated by this Agreement for which any Seller shall have any responsibility whatsoever.

5.6 Litigation. There are no Proceedings pending, or to Buyer's Knowledge, threatened against Buyer that would have a material adverse effect upon the ability of Buyer to consummate the transactions contemplated hereby.

5.7 Knowledgeable Investor. Buyer is an experienced and knowledgeable investor in the oil and gas business and is sophisticated in the evaluation, purchase, ownership, and operation of oil and gas properties and related facilities. Buyer is not acquiring the Assets in connection with a distribution or resale thereof in violation of federal or state securities Laws and the rules and regulations thereunder.

5.8 No Reliance. Prior to executing this Agreement, Buyer has been afforded an opportunity to (i) examine such documents, instruments, and other materials relating to the Assets as it has requested to be provided to it by each Seller, (ii) discuss with Representatives of each Seller such documents, instruments, and other materials and the nature, condition, and operation of the Assets, and (iii) investigate the condition, including the surface and subsurface condition, of the Assets (but solely in the case of clause (iii) through review of documents and other materials relating to the Assets). In entering into this Agreement, Buyer (x) has relied solely on the express representations and covenants of Sellers in this Agreement, its independent investigation of, and judgment with respect to, the Assets, and the advice of its own legal, tax, economic, environmental, engineering, geological, and geophysical advisors, and not on any comments or statements of any Seller or its Affiliates, or any Representatives or agents of, or consultants or advisors engaged by, any Seller or its Affiliates that are not contained in this Agreement and Buyer hereby disclaims any reliance on any statement (whether written or oral) of any Seller or its Affiliates, any of its Representatives, agents, consultants or advisors that are not contained in this Agreement or in the Ancillary Agreements, and (y) has satisfied itself, or shall satisfy itself through its own due diligence, of the environmental and physical condition and Contractual arrangements of the Assets.

5.9 No Bankruptcy. There are no bankruptcy Proceedings pending, being contemplated by or threatened against Buyer or any of its Affiliates or other related Persons.

5.10 Financial Resources. As of the Execution Date, Buyer has the cash on hand, available lines of credit or other sources of immediately available funds, necessary and sufficient to pay all amounts and liabilities contemplated under this Agreement and the Ancillary Documents to which it is a party, including, the Purchase Price. Buyer expressly agrees that the failure to have sufficient funds shall in no event be a condition to the performance of its obligations under this Agreement and under the Ancillary Agreements, and in no event shall the Buyer's failure to perform its obligations under this Agreement or thereunder be excused by failure to receive funds from any source.

ARTICLE 6
COVENANTS

6.1 Pre-Closing Covenants. From and after the Execution Date and until the earlier to occur of the Closing and the termination of this Agreement in accordance with its terms, and subject to the terms of the Contracts and the Leases, each Seller shall administer its Assets in a good and workmanlike manner consistent in all material respects with its past practices (including, for the avoidance of doubt, the granting of leases and lease renewals in the ordinary course of business) and applicable Law, and shall carry on its respective business with respect to its interest in the Assets in substantially the same manner as before the Execution Date. Notwithstanding the foregoing, from and after the Execution Date and until Closing, no Seller shall (a) transfer, sell, mortgage, pledge, abandon or dispose of any of the Assets other than the granting of leases and lease renewals in the ordinary course of business, (b) purchase or otherwise acquire any interests that are similar in type to any of the Interests without Buyer's written consent, (c) amend, modify or terminate any Material Contract or enter into any Contract that would have been a Material Contract if it had been in effect on the Execution Date; or (d) agree, whether in writing or otherwise, to do any of the foregoing.

6.2 Reasonable Efforts. Each Party agrees that it will not voluntarily undertake any course of action inconsistent with the provisions or intent of this Agreement and will use its Reasonable Efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper, or advisable under applicable Laws to consummate the transactions contemplated by this Agreement, including (a) cooperating in determining whether any consents, approvals, orders, authorizations, waivers, declarations, filings, or registrations of or with any Governmental Authority or third party are required in connection with the consummation of the transactions contemplated by this Agreement; (b) obtaining any consents, and registrations; (c) causing to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated by this Agreement; (d) defending, and cooperation in defending, all proceedings challenging this Agreement or the consummation of the transactions contemplated by this Agreement; and (e) executing any additional instruments necessary to consummate the transactions contemplated by this Agreement.

6.3 Termination Due to Impairments to the Property. If the sum of (a) all Title Defect Amounts for uncured and unwaived Title Defects asserted in good faith by Buyer (including 100% of the Allocated Value of any Asset excluded under Section 3.2(h)), minus (b) the sum of all Title Credit Amounts asserted in good faith by Sellers, exceeds $29,000,000.00 (a "***Title Termination Event***"), then subject to Section 8.4, either Sellers or Buyer may terminate this Agreement, and neither Sellers nor Buyer will have any further obligation to conclude the transfer of the Assets under this Agreement; provided, however, that Buyer's indemnity obligations under Section 3.1(b) and the obligations under Section 11.14 shall survive such termination. Any Party exercising a right of termination under this Section 6.3 must notify the other Parties in writing no later than one Business Day before the Closing Date of its election to terminate this Agreement in accordance with this Section 6.3.

6.4 Amendment of Disclosure Schedules. From time to time up to the earlier of the Closing Date or termination of this Agreement in accordance with the terms hereof, Sellers shall have the right, by written notice to Buyer, to supplement or amend the Disclosure Schedules with respect to any matter discovered or first existing or occurring following the date hereof which, if existing or known at the Execution Date or thereafter, would have been required to be set forth or described in such Disclosure Schedules. For all purposes of this Agreement, including for purposes of determining whether the conditions set forth in Section 8.2 have been fulfilled, the Disclosure Schedules attached to this Agreement shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any addition, supplement or amendment thereto. If the Closing shall occur, then all matters disclosed pursuant to any such addition, supplement or amendment in accordance with the first sentence of this Section 6.4 shall be disregarded for purposes of, and shall not affect, Buyer's remedies under Section 10.2(a); provided, however, that in the event that such addition, supplement or amendment would have, notwithstanding the first sentence of this Section 6.4, individually or in the aggregate, resulted in a failure to satisfy the condition set forth in Section 8.2(a) but Buyer waived the failure of such condition and consummated the Closing, Buyer shall be deemed to have waived such remedies under Section 10.2(a) with respect to such addition, supplement or amendment.

6.5 Limitations on Representations and Warranties.

(a) EXCEPT FOR THE EXPRESS AND SPECIFIC REPRESENTATIONS AND WARRANTIES OF EACH SELLER IN ARTICLE 4, THE SELLER OFFICER CERTIFICATES, THE ANCILLARY AGREEMENTS OF EACH SELLER DELIVERED AT THE CLOSING AND THE SPECIAL WARRANTY, AS APPLICABLE, BUYER ACKNOWLEDGES THAT SELLERS HAVE NOT MADE, AND SELLERS HEREBY EXPRESSLY DISCLAIM AND NEGATE ANY OTHER REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE), AND BUYER HEREBY ACKNOWLEDGES THAT IT HAS NOT RELIED UPON AND EXPRESSLY WAIVES, ANY SUCH OTHER REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE), OR ANY STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO BUYER OR ANY OF ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO BUYER BY ANY EMPLOYEE, AGENT, OFFICER, DIRECTOR, MEMBER, MANAGER, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLERS OR ANY OF THEIR AFFILIATES).

(b) FURTHER, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT FOR THE EXPRESS AND SPECIFIC REPRESENTATIONS AND WARRANTIES OF EACH SELLER IN ARTICLE 4, THE SELLER OFFICER CERTIFICATES, THE ANCILLARY AGREEMENTS OF EACH SELLER DELIVERED AT THE CLOSING AND THE SPECIAL WARRANTY, AS APPLICABLE, SELLERS EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE) AS TO (I) TITLE OF THE ASSETS, (II) PRODUCTION RATES, DECLINE RATES, THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF MINERALS, IF ANY, ATTRIBUTABLE TO SELLERS' INTEREST IN ANY ASSET, (III) THE CONTENTS, CHARACTER, NATURE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY RECORDS, INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLERS, INCLUDING (A) ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE UNDERLYING PROPERTIES RELATED TO THE ASSETS, (B) ANY DESCRIPTIVE

MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES, AND (C) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO BUYER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE PROCEEDS THEREFROM, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT BUYER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS AND CONDITION "AS IS" AND "WHERE IS" WITH ALL FAULTS AND DEFECTS, AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE.

(c) Buyer acknowledges that the Assets have been used for exploration, development, production, gathering, and transportation of oil and gas and there may be petroleum, produced water, wastes, scale, naturally occurring radioactive material or radon gas ("***NORM***"), hazardous substances, or other substances or materials located in, on, or under the Assets or associated with the Assets. Equipment and sites included in the Assets may contain asbestos, NORM, or other hazardous substances. NORM may affix or attach itself to the inside of wells, pipelines, materials, and equipment as scale, or in other forms. The wells, materials, and equipment located on the Assets or included in the Assets may contain NORM and other wastes or hazardous substances. NORM containing material or other wastes or hazardous substances may have come in contact with various environmental media, including water, soils, or sediment. Special procedures may be required for the assessment, remediation, removal, transportation, or disposal of environmental media, wastes, asbestos, NORM, and other hazardous substances from the Assets. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR ANY OTHER AGREEMENT OR INSTRUMENT DELIVERED UNDER THIS AGREEMENT, EXCEPT FOR THE SPECIFIC REPRESENTATIONS AND WARRANTIES OF EACH SELLER IN SECTION 4.12 OR IN THE SELLER OFFICER CERTIFICATES RELATING SPECIFICALLY THERETO, SELLERS DO NOT MAKE, SELLERS EXPRESSLY DISCLAIM, AND BUYER WAIVES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTERS WITH RESPECT TO THE EXISTENCE OF ANY ENVIRONMENTAL LIABILITIES, RELEASE OF HAZARDOUS SUBSTANCES, OR ANY OTHER ENVIRONMENTAL CONDITION WITH RESPECT TO THE OWNERSHIP OR OPERATION OF ASSETS OR THE PRESENCE OR ABSENCE OF ASBESTOS OR NORM IN OR ON THE ASSETS IN QUANTITIES TYPICAL FOR OILFIELD OPERATIONS IN THE AREAS WHERE THE ASSETS ARE LOCATED. BUYER SHALL HAVE INSPECTED, OR WAIVED ITS RIGHT TO INSPECT, THE ASSETS FOR ALL PURPOSES, AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING CONDITIONS SPECIFICALLY RELATING TO THE PRESENCE, RELEASE, OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES, ASBESTOS, OTHER MAN-MADE FIBERS, AND NORM. BUYER IS RELYING SOLELY UPON THE TERMS OF THIS AGREEMENT AND ITS OWN INSPECTION OF THE ASSETS. AS OF CLOSING, BUYER HAS MADE ALL SUCH REVIEWS AND INSPECTIONS OF THE ASSETS AND THE RECORDS AS BUYER HAS DEEMED NECESSARY OR APPROPRIATE TO CONSUMMATE THE TRANSACTION. EXCEPT AS SPECIFICALLY SET FORTH IN SECTION 4.12 AND IN ARTICLE 10, BUYER DOES HEREBY AGREE, WARRANT, AND COVENANT TO RELEASE, ACQUIT, AND FOREVER DISCHARGE SELLERS AND THEIR AFFILIATES, THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY AND ALL OBLIGATIONS RELATED TO ENVIRONMENTAL MATTERS, ENVIRONMENTAL LIABILITIES OR VIOLATIONS OF ENVIRONMENTAL LAWS ASSOCIATED WITH THE ASSETS, INCLUDING ALL CLAIMS, DEMANDS, AND CAUSES OF**

ACTION FOR CONTRIBUTION AND INDEMNITY UNDER FEDERAL AND STATE STATUTES, INCLUDING THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, 42 U.S.C. § 9601 *et seq.*, AS AMENDED, AND THE TEXAS SOLID WASTE DISPOSAL ACT, OR COMMON LAW WHICH COULD BE ASSERTED NOW OR IN THE FUTURE.

(d) SELLERS AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION 6.5 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY LAW, RULE OR ORDER.

6.6 Post-Closing Obligations. If Closing occurs, Sellers and Buyer have the following post-Closing obligations:

(a) Property Records. Within 30 days after Closing, Sellers shall deliver the Records to Buyer at the address of Buyer set forth in the introductory paragraph of this Agreement.

(b) Recording and Filing. Buyer, within 30 days after Closing, shall: (a) record the Conveyance and all other instruments that must be recorded to effectuate the transfer of the Assets; and (b) file for approval with the applicable federal, state or local agencies the Conveyance (to the extent required by applicable Law) and all other federal, state or local transfer documents required to effectuate transfer of the Assets. Buyer shall provide Sellers a recorded copy of the Conveyance and other recorded instruments, and approved copies of the Conveyance and other federal, state or local transfer documents, promptly after they are available.

(c) Special Warranty. Subject to Section 10.3, each Seller, severally as to itself (and not jointly), hereby warrants from and after Closing unto Buyer against every Person whomsoever lawfully claims the same or any part thereof that such Seller holds Defensible Title to the Assets solely to the extent a claim is brought by, through or under such Seller or any of its Affiliates (the "***Special Warranty***").

6.7 Exclusivity. From and after the Execution Date and until the earlier to occur of the Closing and the termination of this Agreement in accordance with its terms: (i) each Seller shall not, directly or indirectly through any of its Affiliates or any of its or their respective Representatives, (A) encourage, solicit, initiate, facilitate or continue inquiries regarding bids, offers, inquiries or proposals from any Person (other than Buyer and its designees, agents and all their respective Affiliates) with respect to the sale, transfer or disposition of all or any portion of the Assets ("***Acquisition Proposals***"), (B) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal or (C) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal; (ii) each Seller shall immediately cease and cause to be terminated, and shall cause its Affiliates and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons with respect to, or that could lead to, an Acquisition Proposal; and (iii) each Seller shall promptly provide Buyer with notice of any unsolicited Acquisition Proposals received by such Seller.

ARTICLE 7
TAX MATTERS

7.1 Transfer Taxes. All required documentary, filing and recording fees and expenses incurred in connection with the filing and recording of the assignments, conveyances or other instruments required to convey title to the Assets to Buyer shall be borne by Buyer. The Parties do not expect that the transactions contemplated by this Agreement will result in any Transfer Taxes. However, if any Transfer Taxes are imposed on the transfer of the Assets to Buyer, Buyer shall bear and pay any such Transfer Taxes. Sellers

and Buyer shall reasonably cooperate in good faith to minimize, to the extent permissible under applicable Law, the amount of any such Transfer Taxes.

7.2 Asset Taxes.

(a) The applicable Seller shall be allocated all Asset Taxes attributable to (i) any Tax period ending prior to the Effective Time and (ii) the portion of any Straddle Period ending immediately prior to the Effective Time. Buyer shall be allocated and bear all Asset Taxes attributable to (x) any Tax period beginning after the Effective Time and (y) the portion of any Straddle Period beginning at the Effective Time. Buyer shall be responsible for payment to the applicable governmental authorities of all Asset Taxes that become due and payable on or after the Closing Date, and Buyer shall indemnify Sellers for any liability resulting from Buyer's failure to timely make such payments.

(b) For purposes of determining the allocations described in Section 7.2(a), (i) Asset Taxes that are based upon income, sales, revenue or similar items (other than Asset Taxes described in clause (ii) or (iii)) shall be allocated to the period in which the transaction giving rise to such Asset Taxes occurred, (ii) Asset Taxes that are ad valorem, property or similar Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated between the portion of such Straddle Period ending immediately prior to the Effective Time and the portion of such Straddle Period beginning at the Effective Time based on the number of days in the applicable Straddle Period that occur before the date on which the Effective Time occurs, on the one hand, and the number of days in such Straddle Period that occur on or after the date on which the Effective Time occurs, on the other hand, and (iii) Asset Taxes that are attributable to the severance or production of Hydrocarbons shall be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred. For purposes of (A) the preceding sentence, any exemption, deduction, credit or other item that is calculated on an annual basis shall be allocated *pro rata* per day between the portion of the Straddle Period ending immediately prior to the Effective Time and the portion of the Straddle Period beginning at the Effective Time; and (B) clause (ii) of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

(c) As provided in Article 2, the Purchase Price shall be adjusted for Asset Taxes allocable to each Party under Section 7.2(a) and Section 7.2(b). To the extent the actual amount of an Asset Tax is not known at the Final Settlement Date, Buyer and Sellers shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of adjusting the Purchase Price under this Section 7.2(c). To the extent the actual amount of an Asset Tax (or the amount thereof paid or economically borne by a Party) is ultimately determined to be different than the amount (if any) that was taken into account for purposes of adjusting the Purchase Price under this Section 7.2(c), Sellers shall pay Buyer, or Buyer shall pay Sellers, as the case may be, within a commercially reasonable amount of time following written notice of such determination, any amount necessary to cause each of Sellers and Buyer to bear its appropriate share of such Asset Tax as determined under this Section 7.2.

7.3 Tax Allocation. The Parties agree that the Purchase Price and any other amounts treated as consideration for U.S. federal income Tax purposes shall be allocated among the Assets for U.S. federal and applicable state income Tax purposes in accordance with all applicable Treasury Regulations promulgated under Section 1060 of the Code, and to the extent allowed by applicable Law, in a manner consistent with the Allocated Values. The initial draft of such allocation shall be prepared by Sellers and shall be provided to Buyer no later than 60 days after the Final Settlement Date. The Parties shall then cooperate to prepare a final allocation, which also shall be materially consistent with the Allocated Values. The final allocation shall be updated to reflect any adjustments to the Purchase Price and any other amounts treated as consideration for U.S. federal income Tax purposes. The final allocation shall be used by Sellers

and Buyer as the basis for reporting asset values and other items, including preparing Internal Revenue Service Form 8594 (Asset Acquisition Statement under Section 1060), if required. Each Party agrees not to take any position inconsistent with such final allocation unless (a) required by Law or as required by final adjustment or settlement with any governmental authority or agency, in which case written notice of such change shall be provided to the other Party, or (b) with the consent of the other Party.

7.4 Tax Treatment of Indemnification; Tax Payments; Escrowed Amounts.

Except as required by applicable Law:

(a) the Parties shall treat any adjustment to the Purchase Price, any indemnification payment, or any payments made to any Party in accordance with this Article 7, as an adjustment to the Purchase Price for U.S. federal and applicable state and local income Tax purposes; and

(b) the Parties agree that, for federal and all applicable state and local Income Tax reporting purposes, (i) Buyer will be the owner of the Deposit and all income earned thereon shall, as of the end of each of Buyer's taxable years be reported as having been earned by Buyer, whether or not such income was disbursed during such calendar year and (ii) the right of Sellers to distributions of the Deposit shall be treated as deferred contingent purchase price eligible for installment sale treatment under Section 453 of the Code and any corresponding provision of state or local Law.

7.5 Refunds of Taxes. Sellers shall be entitled to any and all refunds of Taxes allocated to Sellers under Section 7.2, and Buyer shall be entitled to any and all refunds of Taxes allocated to Buyer under Section 7.2. If a Party receives a refund of Taxes to which the other Party is entitled under this Section 7.5, the first Party shall promptly pay such amount to the other Party, net of any reasonable costs or expenses incurred by the first Party in procuring such refund.

ARTICLE 8
CONDITIONS PRECEDENT AND TERMINATION

8.1 Conditions to Obligations of Sellers. The obligations of Sellers to consummate the transactions provided for in this Agreement are subject, at the option of Sellers, to the fulfillment on or prior to the Closing of each of the following conditions:

(a) Buyer's payment of the Purchase Price (*minus* the Deposit and any interest accrued thereon as contemplated in Section 2.2, *minus* the Indemnity Escrow Amount as contemplated in Section 10.2(d) and *minus* any amounts delivered by Buyer to the Escrow Agent at Closing in accordance with Section 3.2(f) and Section 3.2 (g)(iii)) (as adjusted in accordance with Section 2.4), paid by wire transfer of immediately available funds to the account(s) designated by Sellers in writing; provided that the Parties may agree in writing to net any amounts owed to or from the Parties to the Escrow Agent as of the Closing.

(b) Buyer's payment of the Indemnity Escrow Amount to the Escrow Agent at Closing in accordance with Section 10.2(d), paid by wire transfer of immediately available funds.

(c) Buyer's payment of any amounts to the Escrow Agent at Closing in accordance with Section 3.2(f) and Section 3.2(g)(iii) (as adjusted in accordance with Section 2.4), paid by wire transfer of immediately available funds.

(d) Payment by the Escrow Agent of the Deposit (plus any interest earned thereon) by wire transfer of immediately available funds to the account(s) designated by Sellers in accordance with the Escrow Agreement.

(e) Each of the representations and warranties of Buyer contained in this Agreement (without giving effect to any materiality, material adverse effect or similar qualification therein) shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (provided that to the extent such representation or warranty is made as of an earlier date, such representation and warranty shall be true and correct at and as of such date).

(f) Buyer shall have performed, in all material respects, all obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing.

(g) Buyer shall deliver to the Sellers a certificate signed by an officer of Buyer in his or her capacity as an officer of Buyer (and not individually), dated as of the Closing Date, certifying that the conditions specified in Section 8.1(e) and Section 8.1(f) have been fulfilled (the "***Buyer Officer Certificate***").

(h) No order, award or judgment shall have been entered by any Governmental Authority against any Seller, Buyer, or any of their respective Affiliates, and remain in force, that restrains, enjoins, or prohibits the transactions contemplated in this Agreement.

(i) There shall not have occurred a Title Termination Event.

(j) Buyer shall be ready, willing and able to deliver to Sellers, and shall have delivered to Sellers, the closing deliverables to be delivered by Buyer in accordance with Section 9.2

8.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions provided for in this Agreement are subject, at the option of Buyer, to the fulfillment on or prior to the Closing Date of each of the following conditions:

(a) Each of the representations and warranties of each Seller contained in this Agreement (without giving effect to any materiality, Material Adverse Effect or similar qualification therein) shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (provided that to the extent such representation or warranty is made as of an earlier date, such representation and warranty shall be true and correct at and as of such date).

(b) Sellers shall have performed, in all material respects, all obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing.

(c) Each Seller shall deliver to Buyer a certificate signed by an officer of such Seller in his or her capacity as an officer of such Seller (and not individually), dated as of the Closing Date, certifying that the conditions specified in Section 8.2(a) and Section 8.2(b) have been fulfilled (each a "***Seller Officer Certificate***" and, together with the Buyer Officer Certificate, the "***Officer Certificates***").

(d) No order, award or judgment shall have been entered by any Governmental Authority against any Seller, Buyer, or any of their respective Affiliates that restrains, enjoins, or prohibits the transactions contemplated in this Agreement.

(e) There shall not have occurred a Title Termination Event.

(f) Sellers shall be ready, willing and able to deliver to Buyer, and shall have delivered to Buyer, the closing deliverables to be delivered by Sellers in accordance with Section 9.2.

8.3 Frustration of Closing Conditions. Neither Buyer nor Sellers may rely, either as a basis for not consummating the transactions contemplated in this Agreement or terminating this Agreement in accordance with this Agreement and abandoning the transactions contemplated in this Agreement, on the failure of any condition set forth in Section 8.1(a) through Section 8.1(f) (inclusive), Section 8.2(a) or Section 8.2(b), as the case may be, to be satisfied if such failure was caused by such Party's breach of any provision of this Agreement or failure to act in good faith.

8.4 Termination. This Agreement may be terminated prior to Closing:

(a) by the mutual written consent of the Parties;

(b) by Sellers by delivery of written notice to Buyer if by August 28, 2019 (the "***Outside Date***") Sellers are not obligated to close because of the failure of any of the conditions set forth in Section 8.1 to be satisfied;

(c) by Buyer by delivery of written notice to Sellers if by the Outside Date Buyer is not obligated to close because of the failure of any of the conditions set forth in Section 8.2 to be satisfied;

(d) by Sellers or Buyer by delivery of written notice to the other if the Party or Parties delivering such notice desire to terminate this Agreement in accordance with Section 6.3; or

(e) by Sellers at any time following the execution and delivery of this Agreement if (i) all of the conditions set forth in Section 8.2 have been and continue to be satisfied (other than those conditions that are only capable of being satisfied at Closing, but subject to all such conditions being satisfied or waived at Closing) and the Closing has not occurred by the time required under Section 9.1, (ii) Sellers have confirmed by written notice delivered to the Buyer that (A) all of the conditions set forth in Section 8.2 have been and continue to be satisfied (other than those conditions that are only capable of being satisfied at Closing, but subject to all such conditions being satisfied or waived at Closing) or that Buyer has irrevocably waived any unsatisfied conditions and (B) Sellers stand ready, willing and able to consummate the Closing on the date of such notice and at all times during the three Business Day period immediately thereafter (such notice, a "***Closing Failure Notice***"), and (iii) Buyer fails to consummate the Closing within such three Business Day period after the date of the delivery of Closing Failure Notice;

provided, however, that no Party shall have the right to terminate this Agreement under clauses (b), (c) or (d) above if (x) such Party is, at such time, in material breach of any provision of this Agreement, or (y) the other Party has filed in good faith (and then solely for so long as such Party continues to diligently pursue) an action before a Governmental Authority seeking specific performance of such first Party's obligation under this Agreement to consummate the Closing as permitted by Section 11.17.

8.5 Effect of Termination and Remedies.

(a) Sellers' Remedies. Subject to Section 8.5(d), prior to Closing, Sellers' sole and exclusive remedy for any breach by Buyer of this Agreement is (i) to seek specific performance of Buyer's obligations under this Agreement in accordance with Section 11.17 or (ii) to terminate this Agreement in accordance with Section 8.4. If Sellers terminate this Agreement under Section 8.4(e), Sellers shall be entitled to the Deposit as agreed liquidated damages and not as a penalty (and the Parties shall promptly provide the Escrow Agent with joint written instructions to release the Deposit to Sellers). **THE PARTIES HEREBY ACKNOWLEDGE AND AGREE THAT THE EXTENT OF DAMAGES TO SELLERS OCCASIONED BY THE FAILURE OF THIS TRANSACTION TO BE CONSUMMATED DUE TO THE BREACH OF THIS AGREEMENT BY BUYER, WOULD BE IMPOSSIBLE OR EXTREMELY DIFFICULT TO ASCERTAIN AND THAT THE AMOUNT OF THE DEPOSIT,**

TO THE EXTENT OWED TO SELLERS UNDER THIS SECTION 8.5(a), IS A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES UNDER THE CIRCUMSTANCES AND DOES NOT CONSTITUTE A PENALTY. Subject to Section 8.5(d), prior to Closing, the remedies set forth in this Section 8.5(a) shall be Sellers' sole and exclusive remedies for Buyer's default or Sellers' termination of this Agreement, and Sellers hereby expressly waive and release all other remedies.

(b) Buyer's Remedies. Subject to Section 8.5(d), prior to Closing, Buyer's sole and exclusive remedy for any breach by Sellers of this Agreement is (i) to seek specific performance of Sellers' obligations under this Agreement in accordance with Section 11.17 or (ii) terminate this Agreement in accordance with Section 8.4, in which case Buyer shall receive a return of the Deposit (together with any interest earned thereon) in accordance with Section 8.5(c) and Buyer will be entitled to recover its actual damages against Sellers in an amount not to exceed the amount of the Deposit. Subject to Section 8.5(d), prior to Closing, the remedies set forth in this Section 8.5(b) shall be Buyer's sole and exclusive remedies for Sellers' default or Buyer's termination of this Agreement, and Buyer hereby expressly waives and releases all other remedies.

(c) Deposit. Except as provided in Section 8.5(a), if this Agreement is terminated prior to Closing for any reason whatsoever, Buyer shall receive the Deposit (together with any interest earned thereon) from the Escrow Agent (and the Parties shall promptly provide the Escrow Agent with joint written instructions to release the Deposit to Buyer).

(d) Exceptions. Notwithstanding anything in this Agreement to the contrary, termination of this Agreement shall not prejudice or impair Sellers' or Buyer's rights and obligations under the provisions of Section 3.1(b), the Confidentiality Agreement, this Section 8.5, and all of Article 11 (other than Section 11.4), which shall survive the termination of this Agreement.

(e) No Other Remedies. Subject to (and except as otherwise provided in) the foregoing provisions in this Section 8.5, following any termination of this Agreement prior to Closing no Party shall have any liability or obligation under this Agreement.

ARTICLE 9
CLOSING

9.1 Date and Place of Closing. Subject to the satisfaction or waiver of the applicable conditions to Closing, the consummation of the transactions contemplated by this Agreement (the "***Closing***") shall be held beginning at 10:00 a.m. Central time at the offices of Sellers, located at 2100 McKinney Ave, Suite 1540, Dallas, Texas 75201, on August 5, 2019 (such date, the "***Scheduled Closing Date***"); provided, that if all conditions to Closing in Article 8 (other than those conditions that are only capable of being satisfied at Closing, but subject to all such conditions being satisfied or waived at Closing) have not been yet waived in writing or satisfied on or before the Scheduled Closing Date, then the Closing shall occur within five Business Days following the date on which all such conditions have been waived in writing or satisfied (other than those conditions that are only capable of being satisfied at Closing, but subject to all such conditions being satisfied or waived at Closing), or on such earlier or later date or at such other place or in such other manner as the Parties agree in writing. The date on which the Closing actually occurs is hereinafter referred to as the "***Closing Date***." All events of Closing shall each be deemed to have occurred simultaneously with the other, regardless of when actually occurring and each will be a condition precedent to the other. If the Closing occurs, all conditions of Closing shall be deemed to have been satisfied or waived (but Sellers' and Buyer's warranties, representations, covenants and indemnities are not waived and will survive the Closing to the extent provided in Section 10.3).

9.2 Closing Obligations. At Closing:

(a) Sellers and Buyer shall deliver to one another the Officer Certificates, as applicable;

(b) Sellers and Buyer shall execute, acknowledge and deliver, with respect to all of the Assets, including the Mineral Interests, Royalty Interests, Overriding Royalty Interests, Mineral Classified Lands, a deed and assignment effective as of the Effective Time substantially in the form of Exhibit B (the "***Conveyance***");

(c) Sellers and Buyer shall execute and deliver an acknowledgement of the Preliminary Settlement Statement;

(d) Buyer shall cause the Purchase Price (*minus* the Deposit and any interest accrued thereon, *minus* the Indemnity Escrow Amount as contemplated in Section 10.2(d) and *minus* any amounts delivered by Buyer to the Escrow Agent at Closing in accordance with this Agreement, including in Section 3.2(f) and Section 3.2(g)(iii)), as adjusted in accordance with the Preliminary Settlement Statement, to be paid by wire transfer of immediately available funds to the account(s) designated by the Sellers in writing;

(e) each Seller shall deliver to Buyer an executed certificate of non-foreign status that meets the requirements set forth in Treasury Regulations § 1.1445-2(b)(2), substantially in the form attached hereto as Exhibit C (the "***FIRPTA Certificate***");

(f) The Parties shall jointly instruct the Escrow Agent to pay the Deposit (plus any interest earned thereon) by wire transfer of immediately available funds to the account(s) designated by Sellers in accordance with the terms of the Escrow Agreement;

(g) Wing II shall cause its respective Affiliate to, and Buyer shall, execute and deliver an Asset Management Agreement substantially in the form of Exhibit D (the "***Asset Management Agreement***"); and

(h) Sellers and Buyer shall execute and deliver any other agreements, instruments or documents which are expressly required by the other terms of this Agreement to be executed and delivered at the Closing.

ARTICLE 10
ASSUMPTION AND RETENTION OF OBLIGATIONS AND INDEMNIFICATION; DISCLAIMERS

10.1 Buyer's Assumption of Liabilities and Obligations. From and after Closing, subject to Sellers' obligations in Section 10.2(a), (a) Buyer shall assume and pay, perform, fulfill and discharge all claims, costs, expenses, liabilities and obligations (collectively, "***Obligations***") relating to the Assets, or to the ownership of the Assets whether arising prior to, on or after the Effective Time, in each case, other than the Retained Obligations (the "***Assumed Liabilities***"), and (b) Sellers shall retain all, and Buyer shall have no obligation with respect to any, Obligations arising from or related to the Retained Obligations. For the avoidance of doubt, any calculation or determination of any Obligations under this Agreement shall not include any measure of damages or theories of liability expressly waived by the Parties pursuant to Section 10.8.

10.2 Indemnification.

(a) Sellers' Indemnification of Buyer. From and after Closing, subject to the provisions of this Article 10 and Section 11.11 below, each Seller shall severally as to itself and not jointly, **DEFEND**, **INDEMNIFY AND SAVE AND HOLD HARMLESS** Buyer and its Affiliates, and its and

their respective officers, directors, employees and agents (collectively, the "***Buyer Indemnitees***"), from and against all Losses and Obligations, which arise directly or indirectly from or in connection with or that are otherwise attributable to (i) the Retained Obligations, and (ii) any breach by any Seller of any of such Seller's representations, warranties or covenants set forth in this Agreement or in any Seller Officer Certificate delivered by Sellers pursuant to this Agreement.

(b) Buyer's Indemnification of Sellers. From and after the Closing, subject to the provisions of this Article 10 and Section 11.11 below, Buyer assumes all risk and liability and all Obligations and Losses in connection with, and shall **DEFEND, INDEMNIFY AND SAVE AND HOLD HARMLESS** each Seller and its Affiliates, their respective officers, directors, employees and agents (collectively, the "***Seller Indemnitees***"), from and against all Losses and Obligations, which arise directly or indirectly from or in connection with or that are otherwise attributable to (i) the Assumed Liabilities and (ii) any breach by Buyer of any of Buyer's representations, warranties or covenants set forth in this Agreement or in the Buyer Officer Certificate delivered by Buyer pursuant to this Agreement.

(c) Limitations on Indemnity.

(i) Following the Closing, except with respect to Fraud, indemnification under this Section 10.2 shall be the sole and exclusive remedy available to each Party (and in lieu of all other remedies) against the other Party for any claims arising out of or based upon the matters set forth in this Agreement and the transactions contemplated hereby, and no Party shall seek relief against the other Party other than through the indemnification provided in this Section 10.2.

(ii) Sellers shall not have any liability under this Section 10.2 for:

(1) any individual Obligations or Losses arising from breaches of Non-Fundamental Reps of less than $50,000.00 (the "***Threshold***");

(2) any Obligations or Losses arising from breaches of Non-Fundamental Reps until the aggregate amount of all such Obligations and Losses in excess of the Threshold exceeds $2,175,000.00 (the "***Deductible***"), and then only to the extent the aggregate amount of such Obligations and Losses exceeds the Deductible; or

(3) aggregate Obligations and Losses arising from breaches of Non-Fundamental Reps in excess of Indemnity Escrow Amount.

(iii) No indemnification may be sought by any Party under this Agreement in respect of any Loss to the extent such Loss is reflected in the calculations of the Preliminary Settlement Statement or as finally determined in connection with the Final Settlement Statement. No indemnified Party shall be entitled to recover more than once for the same Loss.

(iv) Notwithstanding anything to the contrary contained elsewhere in this Agreement, in no event shall any Party have any obligation to indemnify any other Party against, or reimburse any such indemnified Party for, any Obligations or Losses in excess of an amount equal to the Purchase Price.

(d) Indemnity Escrow. At Closing, Buyer shall deliver the Indemnity Escrow Amount to the Escrow Agent by wire transfer in immediately available funds to be held in accordance with the

Escrow Agreement. Any payment a Seller is obligated to make to any Buyer Indemnitee pursuant to this Article 10 shall be paid first by Buyer offsetting the amount of such payment against the Indemnity Escrow Amount and, second, to the extent the Indemnity Escrow Amount is insufficient or otherwise not available to pay any sums remaining due, then Buyer shall be entitled to receive, and such Seller shall be required to pay, all of such additional sums due and owing to such Buyer Indemnitee pursuant to this Article 10. When any Seller is obligated to pay any amount to Buyer from the Indemnity Escrow Amount in accordance with this Article 10, the Parties shall promptly provide the Escrow Agent with joint written instructions to release such amount to the Buyer. On the Indemnity Release Date, the Parties shall jointly instruct the Escrow Agent to deliver in immediately available funds to the Sellers an amount equal to (i) the Indemnity Escrow Amount, *minus* (ii) the amount of any claims for indemnification under this Article 10 asserted prior to the Indemnity Release Date and paid to any Buyer Indemnitee from the Indemnity Escrow Amount and *minus* (iii) the amount of any claims for indemnification under this Article 10 asserted in writing against such Seller prior to the Indemnity Release Date but not yet resolved. In the event that the amounts included in clauses (ii) and (iii) of the foregoing sentence are equal to or greater than the amount in clause (i) of the foregoing sentence, then the Escrow Agent shall have no obligation to transfer any remaining funds of the Indemnity Escrow Amount to Sellers pursuant to this Section 10.2(d).

10.3 Survival of Warranties, Representations and Covenants. All representations, warranties, covenants, and performance obligations set forth in this Agreement shall survive the Closing until fully performed, subject to applicable statutes of limitations, except (a) for the representation and warranties of (i) Sellers set forth in Section 4.1 through Section 4.7 (inclusive) and Section 4.9 (such representations, the "***Fundamental Reps***"), which shall survive the Closing for a period of three years, except that the representations in Section 4.9 shall survive for the applicable statute of limitations period plus 30 days (ii) Buyer set forth in Article 5, which shall survive the Closing for a period of three years and (iii) Sellers set forth in Article 4 (other than the Fundamental Reps, collectively, the "***Non-Fundamental Reps***"), each of which shall survive Closing for a period of nine months, (b) the Special Warranty, which shall survive for a period of three years, and (c) any covenants of the Parties to be performed prior to or at Closing, which shall expire upon and as of Closing (each such period, as applicable, the "***Survival Period***"). If a claim notice with respect to any breach of the foregoing has been properly delivered before the expiration of the Survival Period applicable thereto alleging a right to indemnification or defense for Obligations or Losses arising out of, relating to, or otherwise attributable to the breach of such representation, warranty, covenant or performance Obligation, then, solely to the extent directly related to the matters expressly set forth in such claim notice, such representation, warranty, covenant or performance Obligation shall continue to survive until the claims asserted in such claim notice have been fully and finally resolved under the terms of this Agreement or by written agreement (including a settlement agreement) of the Parties.

10.4 Reservation as to Non-Parties. Nothing in this Agreement is intended to limit or otherwise waive any recourse Buyer or Sellers may have against any non-Party for any Obligations or Losses that may be incurred with respect to the Assets.

10.5 Express Negligence Rule. THE DEFENSE, INDEMNIFICATION, HOLD HARMLESS, RELEASE AND ASSUMED LIABILITIES PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE AND ENFORCEABLE WHETHER OR NOT THE LIABILITIES, LOSSES, COSTS, EXPENSES, OBLIGATIONS AND DAMAGES IN QUESTION AROSE OR RESULTED SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PARTY. BUYER AND SELLERS ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.

10.6 No Recourse. Notwithstanding anything to the contrary set forth in this Agreement, including, for the avoidance of doubt, this Article 10, no past, present or future director, officer, employee,

member, partner, investor, lender, controlling person, equity holder or other owner (whether direct or indirect), Affiliate, agent, attorney or other Representative of any Seller or Buyer shall be responsible for any Losses or Obligations of any Seller or Buyer, respectively, under this Agreement or any Ancillary Agreement or for any Losses or Obligations based on, in respect of, or by reason of this Agreement, any Ancillary Agreement or any of the transactions contemplated in this Agreement or thereby; provided, however, that, with respect to an Ancillary Agreement, this Section 10.6 shall not apply to a Person to the extent such Person is a party to such Ancillary Agreement.

10.7 Reserved.

10.8 Waiver of Certain Damages. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, NO PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUFFERED BY SUCH PARTY RESULTING FROM OR ARISING OUT OF THIS AGREEMENT OR THE BREACH THEREOF OR UNDER ANY OTHER THEORY OF LIABILITY, WHETHER TORT, NEGLIGENCE, STRICT LIABILITY, BREACH OF CONTRACT, WARRANTY, INDEMNITY OR OTHERWISE, INCLUDING LOSS OF USE, INCREASED COST OF OPERATIONS, LOSS OF PROFIT OR REVENUE, DIMINUTION IN VALUE, LOST BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTIONS. IN FURTHERANCE OF THE FOREGOING, EACH PARTY RELEASES THE OTHER PARTY AND WAIVES ANY RIGHT OF RECOVERY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES (INCLUDING ANY CALCULATIONS OF LOSSES USING ANY "MULTIPLES OF PROFITS", "MULTIPLES OF CASH-FLOW" OR OTHER SIMILAR METHODOLOGY) SUFFERED BY SUCH PARTY REGARDLESS OF WHETHER ANY SUCH DAMAGES ARE CAUSED BY THE OTHER PARTY'S NEGLIGENCE (AND REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE, JOINT, CONCURRENT, ACTIVE, PASSIVE OR GROSS NEGLIGENCE), FAULT, OR LIABILITY WITHOUT FAULT; PROVIDED, HOWEVER, THE FOREGOING SHALL NOT BE CONSTRUED AS LIMITING AN OBLIGATION OF A PARTY TO INDEMNIFY, RELEASE, DEFEND AND HOLD HARMLESS THE OTHER PARTY AGAINST CLAIMS ASSERTED BY THIRD PARTIES, INCLUDING, THIRD PARTY CLAIMS FOR SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES.

10.9 Determination of Breach and Losses. With respect to any Party's indemnification obligations under this Article 10, for purposes of determining whether there has been a breach or inaccuracy of a representation or warranty of the Sellers in Article 4 or of the Buyer in Article 5 (including any bringdown of any such representation or warranty in any certificate delivered pursuant to this Agreement), and for purposes of determining the amount of Losses resulting therefrom, such representations and warranties shall be read without giving effect to any materiality, material adverse effect or similar qualification therein.

10.10 Notice and Defense. Each Party shall promptly notify each other Party of any potential Obligations or Losses of which it becomes aware and for which it is entitled to indemnification from such other Party under this Agreement; provided that the failure to so notify such other Party shall not affect the other Party's indemnification obligations under this Agreement with respect to such claim except to the extent that such other Party is materially prejudiced by such failure. The indemnifying Party is obligated to defend at the indemnifying Party's sole expense any litigation or other administrative or adversarial proceeding against the indemnified Party relating to any claim for which the indemnifying Party has agreed to indemnify and hold the indemnified Party harmless under this Agreement. However, the indemnified Party shall have the right to participate with the indemnifying Party in the defense of any such claim at its own expense.

ARTICLE 11
MISCELLANEOUS

11.1 Expenses. Except as otherwise specifically provided in this Agreement, all fees, costs and expenses incurred by Buyer, on the one hand, or Sellers, on the other, in negotiating this Agreement and the Ancillary Agreements or in consummating the transactions contemplated by this Agreement shall be paid by the Party incurring the same.

11.2 Notices. All notices and communications required or permitted to be given under this Agreement, shall be sufficient in all respects if given in writing and delivered personally, sent by electronic mail (so long as such electronic mail is acknowledged by the recipient as having been received, whether affirmatively or automatically via electronic read receipt), sent by bonded overnight courier or mailed by U.S. Express Mail, Federal Express or United Parcel Service Express Delivery or by certified or registered United States Mail with all postage fully prepaid, addressed to the appropriate person at the address for such Person shown below:

If to Sellers:

c/o Wing Resources LLC
2100 McKinney Ave, Suite 1540
Dallas, Texas 75201
Attn: Nick Varel
Email: nick.varel@wingoilandgas.com
Telephone: (214) 389-1061

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

Kirkland & Ellis LLP
901 Main Street, Suite 5400
Dallas, Texas 75202
Attn: Thomas K. Laughlin, P.C.
Email: thomas.laughlin@kirkland.com
Telephone: (214) 972-1663

If to Buyer:

Alliance Resource Partners, L.P.
1717 S. Boulder Avenue, Suite 400
Tulsa, Oklahoma 74119
Attn: R. Eberley Davis
Email: Eb.Davis@arlp.com
Telephone: (918) 295-7604

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

GableGotwals
100 W. 5th Street, Suite 1000
Tulsa, Oklahoma 74103
Attn: Stephen W. Lake
Email: slake@gablelaw.com
Telephone: 918.595.4833

Any notice given in accordance with this Agreement shall be deemed to have been given when delivered to the addressee in person, by electronic mail (provided such electronic mail is acknowledged by

the recipient as described above) or by courier during normal business hours, or upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the United States Mail or with Federal Express or United Parcel Service, as the case may be. Any Party may change its contact information for notice by giving written notice to the other Party in the manner provided in this Section 11.2. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a business day.

11.3 Governing Law; Jurisdiction; Venue; Jury Waiver. This Agreement will be interpreted, construed and governed by the Laws of the State of TEXAS, without reference to choice of law principles thereof that might apply the Laws of another jurisdiction. Any suit relating in any way to this Agreement must be brought in the state or federal courts situated in DALLAS COUNTY, TEXAS, and the Parties irrevocably submit to the exclusive jurisdiction of such courts in any such action and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. FURTHER, THE PARTIES STIPULATE THAT THIS AGREEMENT IS DEEMED TO HAVE BEEN MADE AND ENTERED INTO BY THEM IN THE STATE OF TEXAS.

11.4 Further Assurances. From time to time after Closing, Sellers and Buyer shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order to accomplish more effectively the purposes of the transactions contemplated by this Agreement.

11.5 Amendments; Waivers. This Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the Party to be charged with such amendment or waiver and delivered by such Party to the Party claiming the benefit of such amendment or waiver. No waiver of any breach or violation or, default under or inaccuracy in any representation, warranty or covenant set forth in this Agreement will be deemed to extend to any prior or subsequent breach, violation, default, inaccuracy or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No delay or omission on the part of any Party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

11.6 Assignment. Except as otherwise provided in Section 11.10, no Party may assign this Agreement or any of its rights under this Agreement without the prior written consent of the other Parties (which consent may be granted or withheld in each such other Party's respective sole discretion); provided, however, that Buyer shall have the right, upon prior written notice to Sellers, to assign to one or more of its Affiliates Buyer's rights under this Agreement to acquire the Assets at Closing; provided further, that without the prior written consent of the other Parties, no assignment pursuant to this Section 11.6 shall relieve any Party from its obligations under this Agreement.

11.7 Counterparts/Fax Signatures. This Agreement may be executed and delivered in one or more counterparts, each of which when executed and delivered shall be an original, and all of which when executed shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or by electronic image scan transmission in .pdf format shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes.

11.8 Construction.

(a) Capitalized terms used but not otherwise defined in this Agreement have the meanings given to such terms in Annex I.

(b) The headings of the Articles and Sections of this Agreement are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Agreement. The Disclosure Schedules are hereby incorporated in this Agreement by reference and constitute a part of this Agreement. The words "this Agreement," "herein," "hereby," "hereunder" and "hereof," and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited. All references to "$" or "dollars" shall be deemed references to United States dollars. References made in this Agreement, including use of a pronoun, shall be deemed to include where applicable, masculine, feminine, singular or plural, individuals or entities. The word "or" when used in a list shall not indicate that the listed items are exclusive of each other. The words "include," "includes," and "including" are deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of similar import. References to any Law, Contract, agreement or other instrument shall mean such Law, Contract, agreement or other instrument as it may be amended from time to time.

11.9 Entire Agreement. This Agreement and the Ancillary Agreements constitute the entire understanding among the Parties, their respective partners, members, trustees, shareholders, officers, directors and employees with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter, including any letter of intent entered into between the Parties.

11.10 Successors and Permitted Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties, and their respective successors and permitted assigns.

11.11 Parties in Interest. Nothing in this Agreement shall entitle any Person, other than the Parties, or the Parties' respective related indemnified parties hereunder, to any claim, cause of action, remedy or right of any kind; provided, that only a Party will have the right to enforce the provisions of this Agreement on its own behalf or on behalf of its related indemnified parties (but shall not be obligated to do so).

11.12 Severability. In the event any term of this Agreement is found by any court to be void or otherwise unenforceable, the remainder of this Agreement shall remain valid and enforceable, and, to the fullest extent permitted by Law, such offending term or terms shall be replaced with an enforceable term or enforceable terms that as nearly as possible effect the Parties' intent.

11.13 Joint Preparation. The Parties acknowledge and agree that this Agreement was jointly prepared by the Parties, and that each Party was afforded the opportunity to consult with counsel in the preparation and negotiation of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of this Agreement.

11.14 Press Releases. This Agreement and the terms and provisions of this Agreement, including the Purchase Price, shall be maintained confidential by Buyer and Sellers; provided, however, that this Agreement and the terms and provisions hereof may be disclosed (a) to any actual purchaser or acquirer from Buyer of all or a portion of the Assets, who shall agree to keep such information confidential (and for whom Buyer shall be responsible) and (b) as required by applicable Law or permitted under the

Confidentiality Agreement. If this Agreement is terminated prior to Closing, following such termination, the Parties agree to keep all terms of this Agreement and the terms and provisions of this Agreement confidential unless otherwise required by applicable Law for a period of two years following the date of such termination. Neither Sellers nor Buyer may make press releases or other public announcements concerning this transaction without the other's prior written approval and agreement to the form of the announcement (such approval not to be unreasonably withheld, conditioned or delayed), except as may be required by applicable Law. Notwithstanding anything to the contrary in this Section 11.14 or elsewhere in this Agreement, the Parties may disclose the terms of this Agreement, including the Purchase Price and status of Closing, to their respective Affiliates and their respective Representatives and limited partners or other owners who shall be required to keep such information confidential except as otherwise required by applicable Law.

11.15 Disclosure Schedules. The matters set forth on the disclosure schedules hereto (collectively, the "***Disclosure Schedules***") are not necessarily matters that Sellers are required to disclose or matters that would constitute a breach of any representation or warranty had such matters not been disclosed. Any disclosure made on the Disclosure Schedules shall be deemed to be a disclosure for the purposes of all Disclosure Schedules, to the extent such disclosures are reasonably apparent. No disclosure by any Seller in the Exhibits or the Disclosure Schedules relating to any possible breach or violation of any contract or applicable Law shall be construed as an admission or indication that such breach or violation exists or has actually occurred.

11.16 Non-Party Affiliates. Notwithstanding anything to the contrary set forth in this Agreement, no past, present or future director, officer, employee, incorporator, member, partner, investor, lender, shareholder or other owner (whether direct or indirect), Affiliate, agent, attorney or other Representative of Sellers or Buyer (collectively, "***Non-Party Affiliates***") shall have any liability (whether in contract or in tort, in law or in equity, or based upon any theory that seeks to impose liability of any entity Party against its owners or Affiliates) for Obligations or Losses arising under, in connection with or related to this Agreement or for any Obligations or Losses based on, in respect of, or by reason of this Agreement, its negotiation or execution, or any of the transactions contemplated by this Agreement; and each Party waives and releases all such Obligations and Losses against any such Non-Party Affiliates.

11.17 Specific Performance. If either Sellers or Buyer violates or fails or refuses to perform any covenant or agreement made by Sellers or Buyer (as applicable) in this Agreement, the non-breaching Party (in the case of Buyer) or Parties (in the case of Sellers), subject to the terms of this Agreement and in addition to any remedy at Law for damages or other relief permitted under this Agreement, may institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief, without the necessity of proving actual damages or posting of a bond. Each of Sellers and Buyer hereby acknowledges and agrees that the rights of the other to consummate the transactions contemplated by this Agreement are special, unique and of extraordinary character and that, if any Seller or Buyer violates or fails or refuses to perform any covenant or agreement made by it in this Agreement, the non-breaching Party (in the case of Buyer) or Parties (in the case of Sellers) may be without an adequate remedy at Law.

11.18 Confidentiality. Subject to Section 11.14, for a period of one year after the Closing Date, each Seller shall, and shall cause its Affiliates to, not use or make disclosures to third parties of any confidential or proprietary information relating to Assets except with the prior written consent of Buyer or as required by applicable Law, except to the extent that such information (i) is generally available to the public through no breach by such Seller or its Affiliates of this Section 11.18, (ii) is lawfully acquired by such Seller or its Affiliates after the Closing from sources which are not actually known to such Seller to be prohibited from disclosing such information due to confidentiality obligations owed to Buyer, (iii) is required for purposes of compliance by such Seller or its Affiliates with Tax or regulatory reporting

requirements or (iv) is needed in connection with the exercise, enforcement or performance of Sellers' rights and obligations hereunder, the Ancillary Agreements or the enforcement, performance or defense of the same; provided, however, that (x) nothing shall prohibit such Seller or its Affiliates from using such information in the conduct of their respective businesses following the Closing so long as such use is consistent in all material respects with the manner in which such Seller or its Affiliates used such information prior to the Closing and (y) such Seller and its Affiliates may discuss the underlying investment with respect to the Assets and the acquisition or disposition of the Assets with its current and potential partners or investors or in connection with legitimate fundraising activities or fund performance reporting with current or prospective investors, lenders or partners.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Execution Date.

SELLERS:

Wing Resources LLC

By: /s/ Nick Varel
Name: Nick Varel
Title: Chief Executive Officer

Wing Resources II LLC

By: /s/ Nick Varel
Name: Nick Varel
Title: Chief Executive Officer

[Signature Page to Purchase and Sale Agreement]

BUYER:

Alliance Resource Partners, L.P.

By: Alliance Resource Management GP, LLC, its General Partner

By: /s/ R. Eberley Davis
Name: R. Eberley Davis
Title: Senior Vice President, General Counsel and Secretary

[Signature Page to Purchase and Sale Agreement]

ANNEX I

DEFINED TERMS

"***AAA***" has the meaning set forth in Section 2.5(c).

"***Accounting Consultant***" has the meaning set forth in Section 2.5(c).

"***Acquisition Proposals***" has the meaning set forth in Section 6.7.

"***Actual NRA***" means, for each Tract, the weighted average of Net Royalty Acres actually owned by Sellers in each Target Formation applicable for such Tract, which weighted average (a) shall be calculated in a manner consistent with the sample calculation set forth on Exhibit F and (b) shall be determined by first (i) for each applicable Midland Basin Formation, multiplying (x) the amount of Net Royalty Acres owned by Sellers in such Midland Basin Formation, by (y) a fraction, the numerator of which is the Target Formation Footage for such Midland Basin Formation, and the denominator of which is the Tract Footage and then (ii) taking the aggregate sum of the amounts calculated under the preceding clause (i) for each Midland Basin Formation.

"***Affiliate***" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with, such first Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise; provided, however, that for all purposes under this Agreement, the term "Affiliate" expressly excludes (a) each of NGP Energy Capital Management, L.L.C., NGP Natural Resources XI, L.P., and each of their respective Affiliates (including their various portfolio companies), other than each Seller, itself, or any of a Seller's direct or indirect subsidiaries and (b) each of the officers, directors, managers and direct and indirect equity holders in each of the entities identified in the immediately preceding clause (a).

"***Agreement***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Allocated Value***" has the meaning set forth in Section 2.3.

"***Ancillary Agreements***" means the Escrow Agreement, the Conveyance, the FIRPTA Certificate, the Confidentiality Agreement and the Asset Management Agreement.

"***Asset Management Agreement***" has the meaning set forth in Section 9.2(g).

"***Asset Taxes***" means ad valorem, property, excise, severance, production and similar Taxes based upon the operation or ownership of the Assets or the production of hydrocarbons or the receipt of proceeds therefrom, but excluding, for the avoidance of doubt, Income Taxes and Transfer Taxes.

"***Assets***" means, save, except for and excluding the Excluded Assets, all of Sellers' collective right, title and interest in and to the following assets and properties from and after the Effective Time:

(a) (the oil, gas and other fee mineral interests in and to the lands, tracts and properties described in Exhibit A-Part 1 attached hereto (such lands, tracts, and properties described in Exhibit A-Part

[redacted]

1, the "***Lands***"), together with any royalty interests attributable thereto and any units, lands, tracts or other properties pooled with any of the Lands (collectively, the "***Mineral Interests***");

(b) The fee surface interests, including the fee surface interests in mineral classified lands subject to §52.171-52.190 Tex. Nat. Res. Code, described in Exhibit A-Part 1 attached hereto, together with any royalty interests and any other payments due under any existing lease of mineral classified lands attributable thereto and any units, lands, tracts or other properties pooled with any of the mineral classified lands ("***Mineral Classified Lands***").

(c) any overriding royalty interests burdening oil, gas or other minerals produced, saved or sold from the Lands or the Mineral Classified Lands, including those described in Exhibit A-Part 1 attached hereto (collectively, the "***Overriding Royalty Interests***");

(d) the non-participating royalty interests burdening the Lands or the Mineral Classified Lands, including those described in Exhibit A-Part 1 attached hereto (collectively, the "***Royalty Interests***", and, together with the Mineral Interests, the Mineral Classified Lands and Overriding Royalty Interests, the "***Interests***");

(e) any oil, gas and mineral leases that relate to the Interests, including all reversionary rights thereunder, including those described in Exhibit A-Part 1 attached hereto (collectively, the "***Leases***");

(f) all division and transfer orders, and, except for the Leases, all written contracts, contractual rights, interests and other written agreements to which any Seller is a party (including as assignee) and under which any of the Interests are bound (collectively, the "***Contracts***");

(g) except for the Excluded Records, copies of all files, records, and data in any Seller's possession to the extent solely relating to any of the Assets, including deed and Lease records, assignments, division order records, title records (including abstracts of title, title opinions and memoranda and title curative documents), Contracts, electronic data files (if any), maps, production records, decline curves and graphical production curves and financial, accounting and Asset Tax records (collectively, the "***Records***");

(h) all proceeds attributable to any of the Interests or the Leases and attributable to the time period after the Effective Time;

(i) copies of all geologic, geophysical and seismic data that relate to the Interests or the Leases;

(j) all Permits to the extent primarily relating to or applicable to any of the Interests or Leases and (i) required for the ownership of the Interests or Leases and (ii) transferable pursuant to applicable Law;

(k) to the extent relating to the Assets and to the extent assignable, all rights and interests of either Seller (i) under any agreement or policy of indemnity or insurance (including any rights, claims or causes of action of either Seller against third parties under any indemnity or hold harmless agreements) and any indemnities received in connection with Sellers' prior acquisition of any of the Assets, but in each case only to the extent that such rights or interests arise from obligations or liabilities for which Buyer is responsible under this Agreement, or (ii) relating to claims and causes of action that may be asserted against a third party to the extent such rights and claims arise from obligations or liabilities assumed by Buyer hereunder; and

[redacted]

(l) to the extent assignable, all rights, claims and causes of action to the extent, and only to the extent, that such rights, claims or causes of action are associated with any of the other Assets and relate to the period from and after the Effective Time.

"***Assumed Liabilities***" has the meaning set forth in Section 10.1.

"***Business Day***" means any weekday other than a weekday on which commercial banks in the city of Dallas, Texas are authorized or required by applicable Law to be closed.

"***Buyer***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Buyer Indemnitees***" has the meaning set forth in Section 10.2(a).

"***Buyer Officer Certificate***" has the meaning set forth in Section 8.1(g).

"***Closing***" has the meaning set forth in Section 9.1.

"***Closing Date***" has the meaning set forth in Section 9.1.

"***Closing Failure Notice***" has the meaning set forth in Section 8.4(e).

"***Code***" has the meaning set forth in Section 4.6.

"***Confidentiality Agreement***" means that certain letter agreement, dated March 25, 2019, by and between Alliance Royalty, LLC and Wing I.

"***Contracts***" has the meaning set forth in the definition of "Assets".

"***Conveyance***" has the meaning set forth in Section 9.2(b).

"***Credit Deficiency Notice***" has the meaning set forth in Section 3.2(b).

"***Credit Notice***" has the meaning set forth in Section 3.2(b).

"***Cure Notice***" has the meaning set forth in Section 3.2(f).

"***Cure Period***" has the meaning set forth in Section 3.2(f).

"***Deductible***" has the meaning set forth in Section 10.2(c)(ii)(2).

"***Defect Allegation***" has the meaning set forth in Section 3.2(a).

"***Defensible Title***" means such title of Sellers to the Assets that, as of the Effective Time and as of the Closing Date, is deducible of record or provable by documentation that would be successfully defended if challenged and that, subject to the Permitted Encumbrances, (a) as to each Tract, results in the Actual NRA for such Tract being not less than the Stated NRA for such Tract; and (b) is free and clear of all Encumbrances.

"***Deficiency Notice***" has the meaning set forth in Section 3.2(a).

"***Deposit***" has the meaning set forth in Section 2.2.

"***Disclosure Schedules***" has the meaning set forth in Section 11.15.

"***Effective Time***" has the meaning set forth in Section 1.2.

"***Encumbrance***" means any lien, judgment, mortgage, deed of trust, security instrument, pledge or option that is binding upon the Assets, or other preferential arrangement or other similar encumbrance.

"***Environmental Laws***" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 7401 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 *et seq.*; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 *et seq.*; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j, and all other applicable Laws of any Governmental Authority having jurisdiction over the property in question addressing (i) pollution or pollution control; (ii) protection of natural resources, the environment or biological resources; or (iii) the disposal or release or threat of release of hazardous substances, in each case as enacted and in effect on or prior to the Closing Date.

"***Environmental Liabilities***" means any remediation obligations, environmental response costs, costs to cure, cost to investigate or monitor, restoration costs, costs of remediation or removal, settlements, penalties, fines, and attorneys' and consultants fees and expenses and other Obligations and Losses arising out of or related to any violations or non-compliance with any Environmental Laws, including any contribution obligation under CERCLA or any other Environmental Law or Obligations imposed pursuant to any claim or cause of action by a Governmental Authority or other Person, attributable to any violation or any failure to comply with Environmental Laws, any release of hazardous substances or any other condition of environmental contamination with respect to the ownership or operation of Assets or the Leases.

"***Escrow Agent***" has the meaning set forth in Section 2.2.

"***Escrow Agreement***" has the meaning set forth in Section 2.2.

"***Excluded Assets***" means the following assets and properties:

(a) all proceeds attributable to any of the Interests or Leases to the extent attributable to the time period before the Effective Time, including any lease bonuses, royalties and other proceeds and benefits to the extent (i) attributable to the time period before the Effective Time and (ii) received no later than three years following the Closing Date;

(b) any refunds of costs, Taxes or other expenses borne by any Seller or its predecessors in title, insofar as such refunds relate to time periods prior to the Effective Time;

(c) (i) any files, records, or data (other than title opinions or memoranda relating to the Assets), which Sellers believe in good faith are protected by attorney-client privilege or confidentiality agreements, provided that Sellers have used commercially reasonable efforts to obtain waivers of such confidentiality agreements, (ii) all of Sellers' corporate minute books and corporate financial records that relate to Sellers' business generally, (iii) all files, records or data relating to the marketing process for the Assets including any and all bids received in connection therewith (collectively, the "***Excluded Records***"), and (iv) copies of all of the Records;

[redacted]

(d) all claims and causes of action of Sellers relating to production that occurred prior to the Effective Time, and all audit rights arising under any Contracts with respect to the time periods prior to the Effective Time; provided, however, if any third party makes a claim regarding time periods prior to the Effective Time that is or would be an Assumed Liability, then the claims and causes of action against such third party, to the extent relating to such claim, that would otherwise be Excluded Assets pursuant to this clause (d), shall become Assets;

(e) all computer or communications software or intellectual property (including any proprietary Geographic Information System tools or software that any Seller has developed, any tapes, data and program documentation, and all tangible manifestations and technical information relating thereto) owned, licensed or used by Seller, other than the Records;

(f) any logo, service mark, copyright, trade name or trademark of or associated with Sellers or any Affiliate of Sellers or any business of Sellers or of any Affiliate of Sellers;

(g) motor vehicles and other rolling stock owned by Sellers;

(h) subject to clause (i) of the defined term "Assets", all geologic, geophysical and seismic data; and

(i) all oil, gas and hydrocarbons produced, saved or sold from the Assets with respect to all periods prior to the Effective Time.

"***Excluded Records***" has the meaning set forth in the definition of "Excluded Assets".

"***Execution Date***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Final Settlement Date***" has the meaning set forth in Section 2.5(a).

"***Final Settlement Statement***" has the meaning set forth in Section 2.5(a).

"***FIRPTA Certificate***" has the meaning set forth in Section 9.2(e).

"***Fraud***" means an intentional and willful misrepresentation by a Party with respect to the making of any representation or warranty expressly contained herein; provided, the Party making such representation or warranty had actual knowledge that the applicable representation or warranty (as qualified by the Disclosure Schedules, if applicable) was false at the time it was made, it was made with the intention that the other Party rely thereon to its detriment and the other Party did so rely thereon to its detriment.

"***Fundamental Reps***" has the meaning set forth in Section 10.3.

"***Governmental Authority***" means any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power, and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

"***Hydrocarbons***" means any oil, gas, casinghead gas, condensate, distillate or other liquid or gaseous hydrocarbon of every kind or description.

"***Income Taxes***" means any U.S. federal, state or local or foreign income Tax or Tax based on profits (including franchise Taxes and any capital gains and net worth taxes), net profits, margin revenues or similar Taxes.

"***Indemnity Escrow Amount***" means $4,350,000.00.

"***Indemnity Release Date***" means the date that is nine months after the Closing Date.

"***Interests***" has the meaning set forth in the definition of "Assets".

"***Knowledge***" means the actual knowledge (without any duty of inquiry) (x) in the case of Sellers, of Nick Varel, Adam Barrer and Joshua Strange or (y) in the case of Buyer, of Eb Davis, Robert Sachse and Joey Ross.

"***Lands***" has the meaning set forth in the definition of "Assets".

"***Law***" means any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority, or rules or regulation of any national stock exchange on which a Party's securities are listed.

"***Leases***" has the meaning set forth in the definition of "Assets".

"***Losses***" means any and all losses, costs, expenses (including court costs, reasonable fees and expenses of attorneys, technical experts and expert witnesses and the cost of investigation), liabilities, damages, diminution of value of any Asset, demands, suits, claims, causes of action and sanctions of every kind and character (including civil fines); provided, however, for the avoidance of doubt, any calculation or determination of Losses shall not include any measure of damages or theories of liability expressly waived by the Parties pursuant to Section 10.8.

"***Material Adverse Effect***" means an event, change, occurrence or circumstance that, individually or in the aggregate, results in a material adverse effect on the ownership, operation or value of the Assets taken as a whole and as currently operated as of the Effective Time or a material adverse effect on the ability of any Seller to consummate the transactions contemplated by this Agreement and perform its obligations under this Agreement; provided, however, that a Material Adverse Effect shall not include any material adverse effects resulting from: (a) entering into this Agreement or the announcement of the transactions contemplated by this Agreement; (b) any action or omission of any Seller taken in accordance with the terms of this Agreement without the violation thereof or with the prior written consent of Buyer; (c) changes in general market, economic, financial or political conditions (including changes in commodity prices, fuel supply or transportation markets, interest or rates) in the area in which the Assets are located, the United States or worldwide; (d) changes in conditions or developments generally applicable to the oil and gas industry in the area where the Assets are located; (e) acts of God, including hurricanes, storms or other naturally occurring events; (f) acts or failures to act of Governmental Authorities; (g) civil unrest, any outbreak of disease or hostilities, terrorist activities or war or any similar disorder; (h) matters that are cured or no longer exist by the earlier of Closing and the termination of this Agreement in accordance with its terms; (i) a change in Laws and any interpretations thereof from and after the Execution Date; (j) any reclassification or recalculation of reserves in the ordinary course of business; (k) changes in the prices of Hydrocarbons; or (l) natural declines in well performance; provided further, however, that the foregoing clauses (c), (d), (e), (f), (g), (i) and (k) shall not apply if any such events, changes, occurrences or circumstances (individually or taken together) has had or would reasonably be expected to have, a materially disproportionate effect on the Assets or the ownership, operation, use or value thereof, considered as a whole, compared to other Persons which operate in the same industry in which the Sellers

operate (in which event any material adverse effects resulting from any of such clauses will constitute a Material Adverse Effect).

"***Material Contracts***" means any of the following Contracts:

(a) Contracts restricting in any material respect the owner of the Assets from freely engaging in any business or competing anywhere;

(b) each Contract that burdens any of the Assets and is an indenture, mortgage, loan, credit agreement, sale-leaseback, guaranty of any obligation, bond, letter of credit, or similar financial Contract (other than Permitted Encumbrances) that will not be terminated at or before the Closing;

(c) any Contract that burdens any of the Assets, covering any futures, hedges, swap, collar, put, call, floor, cap, option or the like that is intended to reduce or eliminate the fluctuations in the prices of commodities, currency, exchange rates or interest rates that will not be terminated at or before the Closing;

(d) any Contract the primary purpose of which is to indemnify another Person;

(e) Contracts to sell, exchange or otherwise dispose of all or any part of the Assets;

(f) Contracts involving obligations of, or payments to or from, the owner of the Assets that, in each case, can reasonably be expected to result in aggregate payments by Seller in excess of $25,000.00 in the current or any subsequent fiscal year; and

(g) Contracts between any Seller and any Affiliate of such Seller that will be binding on the Assets after the Closing.

"***Midland Basin***" has the meaning set forth in the recitals.

"***Midland Basin Formation***" means each Target Formation applicable to the Midland Basin as set forth on Exhibit E

"***Midland Basin Tracts***" means any such Tracts to the extent lying within the Midland Basin.

"***Mineral Classified Lands***" has the meaning set forth in the definition of "Assets".

"***Mineral Interests***" has the meaning set forth in the definition of "Assets".

"***Net Mineral Acres***" means (a) with regard to a Mineral Interest, (i) the number of gross surface acres included in such Mineral Interest, multiplied by (ii) Sellers' percentage ownership interest in the oil and gas fee mineral interests beneath such gross surface acres and (b) with regard to Mineral Classified Lands, (i) the number of gross surface acres included in such Mineral Classified Land, multiplied by (ii) Sellers' percentage ownership interest in the surface of the Mineral Classified Land, divided by (iii) two; provided, however, that for clause (a), above, if Sellers' Net Mineral Acres vary for different Target Formations within a Tract, a separate calculation shall be performed with respect to each such Target Formation for the purposes of calculating Net Mineral Acres under this Agreement.

"***Net Royalty Acres***" means (a) with regard to Mineral Interests or Mineral Classified Lands, the number equal to (i) the number of Net Mineral Acres attributable to such Mineral Interest or Mineral

Classified Land multiplied by (ii) the applicable Royalty Rate for such Mineral Interest or Mineral Classified Land multiplied by (iii) eight; provided, however, that if any Mineral Interests have varying royalty rates as to different Target Formations within a Tract, a separate calculation shall be performed with respect to each such Target Formation for purposes of calculating the Net Royalty Acres under this Agreement, and (b) with regard to an Overriding Royalty Interest or Royalty Interest, the number equal to: (i) the number of gross surface acres burdened by such Overriding Royalty Interest or Royalty Interest, multiplied by, (ii) Sellers' undivided fractional or percentage ownership interest attributable to the Overriding Royalty Interest or Royalty Interest (on an 8/8ths basis) in and to the oil, gas or other mineral production (or proceeds from the sale thereof) from the property burdened by such Overriding Royalty Interest or Royalty Interest, multiplied by, (iii) eight; provided, however, that if an Overriding Royalty Interest or Royalty Interest varies as to different Target Formations within a Tract, a separate calculation shall be performed with respect to each such Target Formation for the purposes of calculating Net Royalty Acres under this Agreement. For any unleased tracts, a 25% Royalty Rate shall be used as the applicable Royalty Rate.

"***Non-Fundamental Reps***" has the meaning set forth in Section 10.3.

"***Non-Party Affiliates***" has the meaning set forth in Section 11.16.

"***NORM***" has the meaning set forth in Section 6.5(c).

"***Obligations***" has the meaning set forth in Section 10.1.

"***Officer Certificates***" has the meaning set forth in Section 8.2(c).

"***Outside Date***" has the meaning set forth in Section 8.4(b).

"***Overriding Royalty Interests***" has the meaning set forth in the definition of "Assets".

"***Parties***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Party***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Permitted Encumbrances***" means:

(a) lessors' royalties, non-participating royalties and similar burdens that do not, individually or in the aggregate, (i) materially impact the ownership of the Assets (as currently owned) or (ii) reduce Sellers' Net Royalty Acres in any Tract below the number of Net Royalty Acres set forth on Exhibit A-Part 2 for such Tract;

(b) preferential rights to purchase any Asset that are not applicable to the transactions contemplated by this Agreement;

(c) required third party consents to assignment of any Asset that are not applicable to the transactions contemplated by this Agreement;

(d) rights to consent by, required notices to, filings with or other actions by Governmental Authorities or any other Person in connection with the sale or conveyance of any of the Assets if the same are customarily obtained in the ordinary course of business subsequent to such sale or conveyance;

[redacted]

(e) any materialman's, mechanics', repairman's, employees', contractors', operators' liens or other similar liens or charges for liquidated amounts arising in the ordinary course of business for amounts not yet delinquent or, if delinquent, that are being contested in good faith;

(f) any liens for Taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the ordinary course of business and for which Sellers have agreed to pay under the terms of this Agreement or which have been prorated under the terms of this Agreement;

(g) all rights reserved to or vested in any Governmental Authority to control or regulate the Assets in any manner;

(h) the terms and provisions of any Contract or Lease to the extent that such terms and provisions do not, individually and in the aggregate, materially impact the ownership of the Assets (as owned as of the Effective Time) or operate to reduce Sellers' Net Royalty Acres in any Tract below the number of Net Royalty Acres set forth on Exhibit A-Part 2 for such Tract;

(i) the lack of executive rights in any of the Lands, excepting any impairment of the right of the owner of the soil of Mineral Classified Lands to act as agent of the State of Texas;

(j) the rights of the State of Texas in and to any portion of the Assets, provided that the State of Texas has not revoked the right of the owner of the soil to act as agent on behalf of the State of Texas, or impaired the right of the owner of the soil to share in the proceeds of any lease on Mineral Classified Lands;

(k) defects or irregularities of title as to which the relevant statute of limitation or prescription would bar any attack or claim against Sellers' title;

(l) defects in the chain of title arising from the failure to recite marital status, omissions of successors or heirship, or the lack of probate proceedings and defects arising out of lack of corporate or other entity authorization, absent reasonable evidence that the defect results in a third party's actual and valid claim of title to the affected Interest;

(m) any defects based solely on (A) lack of information, including lack of information in Sellers' files, the lack of third party records or unavailability of information from applicable governmental authorities, absent reasonable evidence that the defect results in a third party's actual and valid claim of title to the affected Interest or (B) the absence of certain documents in Sellers' files that are referenced by other documents that are located in Sellers' files;

(n) division orders and sales contracts terminable without penalty upon no more than 90 days' notice to the purchaser; and

(o) defects or irregularities arising out of lack of corporate authorization or a variation in corporate name, absent affirmative evidence that such corporate action was not authorized and results in another person's superior claim of title to the relevant Assets.

"***Person***" means any natural person, corporation, partnership, trust, limited liability company, court, agency, government, board, commission, estate or other entity or authority.

"***Preliminary Settlement Statement***" has the meaning set forth in Section 2.4(a).

[redacted]

"***Proceeding***" means any proceeding, action, arbitration, litigation, subpoena, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

"***Purchase Price***" has the meaning set forth in Section 2.1.

"***Reasonable Efforts***" means a Party's commercially reasonable efforts in accordance with reasonable commercial practice.

"***Records***" has the meaning set forth in the definition of "Assets".

"***Representatives***" means with respect to any Person, its officers, directors, managers, employees, consultants, agents, financial advisors, attorneys, accountants and other representatives.

"***Retained Obligations***" means all Obligations arising from or related to the following: (a) the amount of all Taxes for which Sellers are responsible pursuant to Article 7, (b) the Excluded Assets and (c) general and administrative expenses (as such term is understood in accordance with GAAP) of the Sellers.

"***Review Period***" has the meaning set forth in Section 2.5(a).

"***Royalty Interests***" has the meaning set forth in the definition of "Assets".

"***Royalty Rate***" means, with respect to any Mineral Interest and Mineral Classified Lands, the applicable royalty interest set forth in the applicable Lease (provided that for purposes of this definition, the applicable royalty interest as to any unleased Mineral Interest shall be deemed to be 25%), minus the proportionate share, if any, of any non-participating royalty interests that burden such Mineral Interest.

"***Scheduled Closing Date***" has the meaning set forth in Section 9.1.

"***Seller***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Seller Indemnitees***" has the meaning set forth in Section 10.2(b).

"***Seller Officer Certificate***" has the meaning set forth in Section 8.2(c).

"***Sellers***" has the meaning set forth in the introductory paragraph of this Agreement.

"Special Warranty" has the meaning set forth in Section 6.6(c).

"***Stated NRA***" has the meaning set forth in Section 3.2(c)(iii).

"***Straddle Period***" means any taxable period beginning before and ending after the Effective Time.

"***Survival Period***" has the meaning set forth in Section 10.3.

"***Target Formation***" means each subsurface interval depicted and identified on Exhibit E, which subsurface interval shall begin at the top of the correlative stratigraphic equivalent to that point found at the measured depth set forth as the "Top Depth" for such interval on Exhibit E and end at the base of the correlative stratigraphic equivalent to that point found at the measured depth set forth as the "Base Depth" for such interval, as determined on the geophysical well log for the reference well set forth on Exhibit E for

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such interval; recognizing that the actual measured depths of intervals correlative to those identified in Exhibit E will vary across Lands.

"***Target Formation Footage***" means as to each Midland Basin Formation, the total length (in feet) set forth on Exhibit E for such Midland Basin Formation; provided, however, that if the instrument under which the applicable Seller or its predecessor-in-interest acquired its interest in an applicable Tract contains subsurface intervals inconsistent with Exhibit E, such intervals in such instrument shall control (and the Target Formation Footage for each Target Formation applicable to such Tract shall be determined in accordance therewith).

"***Tax Returns***" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes (including any schedules) or attachment thereto, and including any amendment thereof.

"***Taxes***" means (a) all taxes, assessments, fees and other charges of any kind whatsoever imposed by any governmental authority, including any federal, state, local or foreign income tax, surtax, remittance tax, presumptive tax, net worth tax, special contribution tax, production tax, severance tax, value added tax, withholding tax, gross receipts tax, profits tax, ad valorem tax, personal property tax, real property tax, sales tax, goods and services tax, transfer tax, use tax, excise tax, franchise tax, occupation tax, payroll tax, employment tax, unemployment tax, disability tax, alternative or add-on minimum tax and estimated tax, and (b) any interest, fine, penalty or additions to tax imposed by a Governmental Authority in connection with any item described in clause (a).

"***Threshold***" has the meaning set forth in Section 10.2(c)(ii)(1).

"***Title Claims Date***" has the meaning set forth in Section 3.1(a).

"***Title Consultant***" has the meaning set forth in Section 3.2(g)(iv).

"***Title Credit***" means any right, circumstance or condition that operates to increase Sellers' Actual NRA in any Tract above the Stated NRA set forth on Exhibit A-Part 2 for such Tract.

"***Title Credit Amount***" has the meaning set forth in Section 3.2(e).

"***Title Deductible***" has the meaning set forth in Section 3.2(d)(ii).

"***Title Defect***" means any Encumbrance, defect or other matter that causes (or if not cured, could reasonably be expected to cause) Sellers not to have Defensible Title to any of the Assets; provided, however, the following shall not be considered Title Defects:

(a) defects arising out of lack of corporate or other entity authorization absent affirmative evidence that such corporate or other entity action was not authorized and results in another Person's actual claim, if the matter is still being disputed, or such Person's superior claim of title to the relevant Asset, if the dispute has been resolved;

(b) defects that have been cured by applicable Laws of limitations or prescription;

(c) defects arising out of lack of survey, unless a survey is expressly required by applicable Laws; and

(d) defects arising from prior expired oil and gas leases that are not released of record.

"***Title Defect Amount***" has the meaning set forth in Section 3.2(c).

"***Title Dispute***" has the meaning set forth in Section 3.2(g)(i).

"***Title Termination Event***" has the meaning set forth in Section 6.3.

"***Title Threshold***" has the meaning set forth in Section 3.2(d)(i).

"***Tract***" has the meaning set forth in Section 2.3.

"***Tract Footage***" means, as to any Tract, the sum of the Target Formation Footages applicable to such Tract; provided, however, that if the instrument under which the applicable Seller or its predecessor-in-interest acquired its interest in an applicable Tract contains target formation intervals inconsistent with Exhibit E, such lengths in such instrument shall control (and the Tract Footage for such Tract shall be determined in accordance therewith).

"***Transfer Taxes***" means, collectively, transfer, sales, use, excise, documentary, stamp, gross receipts, goods and services, registration or other similar Taxes relating to the transactions contemplated by this Agreement.

"***Wing I***" has the meaning set forth in the introductory paragraph of this Agreement.

"***Wing II***" has the meaning set forth in the introductory paragraph of this Agreement.

Exhibit A-Part 1

Tract ID	County	Basin	Owner	Quarter Call/Legal/Unit	Section	Block	Survey	Abstract	Gross	Property Type	Total NRA
135-0065-001	ECTOR, MIDLAND	Midland Basin	Wing Resources II, LLC	S/2	39	41 T1S	T&P	A-65	320.000	MI - NON EXEC	3.048
135-0066-001	ECTOR	Midland Basin	Wing Resources II, LLC	All	41	41 T1S	T&P	A-66	640.000	MI - NON EXEC	6.095
135-0476-001	ECTOR	Midland Basin	Wing Resources II, LLC	All	40	41 T1S	T&P	A-476	640.000	MI - NON EXEC	6.095
135-0479-001	ECTOR, MIDLAND	Midland Basin	Wing Resources II, LLC	All	46	41 T1S	T&P	A-479, A-765	640.000	MI - NON EXEC	6.095
135-0770-001	ECTOR	Midland Basin	Wing Resources II, LLC	W 3/4 of Sections 22 & 27	22, 27	41 T1S	T&P	A-770 & A-60	967.820	MI	18.435
173-0242-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	S/2	3	34 T4S		A-242	320.000	NPRI - FX	1.380
173-0243-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	SW/4, E/2 NW/4	5	34 T4S		A-243	320.000	NPRI - FX	1.380
173-0244-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	N/2	7	34 T4S		A-244	320.000	NPRI - FX	1.380
173-0245-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	All	9	34 T4S		A-245	640.000	NPRI - FX	2.760
173-0248-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	N/2, W3/4 S/2	15	34 T4S		A-248	640.000	NPRI - FX	2.760
173-0294-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	ALL	3	35 T2S		A-294	640.000	NPRI - FL	2.133
173-0348-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	W/2	25	35 T4S		A-348	320.000	NPRI - FL	2.000
173-0348-002	GLASSCOCK	Midland Basin	Wing Resources II, LLC	SE/4	25	35 T4S		A-348	160.000	NPRI - FL	1.000
173-0348-003	GLASSCOCK	Midland Basin	Wing Resources II, LLC	NE/4	25	35 T4S		A-348	160.000	NPRI - FL	1.000
173-0349-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	All	27	35 T4S		A-349	640.000	NPRI - FL	5.000
173-0355-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	E/2	39	35 T4S	T&P	A-355	320.000	NPRI - FX	10.000
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	1.333
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	29	35 T5S	T&P	A-374	160.000	MI	0.356
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	1.333
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	29	35 T5S	T&P	A-374	160.000	MI	0.356
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	1.333
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	0.533

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Exhibit A-Part 1

Tract ID	County	Basin	Owner	Quarter Call/Legal/Unit	Section	Block	Survey	Abstract	Gross	Property Type	Total NRA
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	29	35 T5S	T&P	A-374	160.000	MI	0.356
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	1.333
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	0.889
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	0.533
173-0374-004	GLASSCOCK	Midland Basin	Wing Resources, LLC	SE/4	29	35 T5S	T&P	A-374	160.000	MI	0.356
173-0379-001	MIDLAND, GLASSCOCK	Midland Basin	Wing Resources, LLC	All	47	36 T1S	T&P	A-497 & A-379	640.000	NPRI - FL	8.000
173-0390-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	S250acs	37	36 T2S	T&P	A-390	250.000	NPRI - FL	7.813
173-0422-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	S/2	15	36 T4S	T&P	A-422	321.920	MI	26.347
173-0422-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	N/2	15	36 T4S	T&P	A-422	321.920	MI	53.653
173-0423-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	W/2	17	36 T4S	T&P	A-423	324.800	MI	2.965
173-0434-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	S/2, W/2 of the NE/4 & E/2 of the NW/4	39	36 T4S	T&P	A-434	480.000	MI	12.000
173-0434-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	W/2 of the NW/4	39	36 T4S	T&P	A-434	80.000	MI	2.000
173-0434-003	GLASSCOCK	Midland Basin	Wing Resources, LLC	E/2 of the NE/4	39	36 T4S	T&P	A-434	80.000	MI	2.000
173-0435-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	41	36 T4S	T&P	A-435	160.000	MI	15.050
173-0436-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	N/2	43	36 T4S	T&P	A-436	320.000	MI	1.625
173-0437-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	S/2	45	36 T4S	T&P	A-437	320.000	MI	0.813
173-0438-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	Middle 1/3 of the W200acs of the N/2	47	36 T4S	T&P	A-438	66.000	ORRI	8.250
173-0438-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	South 1/3 of the W200acs of the N/2	47	36 T4S	T&P	A-438	66.000	ORRI	8.250
173-0440-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	3	36 T5S	T&P	A-440	640.000	NPRI - FL	6.667
173-0458-001	MIDLAND, GLASSCOCK	Midland Basin	Wing Resources, LLC	N/2	47	37 T4S	T&P	A-458	320.000	MI + ORRI	26.667
173-0458-001	MIDLAND, GLASSCOCK	Midland Basin	Wing Resources, LLC	N/2	47	37 T4S	T&P	A-458	320.000	MI	0.813
173-0458-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	S/2	47	37 T4S	T&P	A-458	320.000	MI + ORRI	26.667
173-0458-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	S/2	47	37 T4S	T&P	A-458	320.000	MI	0.813
173-0460-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	11	37 T5S	T&P	A-460	640.000	NPRI - FL	1.042
173-0523-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	ALL	3	35 T2S		A-523	640.800	NPRI - FL	2.136
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	1.333
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.889
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.889
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.533

Exhibit A-Part 1

Tract ID	County	Basin	Owner	Quarter Call/Legal/Unit	Section	Block	Survey	Abstract	Gross	Property Type	Total NRA
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.533
173-0542-001	REAGAN	Midland Basin	Wing Resources, LLC	NW/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.356
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	1.333
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.889
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.889
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.533
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.533
173-0542-002	REAGAN	Midland Basin	Wing Resources, LLC	NE/4	31	35 T5S	T&P	A-643, A-542	160.000	MI	0.356
173-0867-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	N/2	44	36 T4S	T&P	A-867	320.000	MI	2.963
173-0867-002	GLASSCOCK	Midland Basin	Wing Resources II, LLC	N/2	44	36 T4S		A-867	320.000	MI	0.839
173-0906-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	14	37 T5S	T&P	A-906	640.000	NPRI - FL	2.084
173-0906-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	14	37 T5S	T&P	A-906	640.000	NPRI - FX	1.667
173-0906-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	14	37 T5S	T&P	A-906	640.000	NPRI - FL	0.998
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	5.333
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	3.556
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	3.556
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	2.133
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	2.133
173-0917-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	30	35 T5S	T&P	A-917	640.000	MI	1.422
173-0925-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	NW/4	16	36 T3S	T&P	A-925	160.000	MI	20.000
173-0925-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	NE/4	16	36 T3S	T&P	A-925	160.000	MI	20.000
173-0962-001	GLASSCOCK, REAGAN	Midland Basin	Wing Resources, LLC	All	26	36 T5S	T&P	A-69, A-962	640.000	NPRI - FL	1.556
173-0968-001	MIDLAND, GLASSCOCK	Midland Basin	Wing Resources II, LLC	ALL	24	37 T4S		A-895, A-968	640.000	NPRI - FL	4.137
173-0989-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	NE/4	42	36 T3S	T&P	A-989	160.000	MI	1.460
173-0989-002	GLASSCOCK	Midland Basin	Wing Resources II, LLC	SW/4	42	36 T3S	T&P	A-989 & A-925	160.000	MI	1.460
173-0989-003	GLASSCOCK	Midland Basin	Wing Resources II, LLC	SE/4	42	36 T3S	T&P	A-989	160.000	MI	1.460
173-0998-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	NE/4	6	35 T4S	T&P RR CO/HILLGER J G	A-998	160.000	MI	13.334
173-1005-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	SW/4	4	36 T5S	T&P	A-1005	160.000	MI	0.407
173-1009-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	4	35 T2S	T&P	A-1009	639.400	MI	31.970
173-1010-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	E/2 of the NW/4	24	36 T2S	T&P	A-1010	80.000	ORRI	3.783
173-1010-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	W/2 of the NW/4	24	36 T2S	T&P	A-1010	80.000	ORRI	3.783
173-1022-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	N/2	24	35 T4S		A-1022	320.700	NPRI - FL	1.253

Exhibit A-Part 1

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Tract ID	County	Basin	Owner	Quarter Call/Legal/Unit	Section	Block	Survey	Abstract	Gross	Property Type	Total NRA
173-1022-002	GLASSCOCK	Midland Basin	Wing Resources II, LLC	S/2	24	35 T4S		A-1022	320.500	NPRI - FL	2.003
173-1024-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	E/2	36	35 T4S		A-1024	320.000	NPRI - FL	2.300
173-1024-002	GLASSCOCK	Midland Basin	Wing Resources II, LLC	SW/4	36	35 T4S		A-1024	160.000	NPRI - FL	0.625
173-1024-003	GLASSCOCK	Midland Basin	Wing Resources II, LLC	NW/4	36	35 T4S		A-1024	160.000	NPRI - FL	0.625
173-1032-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	W 100 ac of SW/4	34	36 T2S	T&P	A-1032	100.000	NPRI - FL	0.781
173-1034-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	16	36 T4S	T&P	A-1034	649.900	MI	54.158
173-1047-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	ALL, L&E 80 acre Ventex unit	2	35 T2S		A-1047	560.000	NPRI - FL	2.100
173-1047-002	GLASSCOCK	Midland Basin	Wing Resources, LLC	W/2 of NE4	2	35 T2S		A-1047	80.000	NPRI - FL	0.250
173-1049-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	2	37 T5S	T&P	A-1049	640.000	NPRI - FL	2.084
173-1049-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	2	37 T5S	T&P	A-1049	640.000	NPRI - FX	1.667
173-1049-001	GLASSCOCK	Midland Basin	Wing Resources, LLC	All	2	37 T5S	T&P	A-1049	640.000	NPRI - FL	0.497
173-1073-001	GLASSCOCK	Midland Basin	Wing Resources II, LLC	W/2	16						