Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended September 30, 2000

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 number 1-707

KANSAS CITY POWER & LIGHT COMPANY
(Exact name of registrant as specified in its charter)

Missouri	44-0308720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1201 Walnut, Kansas City, Missouri 64106-2124
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (816) 556-2200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

The number of shares outstanding of the registrant's Common stock at October 26, 2000, was 61,846,020 shares.

PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Balance Sheets

	September 30 2000	December 31 1999
	(thousands)	
ASSETS		
Utility Plant, at Original Cost		
Electric	$3,789,428	$3,628,120
Less-accumulated depreciation	1,618,816	1,516,255
Net utility plant in service	2,170,612	2,111,865
Construction work in progress	276,854	158,616
Nuclear fuel, net of amortization of $120,801 and $108,077	33,288	28,414
Total	2,480,754	2,298,895
Regulatory Asset - Recoverable Taxes	106,000	106,000
Investments and Nonutility Property	317,508	376,704
Current Assets		
Cash and cash equivalents	18,948	13,073
Receivables	128,153	71,548
Equity securities	114,741	0
Fuel inventories, at average cost	19,758	22,589
Materials and supplies, at average cost	47,280	46,289
Deferred income taxes	4,316	2,751
Other	8,112	6,086

Total	341,308	162,336
Deferred Charges		
Regulatory assets	26,059	31,908
Prepaid pension costs	61,957	0
Other deferred charges	27,813	14,299
Total	115,829	46,207
Total	$3,361,399	$2,990,142
CAPITALIZATION AND LIABILITIES		
Capitalization (see statements)	$2,043,736	$1,739,590
Current Liabilities		
Notes payable to banks	0	24,667
Commercial paper	222,125	214,032
Current maturities of long-term debt	73,957	128,858
Accounts payable	113,539	68,309
Accrued taxes	76,259	972
Accrued interest	8,911	15,418
Accrued payroll and vacations	24,338	20,102
Accrued refueling outage costs	11,069	7,056
Other	16,603	13,569
Total	546,801	492,983
Deferred Credits and Other Liabilities		
Deferred income taxes	595,511	592,227
Deferred investment tax credits	50,980	54,333
Other	124,371	111,009
Total	770,862	757,569
Commitments and Contingencies (Note 6)		
Total	$3,361,399	$2,990,142

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Capitalization

	September 30 2000	December 31 1999
	(thousands)	
Common Stock Equity		
Common stock-150,000,000 shares authorized without par value 61,908,726 shares issued, stated value	$ 449,697	$ 449,697
Retained earnings (see statements)	479,702	418,952
Accumulated other comprehensive loss		
Unrealized loss on securities available for sale	0	(2,337)
Capital stock premium and expense	(1,668)	(1,668)
Total	927,731	864,644
Cumulative Preferred Stock		
$100 Par Value		
3.80% - 100,000 shares issued	10,000	10,000
4.50% - 100,000 shares issued	10,000	10,000
4.20% - 70,000 shares issued	7,000	7,000
4.35% - 120,000 shares issued	12,000	12,000
$100 Par Value - Redeemable		
4.00%	62	62
Total	39,062	39,062
Company-obligated Mandatorily Redeemable Preferred Securities of a trust holding solely KCPL Subordinated Debentures	150,000	150,000
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2001-08, 7.10% and 6.99% weighted-average rate	236,000	286,000
5.28%* Environmental Improvement Revenue Refunding Bonds due 2012-23	158,768	158,768
Unsecured Medium-Term Notes		
6.81%* due 2002	200,000	0
Environmental Improvement Revenue Refunding Bonds		
5.83%* Series A & B due 2015	106,500	106,500
4.50% Series C due 2017	50,000	50,000
4.35% Series D due 2017	40,000	40,000
Subsidiary Obligations		
Affordable Housing Notes due 2002-08, 8.28% and 8.35% weighted-average rate	31,675	44,616
KLT Inc Bank Credit Agreement		
7.76%* due 2003	104,000	0
Total	926,943	685,884
Total	$2,043,736	$1,739,590

* Variable rate securities, weighted-average rate as of September 30, 2000.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Three Months Ended September 30	2000	1999
	(thousands)	
Electric Operating Revenues	$ 324,378	$ 300,658
Operating Expenses		
Operation		
Fuel	54,149	41,397
Purchased power	42,942	53,397
Other	59,658	51,635
Maintenance	17,258	16,596
Depreciation	31,757	29,047
Income taxes	29,570	27,119
General taxes	27,340	27,418
Total	262,674	246,609
Electric Operating Income	61,704	54,049
Other Income and (Deductions)		
Allowance for equity funds used during construction	1,140	816
Miscellaneous income and (deductions) - net	47,054	(12,368)
Income taxes	(7,873)	11,663
Total	40,321	111
Income Before Interest Charges	102,025	54,160
Interest Charges		
Long-term debt	16,805	12,754
Short-term debt	3,108	1,097
Mandatorily redeemable Preferred Securities	3,113	3,113
Miscellaneous	943	659
Allowance for borrowed funds used during construction	(3,562)	(920)
Total	20,407	16,703
Income before cumulative effect of changes in accounting principles	81,618	37,457
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	0	0
Net income	81,618	37,457
Preferred stock dividend requirements	412	984
Earnings available for common stock	$ 81,206	$ 36,473
Average number of common shares outstanding	61,846	61,898
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	$ 1.31	$ 0.59
Cumulative effect to January 1, 2000, of changes in accounting principles	0	0
Basic and diluted earnings per common share	$ 1.31	$ 0.59
Cash dividends per common share	$ 0.415	$ 0.415

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Year to Date September 30	2000	1999
	(thousands)	
Electric Operating Revenues	$ 742,737	$ 708,339
Operating Expenses		
Operation		
Fuel	119,334	96,808
Purchased power	78,565	82,711
Other	158,842	145,856
Maintenance	55,775	47,386
Depreciation	91,923	88,544
Income taxes	48,829	54,767
General taxes	70,553	71,320
Total	623,821	587,392
Electric Operating Income	118,916	120,947
Other Income and (Deductions)		
Allowance for equity funds used during construction	3,090	2,502
Miscellaneous income and (deductions) - net	28,192	(34,666)
Income taxes	15,510	36,337
Total	46,792	4,173
Income Before Interest Charges	165,708	125,120
Interest Charges		
Long-term debt	45,544	39,009
Short-term debt	8,332	2,235
Mandatorily redeemable Preferred Securities	9,338	9,338
Miscellaneous	2,243	2,387
Allowance for borrowed funds used during construction	(8,682)	(2,327)
Total	56,775	50,642
Income before cumulative effect of changes in accounting principles	108,933	74,478
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	30,073	0
Net income	139,006	74,478
Preferred stock dividend requirements	1,236	2,875
Earnings available for common stock	$ 137,770	$ 71,603
Average number of common shares outstanding	61,869	61,898
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	$ 1.74	$ 1.16
Cumulative effect to January 1, 2000, of changes in accounting principles	0.49	0
Basic and diluted earnings per common share	$ 2.23	$ 1.16
Cash dividends per common share	$ 1.245	$ 1.245

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income

Twelve Months Ended September 30	2000	1999
	(thousands)	
Electric Operating Revenues	$ 931,791	$ 898,681
Operating Expenses		
Operation		
Fuel	151,781	127,533
Purchased power	90,551	92,012
Other	209,912	191,527
Maintenance	70,978	67,542
Depreciation	121,807	117,758
Income taxes	52,610	62,695
General taxes	92,234	92,771
Total	789,873	751,838
Electic Operating Income	141,918	146,843
Other Income and (Deductions)		
Allowance for equity funds used during construction	3,245	3,583
Miscellaneous income and (deductions) - net	11,133	(50,172)
Income taxes	34,541	51,151
Total	48,919	4,562
Income Before Interest Charges	190,837	151,405
Interest Charges		
Long-term debt	57,862	52,595
Short-term debt	10,459	2,291
Mandatorily redeemable Preferred Securities	12,450	12,450
Miscellaneous	3,429	3,661
Allowance for borrowed funds used during construction	(9,733)	(2,985)
Total	74,467	68,012
Income before cumulative effect of changes in accounting principles	116,370	83,393
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes (Note 1)	30,073	0
Net income	146,443	83,393
Preferred stock dividend requirements	2,094	3,829
Earnings available for common stock	$ 144,349	$ 79,564
Average number of common shares outstanding	61,877	61,899
Basic and diluted earnings per common share before cumulative effect of changes in accounting principles	$ 1.84	$ 1.29
Cumulative effect to January 1, 2000, of changes in accounting principles	0.49	0
Basic and diluted earnings per common share	$ 2.33	$ 1.29
Cash dividends per common share	$ 1.66	$ 1.66

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Cash Flows

Year to Date September 30	2000	1999
	(thousands)	
Cash Flows from Operating Activities		
Income before cumulative effect of changes in accounting principles	$ 108,933	$ 74,478
Adjustments to reconcile income to net cash from operating activities:		
Depreciation of electric plant	91,923	88,544
Amortization of:		
Nuclear fuel	12,725	11,430
Other	8,992	8,785
Deferred income taxes (net)	(18,830)	(32,498)
Investment tax credit amortization	(3,353)	(3,336)
Fuel contract settlements	0	(13,391)
Losses from equity investments	15,987	14,757
Asset impairments	23,805	20,362
Gain on sale of KLT Gas properties	(60,413)	0
Gain on sale of Nationwide Electric, Inc. stock	0	(19,835)
Kansas rate refund accrual	0	(14,200)
Allowance for equity funds used during construction	(3,090)	(2,502)
Other operating activities (Note 2)	44,767	(57,898)
Net cash from operating activities	221,446	74,696
Cash Flows from Investing Activities		
Utility capital expenditures	(325,004)	(118,937)
Allowance for borrowed funds used during construction	(8,682)	(2,327)
Purchases of investments	(53,575)	(23,444)
Purchases of nonutility property	(18,069)	(40,836)
Sale of Nationwide Electric, Inc. stock	0	39,617
Sale of KLT Gas properties	36,925	0
Hawthorn No. 5 partial insurance recovery	50,000	80,000
Other investing activities	18,191	(1,778)
Net cash from investing activities	(300,214)	(67,705)
Cash Flows from Financing Activities		
Issuance of long-term debt	294,000	10,889
Repayment of long-term debt	(108,000)	(37,870)
Net change in short-term borrowings	(16,574)	91,674
Dividends paid	(78,256)	(79,893)
Other financing activities	(6,527)	1,749
Net cash from financing activities	84,643	(13,451)
Net Change in Cash and Cash Equivalents	5,875	(6,460)
Cash and Cash Equivalents at Beginning of Year	13,073	43,213
Cash and Cash Equivalents at End of Period	$ 18,948	$ 36,753

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Cash Flows

Twelve Months Ended September 30	2000	1999
	(thousands)	
Cash Flows from Operating Activities		
Income before cumulative effect of changes in accounting principles	$ 116,370	$ 83,393
Adjustments to reconcile income to net cash from operating activities:		
Depreciation of electric plant	121,807	117,758
Amortization of:		
Nuclear fuel	17,077	16,253
Other	12,470	11,054
Deferred income taxes (net)	(13,116)	(35,862)
Investment tax credit amortization	(4,470)	(4,374)
Fuel contract settlements	0	(13,391)
Losses from equity investments	26,181	19,053
Asset impairments	24,521	26,390
Gain on sale of KLT Gas properties	(60,413)	0
Gain on sale of Nationwide Electric, Inc. stock	0	(19,835)
Kansas rate refund accrual	0	(11,174)
Allowance for equity funds used during construction	(3,245)	(3,583)
Other operating activities (Note 2)	69,677	(69,770)
Net cash from operating activities	306,859	115,912
Cash Flows from Investing Activities		
Utility capital expenditures	(386,754)	(166,536)
Allowance for borrowed funds used during construction	(9,733)	(2,985)
Purchases of investments	(65,203)	(56,260)
Purchases of nonutility property	(33,025)	(49,761)
Sale of KLT Gas properties	36,925	0
Sale of Nationwide Electric, Inc. stock	0	39,617
Hawthorn No. 5 partial insurance recovery	50,000	80,000
Other investing activities	9,653	14,154
Net cash from investing activities	(398,137)	(141,771)
Cash Flows from Financing Activities		
Issuance of long-term debt	294,000	7,890
Repayment of long-term debt	(179,190)	(17,820)
Net change in short-term borrowings	120,451	94,933
Dividends paid	(105,025)	(106,539)
Redemption of preferred stock	(50,000)	0
Other financing activities	(6,763)	1,667
Net cash from financing activities	73,473	(19,869)
Net Change in Cash and Cash Equivalents	(17,805)	(45,728)
Cash and Cash Equivalents at Beginning of Period	36,753	82,481
Cash and Cash Equivalents at End of Period	$ 18,948	$ 36,753

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30		Year to Date September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Net income	$ 81,618	$ 37,457	$ 139,006	$ 74,478	$ 146,443	$ 83,393
Other comprehensive income (loss):						
Unrealized loss on securities available for sale	0	(4,935)	0	(1,035)	(2,743)	(2,010)
Income tax benefit	0	1,784	0	375	992	727
Net unrealized loss on securities available for sale	0	(3,151)	0	(660)	(1,751)	(1,283)
Reclassification adjustment, net of tax	0	0	2,337	0	2,337	0
Comprehensive Income	$ 81,618	$ 34,306	$ 141,343	$ 73,818	$ 147,029	$ 82,110

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three Months Ended September 30		Year to Date September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Beginning balance	$ 424,163	$ 427,449	$ 418,952	$ 443,699	$ 438,284	$ 461,430
Net income	81,618	37,457	139,006	74,478	146,443	83,393
	505,781	464,906	557,958	518,177	584,727	544,823
Dividends declared						
Preferred stock - at required rates	412	934	1,236	2,830	2,317	3,788
Common stock	25,667	25,688	77,020	77,063	102,708	102,751
Ending balance	$ 479,702	$ 438,284	$ 479,702	$ 438,284	$ 479,702	$ 438,284

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY

CERTAIN FORWARD-LOOKING INFORMATION

Statements made in this report which are not based on historical facts are forward-looking and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Any forward-looking statements are intended to be as of the date on which such statement is made. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing a number of important factors that could cause actual results to differ materially from provided forward-looking information. These important factors include:

- - future economic conditions in the regional, national and international markets
- - state, federal and foreign regulation
- - weather conditions
- - financial market conditions, including, but not limited to changes in interest rates
- - inflation rates
- - increased competition, including, but not limited to, the deregulation of the United States electric utility industry, and the entry of new competitors
- - ability to carry out marketing and sales plans
- - ability to achieve generation planning goals and the occurrence of unplanned generation outages
- - nuclear operations
- - ability to enter new markets successfully and capitalize on growth opportunities in nonregulated businesses
- - adverse changes in applicable laws, regulations or rules governing environmental (including air quality regulations), tax or accounting matters
- - delays in the anticipated in service dates of new generating capacity

This list of factors may not be all-inclusive since it is not possible for us to predict all possible factors.

Notes to Consolidated Financial Statements

In management's opinion, the consolidated interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. These statements and notes should be read in connection with the financial statements and related notes included in our 1999 annual report on Form 10-K.

1. CHANGES IN PENSION ACCOUNTING PRINCIPLES

Effective January 1, 2000, Kansas City Power & Light Company (KCPL) changed its methods of amortizing unrecognized net gains and losses and determination of expected return related to its accounting for pension expense. This change is being made to reflect more timely in pension expense the gains and losses incurred by the pension funds. At the time KCPL originally adopted the standards governing accounting for pensions, we chose the following accounting methods that would minimize fluctuations in pension expense:

- - Recognized gains and losses if, as of the beginning of the year, the unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, amortization is the excess divided by the average remaining service period, approximately 15 years, of active employees expected to receive benefits under the plan. This method has resulted in minimal gains being amortized.

- - Determined the expected return by multiplying the long-term rate of return times the market-related value. We determine market-related value by recognizing changes in fair value of plan assets over a five-year period.

KCPL has changed the above accounting methods to the following:
- - Recognize gains and losses by amortizing over a five-year period the rolling five-year average of unamortized gains and losses.
- - Determine the expected return by multiplying the long-term rate of return times the fair value of plan assets.

Adoption of the new methods of accounting for pensions will lead to greater fluctuations in pension expense in the future and will have the following current effects:

	Changes in Method of Accounting for Pensions *				
	Amortization of Gains and Losses	Expected Return	Total	Reductions**	Net Total
	(millions except per share)				
Cumulative effect of change in method of accounting:					
Income	$ 21.4	$ 13.6	$ 35.0	$ (4.9)	$ 30.1
Basic and diluted earnings per common share	$ 0.35	0.22	$ 0.57	$(0.08)	$ 0.49
Year 2000 earnings effect of change in method of accounting:					
Income	$ 4.1	$ 2.0	$ 6.1	$ (1.1)	$ 5.0
Basic and diluted earnings per common share	$ 0.07	$ 0.03	$ 0.10	$(0.02)	$ 0.08
Prior year's earnings effect of change in method of accounting if the change had been made January 1, 1998:					
1999					
Income	$ 4.4	$ 1.1	$ 5.5	$ (1.0)	$ 4.5
Basic and diluted earnings per common share	$ 0.07	$ 0.02	$ 0.09	$(0.02)	$ 0.07
1998					
Income	$ 2.9	$ 3.2	$ 6.1	$ (1.1)	$ 5.0
Basic and diluted earnings per common share	$ 0.05	$ 0.05	$ 0.10	$(0.02)	$ 0.08

* All changes are increases to income or earnings per common share and are after income taxes. The effect on quarterly earnings would be one-fourth of the amounts reported except for the cumulative effect of change in method of accounting which is a one time increase to income.

** The Reductions column reflects amounts for the effects of capitalized labor, net of depreciation, and power plants joint-owner shares of pension costs.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Sale of KLT Gas properties in September 2000 (Note 9):	
Cash proceeds	$ 36,925
Equity securities	106,000
Receivable	2,463
Total	145,388
Property	(58,814)
Accounts payable	(15,409)
Other assets and liabilities	(10,752)
Gain on sale before tax	$ 60,413

	Year to Date September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999
	(thousands)			
Cash flows affected by changes in:				
Receivables	$(54,142)	$(76,544)	$ 20,985	$(49,450)
Fuel inventories	2,831	(3,565)	2,556	(4,981)
Materials and supplies	(991)	(157)	(1,760)	(858)
Accounts payable	29,821	6,353	30,013	14,218
Accrued taxes	75,287	45,786	14,848	(2,031)
Accrued interest	(6,507)	(12,266)	(2,203)	(7,417)
Wolf Creek refueling outage accrual	4,013	(7,370)	6,124	(4,887)
Other	(5,545)	(10,135)	(886)	(14,364)
Total other operating activities	$ 44,767	$(57,898)	$ 69,677	$(69,770)
Cash paid during the period for:				
Interest	$ 61,591	$61,577	$ 74,534	$ 74,358
Income taxes	$ 8,370	$30,722	$ 29,948	$ 55,042

3. SECURITIES AVAILABLE FOR SALE

In 2000, CellNet Data System Inc. (CellNet) completed a sale of its assets to a third party. Accordingly, in March 2000, KLT Inc. (KLT) wrote-off its investment in CellNet of $4.8 million before taxes ($0.05 per share). At December 31, 1999, $3.8 million before taxes ($0.04 per share) of this loss had been reported as an unrealized loss in the Consolidated Statement of Comprehensive Income.

Prior to the write-off, the investment in CellNet had been accounted for as securities available for sale and adjusted to market value, with unrealized gains or (losses) reported as a separate component of comprehensive income.

The cost of these securities available for sale that KLT held as of September 30, 1999, was $4.8 million. Accumulated net unrealized losses were $0.6 million at September 30, 1999.

4. CAPITALIZATION

KCPL Financing I (Trust) has previously issued $150,000,000 of 8.3% preferred securities. The sole asset of the Trust is the $154,640,000 principal amount of 8.3% Junior Subordinated Deferrable Interest Debentures, due 2037, issued by KCPL.

In the first quarter of 2000, KCPL issued $200 million of unsecured, floating rate medium-term notes. As of September 30, 2000, $100 million of unsecured medium-term notes remained available for issuance under a previously filed registration statement.

In 2000, KCPL entered into interest rate cap agreements to limit the interest rate on the $200 million of unsecured medium-term notes. The cap agreements mature in 2002 and limit the interest rate on the $200 million of unsecured debt to a maximum of 7.5%.

In the second quarter of 2000, KLT renegotiated its existing $125 million bank credit agreement from short-term to a three-year revolving credit agreement. The new agreement had a weighted-average rate of 7.76% at September 30, 2000, on borrowings of $104 million, which has been included in long-term debt in the Consolidated Statements of Capitalization. At December 31, 1999, KLT had borrowed $61 million under its previous bank credit agreement, which was included in current maturities of long-term debt in the Consolidated Balance Sheet.

In October 2000, KLT used the proceeds from the October gas property sales (See Note 9 - Significant Nonregulated Investments) to repay $92 million of the outstanding balance under the revolving credit agreement.

On October 20, 2000, Standard and Poor's Corporation lowered its long-term credit rating on KCPL to A- from A and lowered its short-term credit rating to A-2 from A-1. The outlook was changed from negative to stable. Moody's Investors Service's long-term credit rating on KCPL is A1 and its short-term credit rating is P-1.

5. SEGMENT AND RELATED INFORMATION

KCPL's three reportable segments are strategic business units. Electric Operations includes the regulated electric utility, unallocated corporate charges and wholly-owned subsidiaries on an equity basis. KLT and Home Service Solutions Inc. (HSS) are holding companies for various nonregulated business ventures.

The summary of significant accounting policies applies to all of the segments. We evaluate performance based on profit or loss from operations and return on capital investment. We eliminate all intersegment sales and transfers. We include KLT and HSS revenues and expenses in Other Income and (Deductions) and Interest Charges in the Consolidated Statements of Income.

The tables below reflect summarized financial information concerning KCPL's reportable segments.

	Electric Operations	KLT	HSS	Intersegment Eliminations	Consolidated Totals
			(thousands)		
Three Months Ended September 30, 2000					
Electric Operating Income (a)	$ 61,704				$ 61,704
Miscellaneous income (b)	48,647	$ 117,797	$ (1,401)	$ (37,830)	127,213
Miscellaneous deductions (c)	(14,993)	(49,583)	(15,727)	144	(80,159)
Income taxes on Other Income and (Deductions)	1,545	(16,098)	6,680	0	(7,873)
Interest Charges	(16,425)	(3,982)	0	0	(20,407)
Net income(loss)	81,618	48,134	(10,448)	(37,686)	81,618

	Electric Operations	KLT	HSS	Intersegment Eliminations	Consolidated Totals
Three Months Ended September 30, 1999					
Electric Operating Income (a)	$ 54,049				$ 54,049
Miscellaneous income (b)	6,907	$ 19,472	$ 760	$ 766	27,905
Miscellaneous deductions (c)	(11,663)	(27,740)	(870)	0	(40,273)
Income taxes on Other Income and (Deductions)	1,206	10,432	25	0	11,663
Interest Charges	(13,858)	(2,845)	0	0	(16,703)
Net income(loss)	37,457	(681)	(85)	766	37,457
Nine Months Ended September 30, 2000					
Electric Operating Income (a)	$118,916				$ 118,916
Miscellaneous income (b)	68,711	$ 174,896	$ (1,182)	$ (37,735)	204,690
Miscellaneous deductions (c)	(39,209)	(118,150)	(19,580)	441	(176,498)
Income taxes on Other Income and (Deductions)	2,998	4,415	8,097	0	15,510
Interest Charges	(45,573)	(11,202)	0	0	(56,775)
Net income(loss)	139,006	49,959	(12,665)	(37,294)	139,006
Nine Months Ended September 30, 1999					
Electric Operating Income (a)	$120,947				$ 120,947
Miscellaneous income (b)	16,909	$ 16,952	$ 1,747	$ 1,608	37,216
Miscellaneous deductions (c)	(26,619)	(42,930)	(2,333)	0	(71,882)
Income taxes on Other Income and (Deductions)	2,417	33,775	145	0	36,337
Interest Charges	(41,678)	(8,964)	0	0	(50,642)
Net income(loss)	74,478	(1,167)	(441)	1,608	74,478
Twelve Months Ended September 30, 2000					
Electric Operating Income (a)	$141,918				$ 141,918
Miscellaneous income (b)	77,432	$ 175,117	$ (3,284)	$ (34,397)	214,868
Miscellaneous deductions (c)	(54,605)	(127,006)	(22,565)	441	(203,735)
Income taxes on Other Income and (Deductions)	8,732	15,838	9,971	0	34,541
Interest Charges	(60,352)	(14,115)	0	0	(74,467)
Net income(loss)	146,443	49,834	(15,878)	(33,956)	146,443
Twelve Months Ended September 30, 1999					
Electric Operating Income (a)	$146,843				$ 146,843
Miscellaneous income (b)	21,949	$ 16,016	$ 2,351	$ 6,227	46,543
Miscellaneous deductions (c)	(37,357)	(56,092)	(3,266)	0	(96,715)
Income taxes on Other Income and (Deductions)	4,332	46,596	223	0	51,151
Interest Charges	(55,957)	(12,055)	0	0	(68,012)
Net income(loss)	83,393	(5,535)	(692)	6,227	83,393

(a) Refer to the Consolidated Statements of Income for detail of Electric Operations revenues and expenses.

(b) Includes nonregulated revenues, interest and dividend income, income and losses from equity investments and gains on sales of property.
(c) Includes nonregulated expenses, losses on sales of property, asset impairments and merger-related expenses.
(d) Includes $30.1 million cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes.

	Identifiable Assets	
	September 30, 2000	December 31, 1999
	(thousands)	
Electric Operations	$ 3,167,043	$ 2,851,469
KLT	381,525	267,763
HSS	27,867	50,043
Intersegment Eliminations	(215,036)	(179,133)
Consolidated Totals	$ 3,361,399	$ 2,990,142

6. COMMITMENTS AND CONTINGENCIES

Environmental Matters
KCPL's policy is to act in an environmentally responsible manner and use the latest technology available to avoid and treat contamination. We continually conduct environmental audits designed to ensure compliance with governmental regulations and to detect contamination. However, governmental bodies may impose additional or more rigid environmental regulations that could require substantial changes to operations or facilities.

Monitoring Equipment and Certain Air Toxic Substances
The Clean Air Act Amendments of 1990 required KCPL to spend about $5 million in prior years for the installation of continuous emission monitoring equipment to satisfy the requirements under the acid rain provision. Also, a study under the Act could require regulation of certain air toxic substances. In July 2000, the National Research Council published its findings stating power plants that burn fossil fuels, particularly coal, generate the greatest amount of mercury emissions. The United States Environmental Protection Agency (EPA) is expected to reach a decision in December on whether or not to regulate mercury. We cannot predict the likelihood or compliance costs of such regulations.

Air Particulate Matter
In July 1997, the EPA published new air quality standards for particulate matter. Additional regulations implementing these new particulate standards have not been finalized. Without the implementation regulations, the impact of the standards on KCPL cannot be determined. However, the impact on KCPL and other utilities that use fossil fuels could be substantial. Under the new fine particulate regulations, the EPA is conducting a three-year study of fine particulate emissions. Until this testing and review period has been completed, KCPL cannot determine additional compliance costs, if any, associated with the new particulate regulations.

Nitrogen Oxide
In 1997 the EPA also issued new proposed regulations on reducing nitrogen oxide (NOx) emissions. The EPA announced in 1998 final regulations implementing reductions in NOx emissions. These regulations initially called for 22 states, including Missouri, to submit plans for controlling NOx emissions. The regulations require a significant reduction in NOx emissions from 1990 levels at KCPL's Missouri coal-fired plants by the year 2003.

In December 1998, KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the 1997 NOx reduction program. On March 3, 2000, a three-judge panel of the D.C. Circuit of the U.S. Court of Appeals sent the NOx rules related to Missouri back to the EPA stating the EPA failed to prove that fossil plants in the western part of Missouri contribute to ozone formation in downwind states. The impact of this decision, which has been appealed, is unknown at this time, however, it is likely to delay the implementation of new NOx regulations by EPA in Missouri for some time.

In May 1999, a three-judge panel of the D.C. Circuit of the U.S. Court of Appeals found certain portions of the NOx control program unconstitutional in a related case. The U.S. Supreme Court has agreed to hear the EPA's appeal of this decision. A final decision by the U.S. Supreme Court is expected in the spring of 2001, and the outcome cannot be predicted at this time. If the panel's decision is upheld, the effect will be to decrease the severity of the standards with which KCPL ultimately may need to comply.

To achieve the reductions proposed in the 1997 NOx reduction program, KCPL would need to incur significant capital costs, purchase power or purchase NOx emissions allowances. It is possible that purchased power or emissions allowances may be too costly or unavailable.

Preliminary analysis of the regulations indicates that selective catalytic reduction technology, as well as other changes, may be required for some of the KCPL units. Currently, we estimate that additional capital expenditures to comply with these regulations could range from $40 million to $60 million. Operations and maintenance expenses could also increase by more than $2.5 million per year. These capital expenditure estimates do not include the costs of the new air quality control equipment to be installed at Hawthorn No. 5. The new air control equipment designed to meet current environmental standards will also comply with the proposed requirements discussed above.

We continue to refine our preliminary estimates and explore alternatives to comply with these new regulations in order to minimize, to the extent possible, KCPL's capital costs and operating expenses. The ultimate cost of these regulations could be significantly different from the amounts estimated above.

The State of Missouri is currently developing a State Implementation Plan (SIP) for NOx reduction in response to the EPA's effort to regulate NOx emissions. As currently proposed, KCPL would not incur significant additional costs to comply with the State of Missouri SIP. In May 2000, the Missouri Air Conservation Commission approved statewide NOx regulations requiring compliance with a rate of 0.35 lbs. NOx / mmBtu of heat input. We do not anticipate that KCPL will incur significant additional costs to comply with these new regulations.

Carbon Dioxide
At a December 1997 meeting in Kyoto, Japan, the Clinton Administration supported changes to the International Global Climate Change treaty which would require a seven percent reduction in United States carbon dioxide (CO2) emissions below 1990 levels. The Administration has not submitted this change to the U.S. Senate where ratification is uncertain. If future reductions of electric utility CO2 emissions are eventually required, the financial impact upon KCPL could be substantial.

Low-Level Waste
The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact and selected a site in northern Nebraska

to locate a disposal facility. Wolf Creek Nuclear Operating Corporation (WCNOC) and the owners of the other five nuclear units in the compact have provided most of the pre-construction financing for this project. As of September 30, 2000, KCPL's net investment on its books was $7.4 million.

Significant opposition to the project has been raised by Nebraska officials and residents in the area of the proposed facility, and attempts have been made through litigation and proposed legislation in Nebraska to slow down or stop development of the facility. On December 18, 1998, the application for a license to construct this project was denied. In December 1998, the utilities filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application. In September 1999, the U.S. District Court partially denied and partially granted Nebraska's motions to dismiss the utilities' case. Nebraska has appealed the denial. The parties presented oral arguments to the U.S. Court of Appeals in October 2000 and are awaiting the court's decision.

On January 15, 1999, a request for a contested case hearing on the denial of the license was filed. On April 16, 1999, a U.S. District Court judge in Nebraska issued an injunction staying indefinitely any further activity on the contested case hearing. In April 2000, the court of appeals affirmed the U.S. District Court's decision. The possibility of reversing the license denial will be greater when the contested case hearing ultimately is conducted than it would have been had the hearing been conducted immediately.

In May 1999, the Nebraska legislature passed a bill withdrawing Nebraska from the Compact. In August 1999, the Nebraska governor gave official notice of the withdrawal to the other member states. Withdrawal will not be effective for five years and will not, of itself, nullify the site license proceeding.

Corporate Owned Life Insurance
On January 4, 2000, KCPL received written notification from the Internal Revenue Service (IRS) that it intends to dispute interest deductions associated with KCPL's corporate owned life insurance (COLI) program. We understand this issue is an IRS Coordinated Issue and thus has been raised and not finalized for many of the largest companies in the country. A disallowance of KCPL's COLI interest deductions and assessed interest on the disallowance for tax years 1994 to 1998 would reduce net income by approximately $13 million. KCPL believes it has complied with all applicable tax laws and regulations and will vigorously contest any adjustment or claim by the IRS including exhausting all appeals available.

Home Service Solutions Inc. Debt Guarantee
During 2000, R.S. Andrews Enterprises, Inc. (RSAE), 49%-owned by HSS, entered into a bank credit agreement which as of October 26, 2000, had an outstanding loan balance of $8.5 million. The agreement is collateralized by the common stock shares of a major shareholder of RSAE. As secondary assurance to the lender, HSS guaranteed the loan; however, HSS' wholly-owned subsidiary, Worry Free Service, Inc., and its assets are not subject to the guarantee.

Legal Proceedings
See Part II - Other Information, Item 1. Legal Proceedings.

7. OIL AND GAS PROPERTY AND INTANGIBLE PROPERTY

Oil and gas property and equipment included in Investments and Nonutility Property on the consolidated balance sheets totaled $40 million, net of accumulated depreciation of $11 million, at September 30, 2000 and $87 million, net of accumulated depreciation of $5 million at December 31, 1999. See Note 9 Significant Nonregulated Investments for discussion of the gas property sales.

8. RECEIVABLES

	September 30 2000	December 31 1999
	(thousands)	
KCPL Receivable Corporation	$ 74,470	$ 29,705
Other Receivables	53,683	41,843
Receivables	$ 128,153	$ 71,548

In 1999 KCPL entered into a revolving agreement to sell all of its right, title and interest in the majority of its customer accounts receivable to KCPL Receivable Corporation, a special purpose entity established to purchase customer accounts receivable from KCPL. KCPL Receivable Corporation has sold receivable interests to outside investors. In consideration of the sale, KCPL received $60 million in cash and the remaining balance in the form of a subordinated note from KCPL Receivable Corporation. The agreement is structured as a true sale under which the creditors of KCPL Receivable Corporation will be entitled to be satisfied out of the assets of KCPL Receivable Corporation prior to any value being returned to KCPL or its creditors.

Other receivables consist primarily of receivables from partners in jointly-owned electric utility plants, bulk power sales receivables and receivables held by subsidiaries.

9. SIGNIFICANT NONREGULATED INVESTMENTS (Subsequent to December 31, 1999)

KLT Gas Agreements to Sell Producing Natural Gas Properties

KLT Gas Inc. sold producing natural gas properties to Evergreen Resources, Inc. (Evergreen) in two parts with one part closed in September 2000 (total proceeds of $145 million) and the remaining portion closed in October 2000 (total proceeds of $35 million). KLT Gas Inc.'s business strategy is to acquire and develop early stage coal bed methane properties and then divest properties in order to create shareholder value.

Proceeds of $145 million from the Evergreen sale closed in September 2000 primarily consisted of $37 million in cash, $100 million of 9.5% redeemable preferred stock held to maturity and $6 million of Evergreen common stock. The preferred stock is expected to be redeemed by December 29, 2000, and has been classified as a current asset along with the Evergreen common stock that is considered a trading security. A $1 million increase in the value of the Evergreen common stock held by KLT Gas since the closing was recorded as income. The $145 million of proceeds from the sale closed in September 2000 were reduced by $26 million in transaction costs and the cost basis of the properties sold of $59 million resulting in a $60 million gain before taxes. The after tax gain on the sale was $39 million and $0.62 per share. The $26 million in transaction costs consist primarily of the $20.2 million present value cost incurred by KLT Gas to reduce its hedge position on gas sales since the producing properties associated with the hedges were sold. This cost will be paid over 16 months and has been recorded in Accounts Payable ($14.7 million) and Deferred Credits and Other Liabilities - other ($5.5 million).

On October 23, 2000, KLT Gas sold additional natural gas properties to Barrett Resources Corporation (Barrett) for total proceeds of about $54 million. This sale, along with the part of the Evergreen sale that closed in October, will increase fourth quarter 2000 earnings per share by approximately $0.50.

KLT Gas

During the first quarter of 2000, KLT Gas purchased a 50% ownership in Patrick Energy, LLC, an Oklahoma oil and gas exploration and development company. The investment is accounted for using the equity method and is about $21 million at September 30, 2000.

KLT Energy Services

In April 2000, KLT Energy Services invested an additional $6.4 million to purchase shares in Strategic Energy, LLC (SEL) from passive shareholders. SEL provides energy supply coordination services and purchases electricity and gas for resale to retail end users. SEL also provides strategic planning and consulting services in natural gas and electricity markets. With this investment, KLT Energy Services economic ownership percentage increased to 71% (68% of the voting interest) and required KLT to change its accounting treatment of SEL from the equity basis to consolidation. Goodwill associated with KLT Energy Services' ownership in SEL is being amortized over 15 years using the straight-line method.

KLT Energy Services has consolidated SEL as if the acquisition took place at the beginning of 2000. Consistent with the purchase method of accounting for business combinations, prior year financial information has not been restated. SEL revenues, consolidated by KLT for the nine months ended September 30, 2000, totaled $85 million and resulted in $14 million of income before taxes. SEL revenues for the year ended December 31, 1999, totaled $63 million.

HSS' Investment in R. S. Andrews Enterprises, Inc.

HSS' net investment of $23 million in R. S. Andrews Enterprises, Inc. was written down to net realizable value of $8 million.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Common Stock Put and Call Option Agreement
In September 2000, KLT exercised its option to purchase common shares of a publicly traded stock for $4.8 million. The shares are considered trading securities and have been classified as a current asset. A $2.9 million increase in the market value of the securities has been recorded in income since the closing of the purchase.

Gas Market Price Hedge Instruments
KLT Gas' risk management policy is to use firm sales agreements or financial hedge instruments to mitigate its exposure to market price fluctuations on approximately 85% of its daily natural gas production.

Prior to the sales of producing natural gas properties in September and October 2000 (See Note 9 to the Consolidated Financial Statements), KLT Gas had two firm sales agreements each covering 5,000 mmBtu (equivalent to approximately 5 Million Cubic Feet) of natural gas per day through February 2001 at rates of $2.59 and $2.61 per mmBtu, respectively. These contracts are forward contracts settled by physical delivery and KLT Gas records revenues on the covered sales using the rates under the agreements. Additionally, KLT Gas had entered financial hedge instruments covering additional mmBtu of natural gas production through April 2002. These financial instruments have weighted-average rates of $2.71 to $3.07 per mmBtu.

After the sales of producing natural gas properties in September and October 2000, KLT Gas retained production or entered into physical gas purchase agreements to fulfill the firm commitment

contracts. KLT Gas also unwound the financial instruments to reduce its hedge position to approximately 85% of the remaining gas production. The net present value cost of the physical gas purchase agreements to fulfill the firm commitment contracts and to unwind the financial hedge instruments approximated $24.9 million and reduced the before tax gains on the sales. Of the $24.9 million, $20.2 million was recorded with the Evergreen sale in September 2000. The remaining $4.7 million will be recorded in October 2000 as part of the October 2000 Evergreen sale and the Barrett sale.

After the September and October 2000 sales, the financial hedge instruments, covering approximately 85% of the remaining natural gas production, total 5,000 mmBtu per day in January 2001 and decrease to 3,000 mmBtu per day in April 2002. The weighted-average rate ranges from $2.71 to $3.07 per mmBtu. The effect of the remaining hedge instruments is calculated by comparing the rate per the agreements to the NYMEX natural gas rate as of the beginning of the month, which for September 2000, was $4.62 per mmBtu. KLT Gas accounts for the difference as an adjustment to the related revenues. For its remaining gas sales not covered by these agreements, KLT Gas sells at prevailing market prices.

11. NEW ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). FASB 133, as amended, is effective for fiscal years beginning after June 15, 2000. KCPL will adopt FASB 133 January 1, 2001. We have not yet quantified all effects of adopting FASB 133. At September 30, 2000, we have completed a preliminary review of KCPL's significant commodity contracts and financial instruments that have been identified as derivative instruments. Based on our preliminary review of these contracts, we believe that adoption of FASB 133 will not have a material impact on KCPL's financial position or results of operations. However, changing market conditions, effects of transactions not yet identified or new transactions, and interpretations from the FASB's Derivative Implementation Group could change our current assessment. FASB 133, as amended, could increase the volatility of KCPL's future earnings.

12. KLT TELECOM INC. ENTERS AGREEMENT TO PURCHASE AN ADDITIONAL OWNERSHIP INTEREST IN DTI HOLDINGS, INC.

On September 27, 2000, KLT Telecom Inc. entered a conditional agreement to purchase shares of the common stock of DTI Holdings, Inc. held by Richard Weinstein. Under the agreement, KLT Telecom would purchase from Weinstein a portion of his outstanding shares of common stock (Initial Shares) at an aggregate purchase price of about $110 million. This purchase would increase KLT Telecom's ownership of DTI Holdings, Inc. to 78%. If KLT Telecom acquires the Initial Shares by November 20, 2000, Weinstein will grant KLT Telecom a five-year option to purchase his remaining 15% ownership of DTI Holdings, Inc. (Remaining Shares). The aggregate exercise price of the Remaining Shares equals about $12 million plus an escalation factor of 15% per year compounded semi-annually commencing from the Initial Shares Closing Date.

The purchase of the Initial Shares by KLT Telecom is subject to the satisfaction of several significant conditions by November 20, 2000 (Initial Shares Closing Date). The conditions consist of the following among others. KLT Telecom shall:

- - have purchased, at prices determined at the sole discretion of KLT Telecom, at least:
  - 90% of the principal amount of the 12 1/2% Series B Senior Discount Notes (Notes) due 2008 issued by DTI Holdings, Inc. The accreted value of the Notes at June 30, 2000, was about $357 million.
  - 90% of the warrants, issued as part of the Notes agreement, each initially entitling the holder to purchase 1.552 shares of the common stock of DTI Holdings, Inc. (Warrants).

- - have received all waivers of covenants and other provisions in KLT Inc.'s current credit agreement in form and substance satisfactory to KLT Inc.
- - have received assurance of no threatened or pending litigation that would prohibit the closing of the transactions or expose KLT Telecom, KLT Inc. or KCPL to any liability.
- - have obtained financing commitments sufficient to meet financial obligations in connection with the transactions, including the $121 million purchase price for the initial and remaining shares and the purchase of Notes and Warrants at an aggregate purchase price to be determined by KLT Telecom.
- - be under no obligation to purchase any Notes or Warrants unless the aggregate purchase price does not exceed the price determined by KLT Telecom and all of the conditions set forth in the Agreement have been satisfied, or waived by KLT Telecom, at the Initial Shares Closing.

The Agreement can be terminated under certain circumstances including:
- - By either party if certain conditions as identified above have not been met.
- - By mutual consent of the parties.
- - By either party if a material breach of any representation, warranty or covenant in the Agreement has been committed by the other party.
- - By either party if the Initial Shares Closing has not occurred on or before December 1, 2000, or such other later date as the parties may agree upon.

On October 23, 2000, KLT Telecom placed on hold a tender offer for the Notes and Warrants due to the unfavorable credit market for telecommunications companies. This also placed on hold the conditional agreement to purchase Weinstein's shares.

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

REGULATION AND COMPETITION

As competition develops throughout the electric utility industry, we are positioning Kansas City Power & Light Company (KCPL) to excel in an open market. We continually strive to improve the efficiency of KCPL's electric utility operations.

Competition in the electric utility industry accelerated with the passage of the National Energy Policy Act of 1992. This Act gave the Federal Energy Regulatory Commission (FERC) the authority to require electric utilities to provide transmission line access to independent power producers (IPPs) and other utilities (wholesale wheeling).

An increasing number of states have already adopted open access requirements for utilities' retail electric service, allowing competing suppliers access to their retail customers (retail wheeling). Many other states, including Kansas and Missouri, have actively considered retail competition. Several comprehensive retail competition bills were introduced in the 2000 Missouri General Assembly but none passed this year. No comprehensive retail competition bills were introduced in the 2000 Kansas Legislature.

Retail access could result in market-based rates below current cost-based rates providing growth opportunities for low-cost producers and risks for higher-cost producers, especially those with large industrial customers. Lower rates and the loss of major customers could result in stranded costs and place an unfair burden on the remaining customer base or shareholders. We cannot predict whether any stranded costs would be recoverable in future rates. If an adequate and fair provision for recovery of lost revenues is not provided, certain generating assets may have to be evaluated for impairment and appropriate charges recorded against earnings. In addition to lowering profit margins, market-based rates could require generating assets to be depreciated over shorter useful lives, increasing operating expenses.

KCPL is positioned to compete in an open market with its diverse customer mix and pricing strategies. Industrial customers make up about 19% of KCPL's retail mwh sales, well below the utility industry average. KCPL's flexible industrial rate structure is competitive with other companies' rate structures in the region. In addition, we have entered into long-term contracts for a significant portion of KCPL's industrial sales. Although no direct competition for retail electric service currently exists within KCPL's service territory, it does exist in the bulk power market and between alternative fuel suppliers and KCPL. Third-party energy management companies are seeking to initiate relationships with large users in KCPL's service territory to enhance their chances to supply electricity directly when retail wheeling is authorized.

Increased competition could also force utilities to change accounting methods. Financial Accounting Standards Board (FASB) Statement No. 71 - - Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. A utility's operations could cease meeting the requirements of FASB 71 for various reasons, including a change in regulation or a change in the competitive environment for a company's regulated services. For those operations no longer meeting the requirements of regulatory accounting, regulatory assets would be written off. KCPL can maintain its $132 million of regulatory assets at September 30, 2000, as long as FASB 71 requirements are met.

Competition could eventually have a material, adverse effect on KCPL's results of operations and financial position. Should competition eventually result in a significant charge to equity, capital requirements and related costs could increase significantly.

PROPOSED RESTRUCTURING

KCPL is proactively seeking to restructure the company in advance of retail access legislation into a holding company with three separate subsidiaries - Power Supply, Power Delivery and KLT Inc. (KLT). This proposed restructuring will be subject to approval by a number of regulatory authorities. We cannot predict when or if these approvals will be received. As part of this restructuring, we are requesting that the generation assets (Power Supply) be deregulated.

We expect this proposed restructuring to create additional value for KCPL and its shareholders by:

- - Enabling KCPL to leverage its low-cost generation assets in an unregulated environment.
- - Allowing management to focus on value creation within each business unit.
- - Facilitating growth of each business unit and expansion into new markets.
- - Allowing the financial market to evaluate the nonregulated assets at a share price to earnings multiple that is greater than the multiple historically used to evaluate the regulated electric utility.

Applications for approval of the proposed restructuring were filed with the Missouri Public Service Commission (MPSC) on May 15, 2000, and with the Kansas Corporation Commission (KCC) on June 5, 2000. The state regulatory process has been divided into four phases, and the approval process will extend at least into the last quarter of 2001. Phase I filings were made on September 14, 2000, and Phase II filings are due in December 2000. Required federal filings will be made in 2001.

Power Supply - generation

KCPL's electric generation business is fundamentally sound and competitive. It has a strong asset mix including baseload, intermediate and peaking units. KCPL has historically been a low-cost provider in its region and, with the rebuild of Hawthorn No. 5 (projected to be placed in service in June 2001), KCPL's generation should be positioned well to compete in a deregulated market.

In addition to the rebuild of Hawthorn No. 5, KCPL has increased its generating capacity. In July 1999, Hawthorn No. 6, a 141-megawatt unit was placed in service. Hawthorn Nos. 7, 8 and 9 were placed into commercial use this summer. Combined, Hawthorn Nos. 7, 8 and 9 have 294 megawatts of natural gas-fired generating capacity.

We expect that there will be a power supply agreement for a period of time between the Power Supply and Power Delivery subsidiaries while Power Supply's additional generating capacity and competitive cost structure can also be utilized to sell electricity in the competitive wholesale market. We believe KCPL will realize many benefits, including:

- - The ability to make a higher return in a deregulated or competitive market.
- - The ability to make investment decisions and enter into strategic partnerships without needing regulatory approval.

Power Delivery - transmission and distribution

KCPL transmission and distribution (T&D) serves over 460,000 customers and experiences annual load growth of around 2% to 3% through increased customer usage and additional customers. KCPL's rates charged for electricity are currently below the national average. Additionally, there is a moratorium on changes to Missouri retail rates until 2002.

The creation of a separate business for T&D will segregate KCPL's regulated assets into a separate business unit. In addition, the T&D business intends to join a FERC approved Regional Transmission Organization (RTO), most likely the Southwest Power Pool Independent System Operator (ISO). RTOs will combine the transmission operations of utility businesses in the region into an organization that can schedule and deliver energy in the region to ensure regional transmission reliability.

KLT INC. NONREGULATED OPPORTUNITIES

KLT, a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures. Existing ventures include investments in telecommunications, natural gas development and production, energy services and affordable housing limited partnerships.

KCPL's investment in KLT was $119 million as of September 30, 2000 and December 31, 1999. KLT's income for the nine months ended September 30, 2000, totaled $50.0 million compared to a loss of $1.2 million for the nine months ended September 30, 1999. (See KLT earnings per share analysis on page 30 for significant factors impacting KLT's operations and resulting net income (loss) for all periods.) KLT's consolidated assets totaled $382 million at September 30, 2000 compared to $268 million at December 31, 1999.

Telecommunications
KLT Telecom owns 47% of DTI Holdings, Inc. (acquired in 1997), which is the parent company of Digital Teleport, Inc. (DTI), a facilities-based telecommunications company. DTI is creating an approximately 20,000 route-mile, digital fiber optic network comprised of 23 regional rings that interconnect primary, secondary and tertiary cities in 37 states. Currently, DTI has approximately 18,000 route miles of fiber optic cable in place or under construction throughout the United States consisting of long-haul segments and local loop networks in the St. Louis, Kansas City and Memphis metropolitan areas, as well as other smaller markets. DTI currently offers services over approximately 2,000 route miles of the network.

The strategic design of the DTI network allows DTI to offer reliable, high-capacity voice and data transmission services, on a region-by-region basis, to primary carriers and end-user customers who seek a competitive alternative to existing providers. DTI's network infrastructure is designed to provide reliable customer service through back-up power systems, automatic traffic re-routing and computerized automatic network monitoring. If the network experiences a failure of one of its links, the routing intelligence of the equipment transfers traffic to the next choice route, thereby ensuring call delivery without affecting customers. DTI currently provides services to other communications companies including Tier 1 and Tier 2 carriers. DTI also provides private line services to targeted business and governmental end-user customers.

DTI Holdings disclosed in its report on Form 10-K for the fiscal year ended June 30, 2000, that it has not yet been successful in obtaining additional financing to sustain its operations and may have insufficient liquidity to meet its needs for continuing operations and obligations. DTI Holdings also disclosed that there is substantial doubt about its ability to continue as a going concern. DTI Holdings also estimated total capital expenditures necessary to complete its network will be in excess of $300 million.

KLT Telecom continues to evaluate options to realize value from its 47% ownership in DTI. At June 30, 2000, KLT Telecom's $45 million equity investment in DTI had been completely written down. In September 2000, KLT Telecom announced its intent to conditionally acquire an additional

ownership in DTI. See Note 12 to the Consolidated Financial Statements on page 19 for further information.

KLT Telecom and KCPL continue to explore the creation of a business-to-business online exchange, the purpose of which is to allow utilities and other companies to purchase various goods and services online. KLT Telecom is pursuing additional participants for the exchange and cannot at this time predict when operations will commence.

Natural Gas Development and Production

KLT Gas Inc.'s business strategy is to acquire and develop early stage coalbed methane properties and then divest properties in order to create shareholder value. We believe that coalbed methane production provides an economically attractive alternative source of supply to meet the growing demand for natural gas in North America. We have built a knowledge base in coalbed methane production and reserves evaluation. Therefore, KLT Gas focuses on coalbed methane; a niche in the oil and gas industry where we believe our expertise gives us a competitive advantage. Coalbed methane, with a longer, predictable reserve life, is inherently lower risk than conventional gas exploration. The future price scenarios for natural gas appear strong, showing steady growth. We believe the demand for natural gas should strengthen into the future. Environmental concerns and the increased demand for natural gas for new electric generating capacity are driving this projected growth in demand. We believe that natural gas prices will continue to be more stable than oil prices and that an increased demand for natural gas will move natural gas prices upward in the future.

In September and October 2000, KLT Gas completed sales of a portion of its coalbed methane properties. See Note 9 to the Consolidated Financial Statements on page 17 for further information concerning the sales.

After the sales, KLT Gas' remaining properties are located in Colorado, Texas, Wyoming, Oklahoma, Kansas, New Mexico, and North Dakota. The retained properties represent 72% of the total natural gas development acreage prior to the sales. After the September and October 2000 sales, KLT Gas has a remaining ownership interest in approximately 80 wells with significant proved reserves.

Energy Services

In 1999 KLT Energy Services acquired a 56% ownership interest (49% of the voting interest) in Strategic Energy, LLC (SEL). In April 2000, KLT Energy Services invested an additional $6.4 million to increase its ownership interest to 71% (68% of the voting interest). SEL buys and manages electricity and natural gas in unregulated markets for commercial and industrial customers. SEL also provides strategic planning and consulting services in natural gas and electricity markets.

SEL builds strong customer relationships by providing quality services over extended periods of time. SEL has provided services to over 100 Fortune 500 companies and currently serves over 6,000 customers. SEL has developed an excellent market reputation over the past fifteen years.

SEL has developed into a major provider of services, mainly electricity for a fee, in the newly deregulated electricity market in Pennsylvania, capturing in excess of 300 megawatts in western Pennsylvania. SEL is also serving customers in newly deregulated markets of California and New York. SEL utilizes hedges on most of its retail obligations to eliminate any material market risk.

SEL has invested substantial amounts over the past three years in information systems necessary to manage both retail and wholesale energy on an integrated basis. SEL plans to continue investing in systems to maintain and exploit their technological advantage.

Affordable Housing Limited Partnerships

Through September 30, 2000, KLT Investments Inc. had invested $101 million in affordable housing limited partnerships. About 70% of these investments were recorded at cost and were incurred prior to May 19, 1995; the equity method was used for the remainder. We reduce tax expense in the year tax credits are generated. The investments generate future cash flows from tax credits and tax losses of the partnerships. The investments also generate cash flows from the sales of the properties (estimated residual value). For most investments, tax credits are received over ten years.

On a quarterly basis, KLT completes a valuation study of its cost method investments in affordable housing by comparing the cost of those properties to the total of projected residual value of the properties and remaining tax credits to be received. Estimated residual values are based on studies performed by an independent firm. Projected annual reductions of the book cost based on the latest valuation study for the years 2000 through 2005 total $2, $13, $9, $11, $10 and $8 million, respectively. Estimated reductions for the year ended December 31, 2000, are expected to be incurred in the fourth quarter. Even after these reductions, earnings from affordable housing will continue to be positive for the next five years.

These projections are based on the latest information available but the ultimate amount and timing of actual reductions made could be significantly different from the above estimates. Also, based on preliminary external information, management believes the assets could be sold at a loss significantly lower than the accumulated reductions to be recorded during the next five years.

HOME SERVICE SOLUTIONS INC. NONREGULATED OPPORTUNITIES

Home Service Solutions Inc. (HSS), a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures primarily in residential services. At September 30, 2000, HSS had a 49% ownership in R.S. Andrews Enterprises, Inc. (RSAE), a consumer services company in Atlanta, Georgia. Additionally, Worry Free Service, Inc., a wholly-owned subsidiary of HSS, assists residential customers in obtaining financing primarily for heating and air conditioning equipment.

KCPL's investment in HSS was $46.3 million as of September 30, 2000, and December 31, 1999. HSS' loss for the nine months ended September 30, 2000, totaled $12.6 million compared to $0.4 million for the nine months ended September 30, 1999. HSS' increased loss for the nine months ended September 30, 2000, was primarily due to writing down its investment in RSAE to net realizable value of $8 million. At September 30, 2000, KCPL's accumulated losses were $17.1 million on its investment in HSS.

RESULTS OF OPERATIONS

Three-month period:	Three months ended September 30, 2000, compared with three months ended September 30, 1999
Nine-month period:	Nine months ended September 30, 2000, compared with nine months ended September 30, 1999
Twelve-month period:	Twelve months ended September 30, 2000, compared with twelve months ended September 30, 1999

EARNINGS OVERVIEW

Earnings per share (EPS) summary	Three months ended September 30 2000	1999	Nine months ended September 30 2000	1999	Twelve months ended September 30 2000	1999
Core utility	$0.70	$0.60	$1.13	$1.19	$1.29	$1.39
KLT Inc. 1	0.78	(0.01)	0.81	(0.02)	0.81	(0.09)
HSS Inc.	(0.17)	-	(0.20)	(0.01)	(0.26)	(0.01)
Cumulative effect of changes in pension accounting	-	-	0.49	-	0.49	-
Reported Consolidated EPS	$1.31	$0.59	$2.23	$1.16	$2.33	$1.29

	For the Periods Ended September 30, 2000 Three Months	Nine Months	Twelve Months
	Increase (decrease)		
Factors impacting the change in core utility EPS			
Merger impact	$ 0.01	$ 0.03	$ 0.10
July 1999 heat storm	0.18	0.18	0.18
1999 write off of start up costs	-	0.02	0.02
Retail customers' rate reduction in Missouri effective March 1, 1999	-	(0.02)	(0.05)
Increased cost of gas and oil	(0.06)	(0.08)	(0.08)
Replacement power insurance and options to purchase capacity	(0.06)	(0.08)	(0.08)
Other (see discussion below)	0.03	(0.11)	(0.19)
Total	$ 0.10	$(0.06)	$(0.10)

1 See KLT earnings per share analysis on page 30.

Contributing to the other factors impacting core utility EPS (reflected in the table above) are the following:

- In all periods, the impact of the unavailability of Hawthorn No.5 (see discussion on page 35).
- In all periods, increased retail sales primarily due to warmer summer weather in 2000 as compared to 1999 and continued load growth.
- In all periods, increased natural gas-fired generation as a percentage of total generation from fossil plants because of the addition of Hawthorn Nos. 6 through 9. Natural gas has a significantly higher fuel cost per mwh of generation than coal or nuclear fuel.

Effective January 1, 2000, KCPL changed its methods of amortizing unrecognized net gains and losses and determination of expected return related to its accounting for pension expense. Accounting principles required KCPL to record the cumulative effect of these changes in the three months ended March 31, 2000, increasing common stock earnings by $0.49 per share or $30.1 million. Additionally, the changes in pension accounting will reduce pension expense by $8.2 million for the year 2000, increasing earnings per share by $0.08 per share. Three-fourths of this reduction in pension expense was allocated to the nine months ended September 30, 2000. See Note 1 to the Consolidated Financial Statements for further information.

MEGAWATT-HOUR (MWH) SALES AND OPERATING REVENUES

Sales and revenue data:
(revenue change in millions)

	For the Periods ended September 30, 2000					
	Three Months		Nine Months		Twelve Months	
	Mwh	Revenues	Mwh	Revenues	Mwh	Revenues
	Increase (decrease)					
Retail Sales:						
Residential	13 %	$ 15	7 %	$ 18	5 %	$ 18
Commercial	10 %	9	7 %	14	6 %	14
Industrial	(6) %	-	(1) %	3	(2) %	1
Other	9 %	-	10 %	-	8 %	-
Total Retail	8 %	24	5 %	35	4 %	33
Sales for Resale:						
Bulk Power Sales	1 %	(2)	(14) %	(4)	(8) %	(3)
Other	6 %	-	4 %	-	5 %	-
Total	8 %	22	3 %	31	3 %	30
Other Revenues		2		3		3
Total Operating Revenues		$ 24		$ 34		$ 33

In 1999 the Missouri Public Service Commission (MPSC) approved a stipulation and agreement that called for KCPL to reduce its annual Missouri electric revenues by 3.2%, or about $15 million effective March 1, 1999. Revenues decreased by approximately $2 million for the nine-month period and $5 million for the twelve-month period as a result of the Missouri rate reduction. As part of the stipulation and agreement, KCPL, MPSC Staff or the Office of Public Counsel will not file any case with the Commission requesting a general increase or decrease, rate credits or rate refunds that would become effective prior to March 1, 2002.

For all periods, retail mwh sales increased primarily due to warmer summer weather and continued load growth. Load growth consists of higher usage-per-customer and the addition of new customers. Less than 1% of revenues include an automatic fuel adjustment provision.

KCPL set a record peak demand for the consumption of energy of 3,374 megawatts on August 28, 2000, which replaced the record of 3,312 megawatts set on August 16, 2000. This reflects the higher than normal megawatt demand on the system during the summer of 2000.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. Bulk power mwh sales increased for the three-month period, even with increased retail mwh sales, due to the additions of Hawthorn Nos. 7, 8 and 9 during summer 2000. The unavailability of Hawthorn No. 5 contributed to the decreased bulk power mwh sales in the nine- and twelve-month periods. Wolf Creek's tenth maintenance and refueling outage during the second quarter of 1999 contributed to reduced bulk power mwh sales for the nine and twelve months ended September 30, 1999.

Future mwh sales and revenues per mwh could be affected by national and local economies, weather, customer conservation efforts and availability of generating units. Competition, including alternative sources of energy, such as natural gas, co-generation, IPPs and other electric utilities, may also affect future sales and revenues.

FUEL AND PURCHASED POWER

	Percentage change for the period	
	Combined fuel and purchased power expenses	Total MWH sales
	Increase(Decrease)	
Three-month period	2 %	8 %
Nine-month period	10 %	3 %
Twelve-month period	10 %	3 %

Fuel costs per mmBtu of generation increased 27% for the three-month period, 16% for the nine-month period and 13% for the twelve-month period primarily because of the addition of 294 megawatts of natural gas-fired generation. This increase in generation capacity replaced more expensive purchased power contracts. Natural gas-fired generation increased as a percentage of total generation by 6% for the three-month period, 4% for the nine-month period and 3% for the twelve-month period. Natural gas has a significantly higher cost per mmBtu of generation than coal or nuclear fuel. In addition, the cost of natural gas increased considerably in all periods due to market price increases.

For all periods, the unavailability of Hawthorn No. 5 resulted in increased purchased power expenses. In addition, excluding the impact of the July 1999 heat storm, the cost per mwh of purchased power increased in the nine- and twelve-month periods primarily due to the addition of new natural gas-fired generation throughout the country. In all periods, the cost per mwh for purchased power was significantly higher than the fuel cost per mwh of generation.

As a result of the intense and prolonged heat in the Midwest during the last half of July 1999, KCPL incurred approximately $18 million in higher costs, including purchased power expenses, net of the increased revenues.

We continually evaluate the need for risk mitigation measures in order to minimize KCPL's financial exposure to, among other things, spikes in wholesale power prices during periods of high demand. Replacement power insurance and options to purchase capacity totaled $6 million or $0.06 per share for the three-month period and $8 million or $0.08 per share for the nine- and twelve-month periods.

Nuclear fuel costs per mmBtu decreased 5% for the twelve-month period and remained substantially less than the mmBtu price of coal. Nuclear fuel costs per mmBtu averaged about 53% of the mmBtu price of coal for the twelve months ended September 30, 2000, and 57% of the mmBtu price of coal for the twelve months ended September 30, 1999. We expect the price of nuclear fuel to remain fairly constant through the year 2003. During the twelve months ended September 30, 2000, fossil plants represented about 69% and the nuclear plant about 31% of total generation. For the twelve months ended September 30, 1999, fossil plants represented about 71% and the nuclear plant about 29% of total generation.

The cost of coal per mmBtu increased 2% for the twelve-month period partially because of the unavailability of Hawthorn No. 5. The cost of coal per mmBtu at Hawthorn No. 5 was lower than the average cost of coal per mmBtu at most of KCPL's other coal-fired plants. While we expect a slight increase in the cost of coal in 2001, KCPL's coal procurement strategies continue to provide coal costs below the regional average.

OTHER OPERATION AND MAINTENANCE EXPENSES

Combined other operation and maintenance expenses increased about $9 million or 13% for the three-month period, $21 million or 11% for the nine-month period and about $22 million or 8% for the twelve-month period primarily due to the following:

- - For all periods, non-station production expenses increased because of the cost of replacement power insurance incurred during the summer months of 2000 and energy costs incurred during the test runs at Hawthorn Nos. 7, 8 and 9.
- - For all periods, non-fuel production operations increased due to operating and lease expenses for Hawthorn No. 6, which was placed into commercial operation in July 1999, and higher operating expenses at certain generating units.
- - For all periods, administrative and general expenses increased primarily due to increased salary expenses for implementation of system applications partially offset in the nine-month period by KCPL's share of a property insurance refund related to Wolf Creek and in all periods due to the impact of the changes in pension accounting.
- - For all periods, production maintenance expenses vary primarily due to the timing of scheduled maintenance at KCPL's generating units. For all periods, distribution maintenance expenses increased primarily due to maintenance costs incurred on overhead distribution lines as a result of July and August 2000 storm damage.
- - For all periods, customer record keeping expenses increased primarily due to computer software consulting services. For the twelve-month period, meter reading expenses increased because of higher payments for automated meter reading primarily due to additional meters being read and a 1999 rate increase for automated reading services.
- - For all periods, other operating expenses decreased because of the October 1999 sale of accounts receivable to KCPL Receivable Corporation. Bad debt expenses associated with the receivables was reflected as other operating expenses prior to the sale and is reflected as a miscellaneous deduction subsequent to the sale.
- - For all periods, Hawthorn No. 5's other operation and maintenance expenses decreased because of the boiler explosion in February 1999.

We continue to emphasize new technologies, improved work methodology and cost control. We continuously improve our work processes to increase efficiencies and improve operations.

DEPRECIATION

The increase in depreciation expense for all periods reflected increased depreciation of capitalized computer software for internal use and normal increases in depreciation from capital additions. These increases were partially offset in the nine- and twelve-month periods by a decrease in depreciation expense because Hawthorn No. 5 was partially retired due to the February 1999 explosion.

TAXES

Operating income taxes increased for the three-month period reflecting higher taxable operating income. Operating income taxes decreased for the nine- and twelve-month periods reflecting lower taxable operating income.

Components of general taxes:

	Three months ended September 30		Nine months ended September 30		Twelve months ended September 30	
	2000	1999	2000	1999	2000	1999
	(thousands)					
Property	$ 10,101	$ 10,741	$ 30,782	$ 32,224	$ 41,292	$ 42,097
Gross receipts	14,578	14,158	32,514	32,077	41,653	41,295
Other	2,661	2,519	7,257	7,019	9,289	9,379
Total	$ 27,340	$ 27,418	$ 70,553	$ 71,320	$ 92,234	$ 92,771

OTHER INCOME AND (DEDUCTIONS)

KLT summarized operations:

	Three months ended September 30		Nine months ended September 30		Twelve months ended September 30	
	2000	1999	2000	1999	2000	1999
	(millions, except for earnings per share)					
Miscellaneous income and (deductions) - net	$ 68.3	$ (8.3)	$ 56.8	$(26.0)	$ 48.2	$(40.2)
Income taxes	(16.1)	10.4	4.4	33.8	15.8	46.6
Interest charges	(4.0)	(2.8)	(11.2)	(9.0)	(14.1)	(12.0)
Net income (loss)	$ 48.2	$ (0.7)	$ 50.0	$ (1.2)	$ 49.9	$ (5.6)
KLT earnings (loss) per share	$ 0.78	$(0.01)	$ 0.81	$(0.02)	$ 0.81	$(0.09)

KLT earnings per share analysis:

	Three months ended September 30		Nine months ended September 30		Twelve months ended September 30	
	2000	1999	2000	1999	2000	1999
	(earnings per share)					
KLT normal operations	$ 0.78	$ 0.10	$ 1.00	$ 0.23	$ 1.08	$ 0.29
Write-off of CellNet stock	-	-	(0.05)	-	(0.05)	-
Sale of Nationwide Electric	-	0.20	-	0.20	-	0.20
Write down of Lyco investment	-	(0.03)	-	(0.03)	-	(0.03)
Write off of a note receivable	-	(0.05)	-	(0.05)	-	(0.05)
KLT Power transactions - 1998	-	-	-	-	-	(0.06)
KLT Telecom - Digital Teleport Inc.	-	(0.06)	(0.14)	(0.17)	(0.21)	(0.22)
KLT Telecom - Telemetry Solutions	-	(0.17)	-	(0.20)	(0.01)	(0.22)
KLT Earnings(Loss) per share	$ 0.78	$(0.01)	$ 0.81	$(0.02)	$ 0.81	$(0.09)

KLT normal operations earnings per share increased $0.62 in all periods as a result of KLT Gas' sale of producing natural gas properties to Evergreen Resources, Inc. in September 2000. KLT Gas' business strategy is to acquire and develop early stage coal bed methane properties and then divest properties in order to create shareholder value. Normal operations also increased primarily due to improved earnings from its investments in gas production and development, and income from Strategic Energy, LLC.

In March 2000, KLT wrote off its investment of $4.8 million before taxes in CellNet Data Systems Inc. Through December 31, 1999, $3.8 million before taxes, or $0.04 per share, of this loss had

been reported as an unrealized loss in the Consolidated Statements of Comprehensive Income. In September 1999, KLT Energy Services sold 100% of the stock it held in Nationwide Electric, Inc., resulting in a gain of $20 million and increasing EPS by $0.20 for the three, nine and twelve months ended September 30, 1999.

KLT recorded equity losses on its investment in DTI Holdings, Inc. of approximately $14 million for the nine months ended September 30, 2000, and $21 million for the twelve months ended September 30, 2000. At June 30, 2000, the equity investment in DTI Holdings, Inc. had been completely written down.

In September 1999, KLT Telecom wrote off its investment in Telemetry Solutions. Both the write-off of the investment ($0.13 per share) and the operating losses incurred prior to the write-off are included on the KLT Telecom - Telemetry Solutions line in the earnings per share table above.

Miscellaneous income and (deductions) - net:

	Three months ended September 30		Nine months ended September 30		Twelve months ended September 30	
	2000	1999	2000	1999	2000	1999
			(millions)			
Merger-related expenses	$ -	$ (1.0)	$ (0.2)	$ (2.1)	$ (1.3)	$ (2.6)
From table on page 30	68.3	(8.3)	56.8	(26.0)	48.2	(40.2)
Other	(21.2)	(3.1)	(28.4)	(6.6)	(35.8)	(7.4)
Total Miscellaneous income and (deductions) - net	$ 47.1	$(12.4)	$ 28.2	$(34.7)	$ 11.1	$(50.2)

Other increased $3 million in the three-month period, $4 million in the nine-month period, and $5 million in the twelve-month period because of a change in classification of bad debt expense. After the new agreement in October 1999 to sell accounts receivable to KCPL Receivable Corporation, bad debt expense was recorded to this category. Prior to the sale, bad debt expense was charged to other operating expense. Further, HSS' operations resulted in increased deductions of approximately $17.0 million for the three-month period, $20.2 million for the nine-month period and $24.9 million for the twelve-month period primarily due to writing down its investment in R.S. Andrews Enterprises, Inc. by $15 million to net realizable value of $8 million and equity losses on this investment prior to the writedown.

Other Income and (Deductions) - Income taxes
Other Income and (Deductions) - Income taxes for all periods reflects the tax impact on total miscellaneous income and (deductions) - net. In addition, KLT accrued tax credits of $21 million for the nine months ended September 30, 2000 and 1999. KLT accrued tax credits of $28 million for the twelve months ended September 30, 2000 and $27 million for the twelve months ended September 30, 1999.

INTEREST CHARGES

Long-term debt interest expense increased for all periods reflecting higher average levels of outstanding long-term debt and higher average interest rates on variable rate debt. The higher average levels of debt primarily reflect $200 million of unsecured, floating rate medium-term notes issued by KCPL in March 2000 partially offset by scheduled debt repayments by KCPL. In addition, KLT Gas made borrowings on a new bank credit agreement entered in the first quarter of 2000. However, the KLT Gas borrowings were repaid in September 2000 primarily with proceeds from the

September 2000 sale of producing natural gas properties to Evergreen Resources, Inc. and also with funds from increased borrowings on the KLT Inc. bank credit agreement. KLT also made scheduled debt repayments on its affordable housing notes partially offsetting the increase in average levels of outstanding long-term debt.

Short-term debt interest expense increased for all periods because KCPL had higher average levels of outstanding short-term debt. KCPL had $222 million of commercial paper outstanding at September 30, 2000, compared to $85 million at September 30, 1999.

We use interest rate swap and cap agreements to limit the volatility in interest expense on a portion of KCPL's variable-rate, long-term debt. Although these agreements are an integral part of interest rate management, the incremental effect on interest expense and cash flows is not significant. We do not use derivative financial instruments for speculative purposes.

Allowance for Funds Used During Construction

Allowance for funds used during construction (allowance for equity funds and borrowed funds) increased during all periods because of increased expenditures for construction projects at the Hawthorn generating station. Allowance for borrowed funds used during construction increased more than equity funds used during construction in all periods due to higher balances of outstanding short-term debt during the periods. FERC guidelines for calculating the allowance used during construction require consideration of the level of outstanding short-term debt before equity funds.

WOLF CREEK

Wolf Creek is one of KCPL's principal generating units, representing about 17% of KCPL's generating capacity, excluding the Hawthorn No. 5 generating unit. The plant's operating performance has remained strong over the last three years, contributing about 28% of the annual mwh generation while operating at an average capacity of 91%. Furthermore, Wolf Creek has the lowest fuel cost per mmBtu of any of KCPL's generating units.

We accrue the incremental operating, maintenance and replacement power costs for planned outages evenly over the unit's operating cycle, normally 18 months. As actual outage expenses are incurred, the refueling liability and related deferred tax asset are reduced. Wolf Creek's eleventh refueling and maintenance outage, estimated to be a 35-day outage, began September 30, 2000, and is expected to be completed on schedule in November 2000.

Wolf Creek's tenth refueling and maintenance outage, estimated to be a 40-day outage, began April 3, 1999, and was completed May 9, 1999. Actual costs of the 1999 outage were $1 million less than the estimated and accrued costs for the outage primarily because the 36-day outage was shorter than estimated. In fact, it was the shortest refueling and maintenance outage in Wolf Creek's history.

Ownership and operation of a nuclear generating unit exposes KCPL to risks regarding decommissioning costs at the end of the unit's life and to potential retrospective assessments and property losses in excess of insurance coverage.

ENVIRONMENTAL MATTERS

KCPL's operations must comply with federal, state and local environmental laws and regulations. The generation and transmission of electricity produces and requires disposal of certain products and by-products, including polychlorinated biphenyl (PCBs), asbestos and other potentially

hazardous materials. The Federal Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law) imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. This liability extends to the current property owner, as well as prior owners, back to the time of contamination.

We continually conduct environmental audits to detect contamination and ensure compliance with governmental regulations. However, compliance programs need to meet new and future environmental laws, as well as regulations governing water and air quality, including carbon dioxide emissions, nitrogen oxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields. Therefore, compliance programs could require substantial changes to operations or facilities (see Note 6 to the Consolidated Financial Statements).

SIGNIFICANT CONSOLIDATED BALANCE SHEET CHANGES (September 30, 2000 compared to December 31, 1999)

- Utility plant - construction work in process increased $118.2 million primarily due to increases of $169.6 million at Hawthorn No. 5 for rebuilding the boiler partially offset by amounts related to the construction of Hawthorn Nos. 7, 8 and 9 which were placed into commercial service in 2000. Hawthorn Nos. 7, 8 and 9 had $45.1 million in construction work in process at December 31, 1999.
- Investments and nonutility property decreased $59.2 million primarily due to a $14.9 million writedown by HSS of its investment in R.S. Andrews Enterprises, Inc. and a $46.4 million decrease in KLT's investments including:
  - $ 25.3 million decrease in natural gas property and investments,
  - $ 7.3 million decrease due to increased ownership in Strategic Energy, L.L.C. (SEL) resulting in a change in the accounting for SEL from the equity method to consolidation,
  - $ 14.0 million decrease due to equity losses from the investment in Digital Teleport Inc.
- Receivables increased $56.6 million primarily due to $11.8 million in receivables recorded by KLT due to the consolidation of SEL, a $5.4 million increase in receivables associated with KLT Gas, and a $44.8 million increase in a receivable from KCPL Receivable Corporation. Because of seasonally higher retail sales in September 2000 versus December 1999, there were higher customer accounts receivable available to sell to KCPL Receivable Corporation. These increases were partially offset by decreased receivables of $8.5 million from partners in jointly-owned plants.
- Equity securities increased $114.7 million due to $100.0 million of preferred stock and $6.0 million in common stock received as proceeds in the sale of natural gas properties to Evergreen Resources, Inc. by KLT Gas in September 2000 and $4.8 million of a publicly-traded common stock purchased by KLT Energy Services in September 2000 under an option agreement. These common stock holdings increased in value by $3.9 million as of September 30, 2000.
- Prepaid pension costs increased $62.0 million because KCPL changed its methods of accounting for pension expenses (see Note 1 to the Consolidated Financial Statements).
- Other deferred charges increased $13.5 million primarily due to increased goodwill resulting from KLT's purchase of an additional ownership interest in SEL and the change in accounting for SEL from the equity method to consolidation.
- Capitalization increased $304.1 million primarily due to KCPL's issuance of $200 million of unsecured medium-term notes. Proceeds from the issuance were used to repay outstanding commercial paper. Additionally, KCPL recorded net income in excess of dividend payments of $60.8 million, including $30.1 million for the cumulative effect of changes in pension accounting. KLT's long-term debt increased $91.1 million primarily due to renegotiating KLT's bank credit agreement from short-term to long-term. Partially

offsetting these increases in capitalization, KCPL reclassified $50.0 million of long-term debt to current maturities.

- Notes payable to banks decreased $24.7 million because KLT Gas repaid its notes payable to banks with proceeds from borrowings on its new long-term bank credit agreement.
- Commercial paper increased $8.1 million because of additional commercial paper borrowings as expenditures exceeded cash receipts. The $200.0 million repayment with proceeds from the long-term debt issuance mostly offset these increased borrowings.
- Current maturities of long-term debt decreased $54.9 million primarily reflecting the renegotiating of KLT's bank credit agreement from short-term to long-term, which was $61.0 million at December 31, 1999, partially offset by an $8.0 million increase in the current portion of KCPL's medium-term notes.
- Accounts payable increased $45.2 million primarily due to the timing of payments for expenditures associated with the reconstruction of Hawthorn No. 5, $5.9 million in accounts payable recorded by KLT due to the consolidation of SEL, and $14.7 million in accounts payable recorded by KLT Gas for the current portion of the cost to reduce its hedge position on natural gas sales.
- Accrued taxes increased $75.3 million primarily due to taxes accrued on the proceeds of the sale of producing natural gas properties by KLT Gas and the timing of income tax and property tax payments.
- Deferred income taxes increased by $3.3 million mostly due to a $19.2 million increase in deferred taxes associated with the cumulative effect of changes in pension accounting offset by deferred tax assets related to equity losses incurred by KLT Telecom on its investment in DTI and the write down of HSS' investment in R.S. Andrews Enterprises, Inc.

CAPITAL REQUIREMENTS AND LIQUIDITY

KCPL's liquid resources at September 30, 2000, included cash flows from operations; $100 million of registered but unissued, unsecured medium-term notes; and $54 million of unused bank lines of credit. The unused lines consisted of KCPL's short-term bank lines of credit of $33 million and KLT's bank credit agreement of $21 million.

KCPL continues to generate positive cash flows from operating activities. Individual components of working capital will vary with normal business cycles and operations. Also, the timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel. The increase in cash from operating activities for the nine-month period was primarily due to changes in certain working capital items (as detailed in Note 2 to the Consolidated Financial Statements). In addition, the buyout of a fuel contract in 1999; the refund of amounts accrued for the Kansas rate refunds; and a payment of $19 million in 1999 to the IRS to settle certain outstanding issues decreased cash flows from operating activities for the nine months ended September 30, 1999. Partially offsetting these changes for the nine-month period, income before non-cash expenses (income is before the cumulative effect of changes in accounting principles) decreased by about $3 million.

Cash from operating activities increased for the twelve-month period primarily due to changes in certain working capital items (as detailed in Note 2 to the Consolidated Financial Statements). Also, the buyout of a fuel contract in 1999 and a payment of $19 million in 1999 to the IRS to settle certain outstanding issues decreased cash flows from operating activities for the twelve months ended September 30, 1999. In addition, contributing to the increased cash from operating activities for the twelve-month period, income before non-cash expenses (income is before the cumulative effect of changes in accounting principles) increased by about $8 million.

Cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Cash used for investing activities increased for the nine-month period primarily reflecting increased utility capital expenditures for construction projects at the Hawthorn generating station, increased purchases by KLT of natural gas investments and KLT's exercise of its option to acquire common stock of a publicly-traded company. Cash used for investing activities increased for the twelve-month period primarily because of increased utility capital expenditures. The receipt of $50 million of partial insurance recoveries related to Hawthorn No. 5 and proceeds from the September sale of KLT Gas properties to Evergreen Resources, Inc. reduced cash used for investing activities in the nine and twelve months ended September 30, 2000. Proceeds from the sale of Nationwide Electric, Inc. stock by KLT Energy Services and $80 million in partial insurance recoveries related to Hawthorn No. 5 reduced cash used for investing activities in the nine and twelve months ended September 30, 1999.

Cash from financing activities increased for the nine- and twelve-month periods primarily because KCPL issued $200 million of unsecured medium-term notes in the first quarter of 2000 and KLT Inc. increased borrowings on its bank credit agreement. KLT Gas borrowed $51 million on a new bank credit agreement and repaid the amount in full during the nine months ended September 30, 2000. Furthermore, KCPL's short-term borrowings increased for the nine- and twelve-month periods however the increase in the nine-month period was more than offset by the repayment with proceeds from the unsecured medium-term note issuance. Partially offsetting these increases, KCPL's scheduled debt repayments were higher in both periods. In the twelve-month period, KCPL redeemed $50 million of preferred stock.

On October 20, 2000, Standard and Poor's Corporation lowered its long-term credit rating on KCPL to A- from A and lowered its short-term credit rating to A-2 from A-1. The outlook was changed from negative to stable. Moody's Investors Service's long-term credit rating on KCPL is A1 and its short-term credit rating is P-1.

KCPL's common dividend payout ratio was 90% (excluding the cumulative effect of changes in accounting principles) for the twelve months ended September 30, 2000, and 129% for the twelve months ended September 30, 1999.

We expect KCPL to meet day-to-day operations, utility construction requirements (excluding new generating capacity) and dividends with internally-generated funds. But KCPL might not be able to meet these requirements with internally-generated funds because of the effect of inflation on operating expenses, the level of mwh sales, regulatory actions, compliance with future environmental regulations and the availability of generating units (see Hawthorn No. 5 discussion below). The funds needed to retire $535 million of maturing debt through the year 2004 will be provided from operations, refinancings and/or short-term debt. KCPL may issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

HAWTHORN NO. 5

On February 17, 1999, an explosion occurred at the 476-megawatt, coal-fired Hawthorn Generating Station Unit No. 5 (Hawthorn No. 5). The boiler, which was not operating at the time, was destroyed, but there were no injuries. KCPL's investigation indicates that an explosion of accumulated gas in the boiler's firebox caused the damage. KCPL has property insurance coverage with limits of $300 million. Through September 30, 2000, KCPL has received $130 million in insurance recoveries under this coverage and has recorded the recoveries in Utility Plant - accumulated depreciation on the consolidated balance sheet.

We have entered into a contract for construction of a new coal-fired boiler to permanently replace the lost capacity of Hawthorn No. 5. Expenditures for rebuilding Hawthorn No. 5 were $36 million in 1999 and are projected to be $210 million in 2000 and $73 million in 2001. These amounts have not been reduced by the insurance proceeds received to date or future proceeds to be received. Construction on the new unit, expected to have a capacity of 550 megawatts, is progressing and is on target to be in-service in June 2001.

We believe that we can secure sufficient power to meet the energy needs of KCPL's customers during the Hawthorn No. 5 reconstruction. Hawthorn No. 6, a 141-megawatt, gas-fired combustion turbine was accepted under a lease arrangement and placed into commercial operation in July 1999. In addition, construction of Hawthorn Nos. 7, 8 and 9 has been completed and the units were placed into commercial use this summer. These three units are capable of generating 294 megawatts of capacity.

Assuming normal weather and operating conditions, we estimate additional expenses (before tax) of $31 million for the year 2000 and $3 million for the year 2001 due to the unavailability of Hawthorn No. 5. This estimate mainly includes the effect of increased net replacement power costs, reduced bulk power sales and reduced fuel expense at Hawthorn No. 5.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

KCPL is exposed to market risks associated with commodity price and supply, interest rates and equity prices. Market risks are handled in accordance with established policies, which may include entering into various derivative transactions. In the normal course of business, KCPL also faces risks that are either non-financial or non-quantifiable. Such risks principally include business, legal, operational and credit risk and are not represented in the following analysis.

Commodity Risk

KCPL and KLT, through its majority-owned subsidiary, Strategic Energy, L.L.C. (SEL), engage in the wholesale and retail marketing of electricity, and accordingly, are exposed to risk associated with the price of electricity.

KCPL's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity and long, intermediate and short-term contracts. KCPL maintains a net positive supply of energy and capacity, through its generation assets and power purchase and lease agreements, to protect it from the potential operational failure of one of its owned or contracted power generating units. Including the proposed capacity for the rebuilt Hawthorn No. 5, KCPL's expected reserve margin will approximate 16% of its capacity. However, as necessary, KCPL enters into power purchase agreements with the objective of obtaining low-cost energy to meet its physical delivery obligations to its customers. We implemented price and volume risk mitigation measures to protect KCPL in the event of a hot summer period. We continually evaluate the need for risk mitigation measures in order to minimize KCPL's financial exposure to, among other things, spikes in wholesale power prices during periods of high demand.

KCPL's sales include the regulated sales of electricity to its retail customers and bulk power sales of electricity in the unregulated, wholesale market. There is a moratorium on changes to Missouri retail rates until 2002. A hypothetical 10% increase in the cost of purchased power would have resulted in a $9 million decrease in pretax earnings in the twelve months ended September 30, 2000. A hypothetical 10% increase in gas and oil fuel costs for generation would have resulted in a $3 million decrease in pretax earnings in the twelve months ended September 30, 2000. KCPL has approximately 80% of its forecasted coal requirements under contract for the year 2001.

SEL provides power supply coordination services purchasing electricity and reselling it to retail end users. SEL aggregates retail customers into economic purchasing pools, develops predictive load models for the pools and then builds a portfolio of suppliers to provide the pools with reliable power at the lowest possible cost. SEL has entered into significant supply contracts with dispatchable and firm power agreements through the year 2005 that mitigates most of the commodity risk associated with its power supply coordination services.

KLT, through its wholly-owned subsidiary, KLT Gas Inc., entered into two firm gas sales agreements and three financial hedge instruments to mitigate its exposure to market price fluctuations on approximately 85% of its daily gas sales. After the September and October 2000 sales of producing natural gas properties, KLT reduced its hedge position on gas sales at a present value cost of $24.9 million. For further discussion of these agreements see Note 9 to the Consolidated Financial Statements.

We continue to believe that KCPL and KLT's business philosophy, performance measurement and other management activities are not consistent with that of a "trading organization".

Commitments to purchase and sell energy and energy-related products are carried at cost. We report the revenue and expense associated with all energy contracts at the time the underlying physical transaction closes consistent with industry practice and the business philosophy of generating/purchasing and delivering physical power to customers.

Interest Rate Risk

KCPL and KLT use a combination of fixed rate and variable rate debt. Interest rate swap and cap agreements may be entered into with highly rated financial institutions to reduce interest rate exposure on variable rate debt when deemed appropriate, based upon market conditions. Using outstanding balances and annualized interest rates as of September 30, 2000, a hypothetical 10% increase in the interest rates associated with variable rate debt would have resulted in a $5 million decrease in pretax earnings for the twelve-months ended September 30, 2000.

Equity Price Risk

KCPL maintains trust funds, as required by the Nuclear Regulatory Commission (NRC), to fund certain costs of decommissioning its nuclear plant. We do not expect nuclear plant decommissioning to start before 2025. As of September 30, 2000, these funds were invested primarily in domestic equity securities and fixed income securities and are reflected at fair value on the Consolidated Balance Sheets. The mix of securities is designed to provide returns to be used to fund decommissioning and to compensate for inflationary increases in decommissioning costs. However the equity securities in the trusts are exposed to price fluctuations in equity markets, and the value of fixed rate fixed income securities are exposed to changes in interest rates. Investment performance and asset allocation are periodically reviewed. A hypothetical increase in interest rates resulting in a hypothetical 10% decrease in the value of the fixed income securities would have resulted in a $3 million reduction in the value of the decommissioning trust funds. A hypothetical 10% decrease in equity prices would have resulted in a $2 million reduction in the fair value of the equity securities as of September 30, 2000. KCPL's exposure to equity price market risk associated with the decommissioning trust funds is in large part mitigated due to the fact that KCPL is currently allowed to recover its decommissioning costs in its rates.

KLT owns common stock of certain companies with a cost basis of $11 million. These equity securities are considered trading securities and as such have been recorded at their fair value of about $15 million at September 30, 2000. These equity securities are exposed to price fluctuations in equity markets. A hypothetical 10% decrease in equity prices would have resulted in a $1.5 million reduction in the fair value of these equity securities as of September 30, 2000.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

DISCRIMINATION CLAIMS. Three law firms joined together and filed eight cases representing a number of plaintiffs alleging race discrimination and hostile work environment against KCPL in the United States District Court, Western District of Missouri. Three of these cases were settled or tried with outcomes in amounts which were not material to results of operations. Two of these cases, PATRICIA S. LANG, ON BEHALF OF HERSELF AND ALL OTHERS SIMILARLY SITUATED V. KANSAS CITY POWER & LIGHT COMPANY, and CARLOS SALAZAR, ET AL. V. KANSAS CITY POWER & LIGHT COMPANY, were previously disclosed in the Company's report on Form 10-K for the period ended December 31, 1999.

In the PATRICIA S. LANG case, plaintiff seeks to bring a claim of race discrimination as a class action on behalf of herself and all other current and former African American employees from May 11, 1994 to the present. The complaint alleges that plaintiff and members of the proposed class are subjected to a hostile and offensive working environment, denied promotional opportunities, compensated less than similarly situated or less qualified Caucasian employees, and are disciplined and/or terminated when they complain of racially discriminatory practices at KCPL. The complaint seeks a money award for alleged lost wages and fringe benefits, alleged wage differentials, as well as punitive damages, attorneys fees and costs of the action together with an injunction prohibiting KCPL from retaliating against anyone participating in the litigation and continuing monitoring of KCPL's compliance with anti-discrimination laws. Additional plaintiffs were added to the case during the second quarter. It is not possible at this time to evaluate the materiality of the relief sought. We believe, however, that we will be able to successfully defend the certification of any class action. In the CARLOS SALAZAR case, the request for class action certification has been withdrawn.

Management intends to vigorously defend the remainder of these cases, but it is possible that the total costs (including legal costs) associated with these cases and potential related unasserted claims could be in an amount material to the Company's financial condition or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBITS

Exhibit 10(a) Agreement For Purchase and Sale by and between Apache Canyon Gas, L.L.C., and Evergreen Resources, Inc. dated September 19, 2000.

Exhibit 10(b) Agreement For Purchase and Sale by and between Apache Canyon Gas, L.L.C., and Evergreen Resources, Inc. dated September 19, 2000.

Exhibit 10(c) Amended and Restated Agreement between Richard D. Weinstein and KLT Telecom, Inc., dated as of September 27, 2000

Exhibit 10(d) Purchase and Sale Agreement between Apache Canyon Gas, L.L.C. and Barrett Resources Corporation dated October 13, 2000

Exhibit 27 Financial Data Schedule (for the nine months ended September 30, 2000)

REPORTS ON FORM 8-K

No reports on Form 8-K were filed for the three months ended September 30, 2000.

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.

KANSAS CITY POWER & LIGHT COMPANY

Dated: October 30, 2000

By: /s/Drue Jennings
(Drue Jennings)
(Chief Executive Officer)

Dated: October 30, 2000

By: /s/Neil Roadman
(Neil Roadman)
(Principal Accounting Officer)

Exhibit 10(a)

AGREEMENT FOR PURCHASE AND SALE

dated September 19, 2000

by and between

APACHE CANYON GAS, L.L.C.,
a Delaware limited liability
company

as Seller

and

EVERGREEN RESOURCES, INC.
a Colorado corporation

as Buyer

(Lorencito)

EXECUTION VERSION

TABLE OF CONTENTS

EXHIBITS

AGREEMENT FOR PURCHASE AND SALE

THIS AGREEMENT dated as of the 19th day of September, 2000, between Apache Canyon Gas, L.L.C., a Delaware limited liability company ("Seller"), and Evergreen Resources, Inc., a Colorado corporation (herein referred to as "Buyer").

W I T N E S S E T H:

WHEREAS, Seller owns certain real estate oil and gas leasehold and mineral interests and related equipment situated in the State of Colorado along with an interest in an LLC holding similar interests, all of which it holds in connection with its business of petroleum exploration and production; and

WHEREAS, Seller desires to sell and Buyer desires to acquire these interests and related assets on the terms and conditions hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

The following terms, as used herein, shall have the following meanings:

1.1 "Agreement" means this Agreement for Purchase and Sale between Seller and Buyer.

1.2 "Assets" means the following described assets and properties (except to the extent constituting Excluded Assets):

(a) "Real Property Assets" which consist of the following:

(1) the Subject Interests;

(2) the Lands;

(3) the Incidental Rights;

(4) the Claims; and

(5) all Hydrocarbons produced from or attributable to the Subject Interests with respect to all periods subsequent to the Effective Time, together with all proceeds from or of such Hydrocarbons.

(b) The Ownership Interest.

(c) In the event a preferential right to purchase is exercised with regard to any part of the Assets, the definition of "Assets" herein shall be amended to exclude such properties for which the preferential right has been exercised.

1.3 "Assumed Obligations" means (i) all liabilities and obligations of Seller with respect to the Claims, (ii) all liabilities and obligations of Seller arising or accruing under or with respect to the Assets from and after the Effective Time, (iii) all liabilities and obligations of Seller, whether accrued or not, with respect to plugging and abandoning any wells, removing structures and facilities and the restoration of the surface pertaining to the Assets, (iv) a pro-rata share of Property Taxes with respect to the Assets for the Tax Period in which Closing occurs and all Transfer Taxes, (v) all liabilities and obligations of Seller arising or accruing under or with respect to the Oil and Gas Purchase and Processing Agreements from and after the Effective Time, (vi) all liabilities and obligations under the Basic Documents from and after the Effective Time except to the extent that a particular obligation is otherwise expressly retained by Seller hereunder, and (vii) all other liabilities and obligations assumed by Buyer under this Agreement, including but not limited to liabilities and obligations assumed by Buyer under Article XIV.

1.4 "Basic Documents" means all Material Contracts, agreements, and other legally binding rights and obligations to which the Assets may be subject, or that may relate to the Assets including, without limitation, leases, assignments in the chain of title, overriding royalty assignments, farmout and farmin agreements, option agreements, pooling and unitization agreements, operating agreements. production sales and marketing agreements, processing agreements, transportation agreements, production purchasing agreements, permits, licenses and orders.

1.5 "Buyer's Credits" is defined in Section 3.2.

1.6 "Claims" means all obligations and benefits with respect to gas production, pipeline, transportation or processing imbalances, all of which are to be assumed or received by Buyer pursuant to this Agreement.

1.7 "Closing" is defined in Section 11.1.

1.8 "Closing Date" is defined in Section 11.1.

1.9 "Conveyance" mean the Assignment, Bill of Sale and Conveyance of the Real Property Assets a form of which is set out in EXHIBIT C.

1.10 "Defensible Title" means such title to a Subject Interest that, subject to and except for Permitted Encumbrances, (a) entitles Seller to receive not less than the net revenue interest of Seller for the well or unit as set forth in EXHIBIT A of all Hydrocarbons produced, saved and marketed from or attributable to such well or unit and (b) obligates Seller to bear the costs and expenses relating to the maintenance, development and operation of such well or unit in an amount not greater

than the working interest of Seller for such well or unit as set forth in EXHIBIT A (unless Seller's net revenue interest therein is proportionately increased) it being understood that the existence of Permitted Encumbrances affecting any Asset shall not form the basis for a claim that Seller does not have Defensible Title to such Asset.

1.11 "Effective Time" means either: (i) 7:00 a.m. Mountain Time on September 1, 2000 if the Closing Date occurs on or before September 22, 2000; or (ii) 7:00 a.m. Mountain Time on September 30, 2000 if the Closing Date is after September 22, 2000.

1.12. "Excluded Assets" mean the following:

(a) all rights, interests, assets and properties of Seller which are expressly excluded from this sale under other provisions of this Agreement or which are set forth in EXHIBIT D;

(b) (i) except to the extent constituting or attributable to Claims, all trade credits, accounts receivable, notes receivable and other receivables attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time, and (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time;

(c) all corporate, financial, tax and legal (other than title) records of Seller, however, Buyer shall be entitled to receive copies of any financial, tax (subject to Section 12.2(d) of this Agreement) or legal records which directly relate to the Subject Interests or to the Ownership Interest; provided, however, that Buyer's said entitlement shall not extend to any records whose disclosure may expose Seller to any possible claim of breach of privilege or confidentiality under any agreement or under federal or state laws;

(d) except to the extent constituting Claims and except as otherwise provided in this Agreement, all claims and causes of action of Seller (i) arising from acts, omissions or events, or damage to or destruction of property, occurring prior to the Effective Time, or (ii) with respect to any of the Excluded Assets;

(e) except as otherwise provided in clause (vi) of the definition of Incidental Rights or in Article XV hereof, all rights, titles, claims and interests of Seller (i) under any policy or agreement of insurance or indemnity, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards;

(f) all (i) Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, and (ii) Hydrocarbons which, at the Effective Time, are owned by Seller or to which Seller has title and are in storage, within processing plants, or in pipelines;

(g) Seller's share of any and all claims, as well as Seller's claims, for refund of or loss carry forwards with respect to (i) federal, state and local, sales and use, ad valorem, property, excise, production, severance, gross receipts, payroll, withholding or other taxes attributable to any

period prior to the Effective Time; (ii) federal, state and local income or franchise taxes; or (iii) any taxes attributable to the Excluded Assets;

(h) all amounts due or payable to Seller as adjustments or refunds under any audit pertaining to periods prior to the Effective Time;

(i) all amounts due or payable to Seller as adjustments or refunds under any contracts or agreements respecting periods prior to the Effective Time, other than Claims;

(j) all amounts due or payable to Seller as adjustments to insurance premiums related to the Assets with respect to any period prior to the Effective Time;

(k) except to the extent included in the Claims, all proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to (i) the Assets prior to the Effective Time or (ii) any Excluded Assets;

(l) any logo, service mark, copyright, trade name or trademark associated with Seller or any business of Seller; and

(m) all files, information and data expressly excluded from the definition of Incidental Rights.

(n) all vehicles, tractors, trailers and similar equipment owned by Seller.

(o) Seller's obligation for 50% of legal costs of the Lessor in the MGP litigation referred to on EXHIBIT J in accordance with that agreement evidenced by letters from Chandler & Associates, LLC to John Meggison and David Jensen, dated June 28, 1999 and June 29, 1999, respectively

1.13 "GAAP" means Generally accepted accounting principles, consistently applied.

1.14 "Hydrocarbons" means crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids and other liquid or gaseous hydrocarbons (including C02), and also refers to all other minerals of every kind and character which may be covered by or included in the Subject Interests.

1.15 "Incidental Rights" shall mean all right, title and interest of Seller in and to or derived from the following insofar as the same directly relate to the Subject Interests: (i) all unitization, communitization and pooling designations, declarations, agreements and orders covering Hydrocarbons in or under the Lands or any portion thereof and the units and pooled or communitized areas created thereby; (ii) all easements, rights-of-way, surface leases, permits, licenses, servitudes or other interests, including; (iii) all equipment and other personal property, fixtures and improvements situated upon the Lands and used or held for use in connection with the exploration, development or operation of the Subject Interests or Lands or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the Subject Interests or Lands;

(iv) all Material Contracts; (v) originals of all lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, and all other books, files and records, information and data (including copies of engineering, geological and geophysical data to the extent same may be transferred, but subject in all events to any and all consents concerning ownership and transfer), and all rights thereto, of Seller insofar as the same are directly related to and necessary to the realization of value by Buyer of any of the Subject Interests or Lands and to the extent the transfer thereof is not prohibited by existing contractual obligations with third parties; and (vi) to the extent transferable and subject to Article XVI hereof, all interest of Seller in and to all claims and causes of action which Seller may have against insurance companies and others by reason of injury or damage to or destruction or loss of all or any part of the Assets by reason of events occurring subsequent to the Effective Time.

1.16 "Lands" mean, except to the extent constituting Excluded Assets, each and every kind and character of right, title, claim or interest which Seller has in and to the lands covered by the Subject Interests.

1.17 "LGG" means Lorencito Gas Gathering, L.L.C., a Colorado limited liability company.

1.18 "Material Contracts" means all contracts related to the Assets, the absence of which would cause a material change either in the operations of the Assets or their value, as set forth on EXHIBIT E.

1.19 "Ownership Interest" means Seller's ownership in LGG described in Exhibit A-2, hereto.

1.20 "Permitted Encumbrances" shall mean any of the following matters:

(a) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the agreements, instruments and documents which create or reserve to Seller its interests in any of the Assets provided they do not operate to reduce the net revenue interest, nor increase the working interest (unless Seller's net revenue interest therein is proportionately increased) of Seller in the Subject Interests as reflected in EXHIBIT A hereto;

(b) encumbrances that arise under operating agreements to secure payment of amounts not yet delinquent and are of a type and nature customary in the oil and gas industry;

(c) encumbrances that arise as a result of pooling and unitization agreements, declarations, orders or laws to secure payment of amounts not yet delinquent;

(d) any materialman's, mechanics', repairman's, employees', contractors', operators' or other similar liens or charges for liquidated amounts arising in the ordinary course of business, (w) which are inchoate, (x) which Seller has agreed to assume or pay pursuant to the terms hereof, (y) for which Seller is responsible for paying or releasing at Closing;

(e) any liens for taxes, tax assessments not yet delinquent, or tax assessments that are being contested in good faith, and other assessments not yet delinquent, or if delinquent, that are being contested in good faith;

(f) any liens or security interests created by law or reserved in oil and gas leases for royalty, bonus or rental or for compliance with the terms of the Subject Interests;

(g) any obligations or duties affecting the Assets to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules and orders of governmental authority;

(h) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals, ditches, reservoirs, or the like, or (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over, or in respect of property owned or leased by Seller or over which Seller owns rights-of-way, easements, permits, or licenses, to the extent such matters, individually or in the aggregate, do not interfere materially with oil and gas operations currently conducted on the Subject Interests;

(i) all lessors' royalties, overriding royalties, net profits interests, carried interests, reversionary interests and other burdens to the extent that the net cumulative effect of such burdens does not operate to reduce the net revenue interest of Seller in any of the Subject Interests to below the applicable net revenue interest set forth in EXHIBIT A hereto;

(j) all defects and irregularities affecting title to the Subject Interests which individually or in the aggregate do not operate to reduce the net revenue interest, nor increase the working interest (unless Seller's net revenue interest is increased proportionately) of Seller in the Subject Interests as reflected in EXHIBIT A hereto or otherwise interfere materially with the operation, value or use of the Subject Interests;

(k) preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which waivers or consents are obtained from the appropriate parties with respect to the sale contemplated hereunder or, following the furnishing by Seller to the appropriate party of all requisite notices and information, the applicable time period for asserting such rights has expired without an exercise of such rights with respect to such sale;

(l) all rights to consent by, required notices to, filings with, or other actions by governmental entities in connection with the sale or conveyance of oil and gas leases or interests therein if the same are customarily obtained contemporaneously with or subsequent to such sale or conveyance;

(m) (i) Material Contracts, division orders, unitization and pooling designations, declarations, orders and agreements, and (ii) contracts and agreements with affiliates of Seller of the kind enumerated in subclause (i) of this clause (m) that have been disclosed to Buyer in EXHIBIT H hereto;

(n) any encumbrance, title defect or matter (whether or not constituting a Title Defect) waived or deemed waived by Buyer pursuant to Article VII hereof; and,

(o) any agreement, contract, lease, instrument, permit, amendment or extension entered into by Seller in accordance with Article IX hereof.

1.21 "Property Taxes" is defined in Section 12.2.

1.22 "Purchase Price" is defined in Section 3.1.

1.23 "Seller's Credits" is defined in Section 3.2.

1.24 "Subject Interests" means, except to the extent constituting Excluded Assets, any and all interests owned by Seller and set forth in EXHIBIT A-1 or which Seller is now entitled to receive by reason of any existing participation, joint venture, farm-in or other agreement, in and to the oil, gas and/or mineral leases, permits, licenses, concessions, leasehold estates, fee, royalty and overriding royalty interests described in EXHIBIT A-1 attached hereto including, without limitation, Seller's minerals, mineral fee and reversionary interests in, on and under the lands described in EXHIBIT A.

1.25 "Tax Period" is defined in Section 12.2.

1.26 "Title Defect" is defined in Section 7.3.

1.27 "Transfer Taxes" is defined in Section 12.2.

ARTICLE II
SALE AND PURCHASE

Subject to the terms and conditions of this Agreement and the Permitted Encumbrances, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase and pay for the Assets.

ARTICLE III
PURCHASE PRICE AND PAYMENT

3.1 PURCHASE PRICE. (a) The total consideration for the sale and conveyance of the Assets to Buyer is Buyer's payment of Thirty-Five Million Dollars ($U.S. 35,000,000.00) (the "Purchase Price"). The Purchase Price, together with and subject to such adjustments, if any, as are expressly provided for elsewhere in this Agreement, shall be paid by Buyer to Seller at Closing by means of completed Federal Funds transfers to Seller's account in Apache Canyon Gas,
L.L.C., routing number 101000695, account number 9870964996

3.2 PURCHASE PRICE CREDITS.

(a) Within 10 days after December 31, 2000, the parties shall exchange information with respect to revenues received from production and other operating sources (excluding interest income), from or attributable to the Assets for periods on or after the Effective Date received by Seller ("Buyer's Credits") and shall calculate all exploration, production, development, operating, overhead, general and administrative and other costs paid or incurred by Seller with respect to the Assets for such period charged under applicable operating agreements or, if no operating agreement is applicable, then under the most recent COPAS Accounting Procedure Joint Operations ("Seller's Credits") excluding all non-cash charges attributable to depletion, depreciation, bad debt losses, lease abandonment, etc.; provided that Seller shall have no obligation to make any payment that would constitute a Seller's Credit after the Effective Time. Only items of revenue, cost and expense attributable to the Assets shall be included in the foregoing calculations. If Seller's Credits exceed Buyer's Credits, the difference shall be due Seller by Buyer. If Buyer's Credits exceed Seller's Credits, the difference shall be due Buyer by Seller. Prior to the end of the ten day period beginning with December 31, 2000, Seller shall furnish Buyer with an estimated accounting showing the amount of Seller's Credits and the amount of Buyer's Credits. The amount of the final credit, as adjusted, shall be paid in cash on final adjustment by the party owing it. If within such time period, the parties are unable to agree as to whether an item of income or expense belongs in the period before or after the Effective Time, or is properly included in Seller's Credits or Buyer's Credits, or as to any other accounting matters, then such item or matter may be submitted for determination to a mutually acceptable accounting firm in accordance with Section 13.2 hereof. Final settlement shall be made within ten (10) business days following agreement by the Buyer and Seller or final determination by said accounting firm (which final determination shall be binding upon Buyer and Seller).

(b) Seller and Buyer or representatives of each shall determine the amount of the Hydrocarbons existing in storage tanks, gathering lines, pipelines, gasoline plants, and other facilities as of the Effective Date using the point or points of delivery to Seller's purchasers as a zero reference point. Seller shall receive a credit in the final adjustment of the Purchase Price as provided for in paragraph (a) above equal to an amount calculated by multiplying the volume of such Hydrocarbons by (i) in the case of oil, the posted price in the field, as of the Effective Time (or if none, a mutually agreeable price) or (ii) in the case of gas, the prevailing spot market price net of transportation and basis differential, as of the Effective Time

. 3.3 PURCHASE PRICE ALLOCATIONS. Seller and Buyer mutually agree to allocate the Purchase Price among the Assets as set forth in EXHIBIT B attached hereto. Seller and Buyer agree that said allocation as set forth in EXHIBIT B is the proper allocation of the Purchase Price in accordance with the fair market value of the Assets, and that said allocation of the Purchase Price of the Assets as set forth in EXHIBIT B shall apply for purposes of Sections 755 and 1060 of the Internal Revenue Code of 1986 (as amended and together with any regulations promulgated thereunder, the "Code"). Seller and Buyer agree (and each agrees to cause its affiliates) to report the federal, state and local income and other tax consequences of the transactions contemplated herein, and in particular to report the information required under Section 1060(b) of the Code (and any regulations promulgated thereunder), in a manner consistent with such allocation. Seller and Buyer further agree (and each agrees to cause its affiliates) to not take any tax position inconsistent with such allocation in connection with the examination of any of their tax returns, refund claims or

litigation, investigations or other proceedings involving any of their tax returns. Seller and Buyer each further agree that they will not take any position inconsistent with this allocation in preparing financial statements, tax returns, reports to shareholders or government authorities or otherwise.

Buyer and Seller each agree to furnish the other a copy of IRS Form 8594 (Asset Acquisition Statement under Section 1060 of the Code) as filed with the Internal Revenue Service by such party or any affiliate thereof, pursuant to Sections 755 and 1060 of the Code, as a result of the consummation of the transactions contemplated hereby, within thirty (30) days of the filing of such form with the Internal Revenue Service.

ARTICLE IV
SELLER'S REPRESENTATIONS

4.1 SELLER'S REPRESENTATIONS. Seller represents to Buyer as of the date hereof that:

(a) Seller is a limited liability company duly formed and existing pursuant to the laws of the State of Delaware and is qualified to do business in the State of Colorado.

(b) Subject to Sections 8.1, 8.2, and 15.1, and except as set forth on EXHIBIT I, the consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with, any provision of the governing documents of Seller, any provision of any agreement or instrument to which Seller is a party or by which Seller is a party or by which it is bound or to the knowledge of Seller, any judgment, decree, order, statute, rule or regulation applicable to Seller.

(c) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action by Seller.

(d) This Agreement constitutes, and all documents and instruments required hereunder to be executed and delivered by Seller at Closing will constitute, legal, valid and binding obligations of Seller in accordance with their respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(e) There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by, or to the actual knowledge of the officers of Seller, threatened against Seller;

(f) Seller may contract for brokerage or finder's services against which it shall hold Buyer harmless pursuant to Section 15.4;

(g) Except as shown on EXHIBIT J hereto, there is no claim, demand or suit, action or other proceeding pending in which Seller has been served with process, or to Seller's knowledge threatened, before any, court or governmental agency which if adversely decided could reasonably be expected to result in a material impairment or loss of title to any material part of the Assets taken as a whole or the value thereof taken as a whole or which might materially hinder or impede the operation of the Assets taken as a whole;

(h) Except as shown on EXHIBIT J and as may be referred to in Article XIV, Seller, to its knowledge, has not violated, and to Seller's knowledge there are no alleged violations by Seller of, any applicable rules, regulations or orders of any governmental agency having jurisdiction over the Assets which would affect in any material respect the value of the Assets taken as a whole; and

(i) Seller is a United States person within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

(j) Seller makes no representation or warranty, express or implied with respect to whether any of the Subject Interests are qualified for, or whether Buyer might be qualified to take, tax credits under Section 29 of the Internal Revenue Code with respect to production from the Subject Interests.

(k) Seller is not a Public Utility Holding Company as defined in the Public Utility Holding Company Act of 1935, and, to the knowledge of Seller, it is not a partner with any party who is a Public Utility Holding Company.

(l) Seller is not in breach or default, or to Seller's knowledge, alleged to be in breach or default, under any of (i) the Material Contracts, (ii) any of the instruments creating or reserving the Subject Interests, or (iii) any other material agreement or contract affecting or included within the Assets, other than a breach or default which would not have a material adverse effect, and, to Seller's knowledge, no other party to any of the instruments and agreements described in (i) through (iii), of this paragraph (l) is in breach of or default thereunder. No event, condition or occurrence exists which after notice or lapse of time or both would constitute a breach or default by Seller under any of the foregoing except for such breaches or defaults that would not have a material adverse effect.

(m) There are no gas imbalances, other than imbalances affecting the pipeline, on the Subject Interests except as described on Exhibit M.

(n) Solely with respect to the LLC Ownership Asset, the Seller represents and warrants to Buyer the following:

(i) LGG is a limited liability company duly organized, validly existing and in good standing under the laws of Colorado and is duly qualified and in good standing to carry on its business in Colorado.

(ii) Except as set forth on EXHIBITS I AND J: (i) the Ownership Interest is duly and validly authorized for issuance, legally issued, fully paid and nonassessable, and has not been issued, and is not held, in violation of any preemptive rights; (ii) Seller is the lawful and beneficial owner of record of the Ownership Interest and has full right, title and interest to such Ownership Interest free and clear of all liens, encumbrances, claims and restrictions; (iii) there are no agreements or

understandings with respect to the voting of the Ownership Interest and there are no options, subscriptions, warrants or rights to purchase, convert into or otherwise acquire any ownership interest of LGG, nor are there any plans, understandings or agreements to issue any such options, subscriptions, warrants or rights to purchase, convert into or otherwise acquire any ownership interest of LGG.

(iii) To the best of Seller's knowledge, except as set forth on EXHIBITS I AND J, (i) the execution, delivery and performance of this Agreement by Seller and the consummation by it of the transactions contemplated hereby does not require the consent, waiver, approval, license or authorization of any person, entity or public authority which will not have been obtained on or prior to Closing; does not, with or without the giving of notice or the passage of time or both, violate any provision of law or the organizing documents of LGG, or conflict with or result in a breach, termination or acceleration of any provision of, constitute a default under, or result in the creation of any lien, claim, security interest or encumbrance upon any of the assets of Seller or LGG pursuant to any mortgage, deed of trust, indenture or other agreement or instrument, or any order, judgment, decree or any other restriction of any kind or character, to which either Seller or LGG are a party or by which they or any of their assets may be bound.

(iv) Seller and Buyer agree that, except as otherwise expressly provided in this Agreement, the Ownership Interest is being purchased "AS IS," "WHERE IS" and "WITH ALL FAULTS," latent and patent. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER HAS NOT MADE AND WILL NOT MAKE, AND HEREBY EXPRESSLY DISCLAIMS, ANY WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO OR RELATING TO THE OWNERSHIP INTEREST AND UNDERLYING ASSETS OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, MERCHANTABILITY, HABITABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Buyer expressly acknowledges that, except as specifically provided for in this Agreement, Buyer is not authorized to rely, has not relied and will not rely on any representation, statement or warranty of Seller or of any representative and will not rely on any representation, statement or warranty of Seller or of any representative Seller.

Except as otherwise expressly provided herein, Seller makes no representations, warranties or indemnities for any claim, condition or liability arising before or after this Agreement pursuant to, or arising under, any federal, state or local law, rule or ordinance, including

those relating to protection of the environment such as, without limitation, the Clean Water Act, the Resource Conservation and Recovery Act and/or the Comprehensive Environmental Response, Compensation, and Liability Act.

(o) Seller is aware of no liabilities of LGG other than those included on the balance sheet provided by Seller to Buyer. Seller is aware of no other Material Contracts other than those included on EXHIBIT E hereto.

ARTICLE V
BUYER'S REPRESENTATIONS

5.1 BUYER'S REPRESENTATIONS. Buyer represents to Seller as of the date hereof that:

(a) It is a corporation, duly organized, validly existing and in good standing under the laws of the State of Colorado, and Buyer is or prior to Closing will be duly qualified pursuant to any and all applicable laws, statutes and regulations to own and operate the Assets;

(b) It has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, to purchase the Assets on the terms described in this Agreement, and to perform its other obligations under this Agreement and the other documents and agreements contemplated hereby. Subject to Section 15.1, the consummation of the transactions contemplated by this Agreement will not violate., nor be in conflict with, any provision of Buyer's charter, or governing documents, or any material agreement or instrument to which Buyer is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to Buyer;

(c) The execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite action on the part of Buyer;

(d) This Agreement constitutes, and all documents and instruments required hereunder to be executed and delivered by Buyer at Closing will constitute, legal, valid and binding obligations of Buyer in accordance with their respective terms, subject to bankruptcy and other similar laws of general application with respect to creditors;

(e) There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by, or to the actual knowledge of the officers of Buyer, threatened against Buyer;

(f) No broker or finder has acted for or on behalf of Buyer in connection with this Agreement or the transactions contemplated by this Agreement, and no broker or finder is entitled to any brokerage or finder's fee or commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Buyer;

(g) Buyer is now or prior to Closing will be, and after Closing shall continue to be, qualified to own Federal and State oil, gas and mineral leases in all jurisdictions where any such Subject Interests are located, and the consummation of the transactions contemplated hereby will not cause Buyer to be disqualified as such an owner or to exceed any acreage limitation imposed by any law, statute, rule or regulation;

(h) Buyer has arranged to have available by the Closing Date sufficient funds to enable the Buyer to pay in full the Purchase Price, together with all costs and expenses relative thereto, and otherwise to perform its obligations under this Agreement.

(i) Buyer is purchasing the Ownership Interest for its own account and sole interest, and is purchasing the Ownership Interest for investment and not with a view to, or in connection with, any offering, resale, disposition or distribution of any of the Ownership Interest.

(j) Buyer understands and acknowledges that no registration statement relating to the Ownership Interest has been filed under the Securities Act of 1933, as amended (the "Act") and that consequently the Ownership Interest will constitute "restricted securities" within the meaning of Rule 144 under the Act and accordingly must be held by Buyer indefinitely and may not be sold or otherwise disposed of in the absence of registration or an exemption from registration under the Act and under applicable state securities laws. Buyer realizes that there is no existing public market for the Ownership Interest and that even if such market did exist, reliance upon Rule 144 under the Act for public sales in limited amounts could occur only if adequate public information about LL was available and only after Buyer has held the Ownership Interest continuously for a period of at least two years from and after the date on which the full purchase price for the Ownership Interest is paid. Buyer understands and acknowledges that the Seller is under no obligation to register the Ownership Interest under the Act or to aid Buyer in obtaining any exemption from registration under the Act.

(k) The following is made as of the Closing Date only: Buyer has had the opportunity to examine all information regarding LGG provided by Seller, and Buyer has had the opportunity to ask questions of directors and officers of Seller. The investment decision of Buyer to acquire the Ownership Interest has been based solely upon Seller's representations with respect to the LGG and the evaluation made by Buyer.

(l) Seller is not a Public Utility Holding Company as defined in the Public Utility Holding Company Act of 1935, and, to the knowledge of Seller, it is not a partner with any party who is a Public Utility Holding Company.

ARTICLE VI
ACCESS TO INFORMATION AND INSPECTION

6.1 FILES. Seller has permitted Buyer and its representatives access to all accounting records, abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division

orders, check vouchers, payout statements and agreements pertaining to the Assets insofar as the same are now in existence and in the possession of Seller. Buyer and Seller acknowledge that Buyer has had access to such records and information, prior to the execution of this Agreement.

6.2 OTHER FILES. Seller has made available to Buyer for inspection by Buyer all geological, geophysical, production and engineering books, records and data in possession of Seller, except such records or data which Seller is prevented by contractual obligations with third parties from disclosing.

6.3 CONFIDENTIALITY AGREEMENT. Buyer and Seller entered into that certain Confidentiality Agreement dated June 23, 2000, between Seller and Buyer, the terms of which are incorporated herein by reference and made a part of this Agreement. The Confidentiality Agreement shall expire at Closing.

6.4 INSPECTIONS. Seller has permitted Buyer and its representatives at reasonable times and at their sole risk, cost and expense, to conduct reasonable inspections of the Assets; provided, however, Buyer shall repair any damage to the Assets resulting from such inspections and Buyer does hereby indemnify and hold harmless Seller from and against any and all losses, costs, damages, obligations, claims, liabilities, expenses or causes of action arising from Buyer's inspection of the Assets, including, without limitation, claims for personal injuries, property damage and reasonable attorney's fees and further including claims arising in whole or part from Seller's negligence.

ARTICLE VII
TITLE

7.1 NO WARRANTY OR REPRESENTATION. Seller shall convey Seller's interests in and to the Real Property Assets to Buyer subject to the Permitted Encumbrances and without any warranty of title, express or implied, except as to claims by, through and under Seller, but not otherwise, as provided in the form of Assignment, Bill of Sale and Conveyance attached as EXHIBIT C hereto. Seller makes no warranty or representation, express or implied, with respect to the accuracy or completeness of the information, records and data now, heretofore or hereafter made available to Buyer in connection with this Agreement (including, without limitation, any description of the Real Property Assets, pricing assumptions, potential for production of Hydrocarbons from the Subject Interests, prospects for LGG, or any other matters contained in any other material furnished to Buyer by Seller or by Seller's agents or representatives).

7.2 BUYER'S TITLE REVIEW.

(a) For 45 calendar days after Closing, Buyer may at Buyer's sole cost and expense commence and diligently pursue such examination of title to the Subject Interests as Buyer desires. Seller shall fully cooperate with Buyer and shall make available to Buyer at Seller's offices in Overland Park, Kansas, all documents, records and material in Seller's possession (except to the extent disclosure of same is prohibited pursuant to agreements with third parties) and all assistance reasonably necessary to assist Buyer in determining the validity of Seller's title in and to the Subject Interests. In no event, however, does Seller warrant or represent the sufficiency, completeness or

accuracy of such documents, records and materials, and Buyer's reliance thereon shall be at Buyer's sole risk and expense. In the event more than one property is being conveyed hereunder, Buyer will review title on a property by property basis commencing with the property being deemed to have the greatest value and then in descending order of value as set forth on EXHIBIT B. Immediately upon completion of Buyer's title review of each property, Buyer shall notify Seller of any Title Defects associated with such property in accordance with Section 7.3 below. Buyer will conclude Buyer's title review and give notice to Seller of all asserted Title Defects not later than five (5) days after the end of said 45 day period. To be effective, Buyer's written notice of a Title Defect must include (i) a brief description of the matter constituting the asserted Title Defect and (ii) supporting documents reasonably necessary for Seller (or a title attorney or examiner hired by Seller) to verify the existence of such asserted Title Defect. Any matters not described in a written notice of Title Defect as provided above shall conclusively be deemed to have been waived and accepted by Buyer, and shall be deemed Permitted Encumbrances hereunder.

(b) Upon receipt of the notice set forth under Section 7.2(a) Seller shall have the right, but not the obligation, for 10 calendar days to cure all or any portion of asserted Title Defects, such curative costs to be borne solely by Seller. If Buyer elects to waive or is deemed to have waived any asserted or unasserted Title Defects, such waived or unasserted Title Defects shall be deemed Permitted Encumbrances hereunder. If Seller within the time provided above is unable, elects not, or refuses, to cure such asserted Title Defects, Buyer may, subject to Section 7.4 below, by written notice delivered to Seller not later than two (2) business days after the end of such period, and as Buyer's sole and exclusive remedy and only if the thresholds of Section 12.9 have been met, elect to have Seller refund to Buyer, a portion of the Purchase Price by an amount attributable to the reserves to which title has failed as mutually agreed upon by the parties and based upon the allocations made pursuant to Section 3.3, and Buyer shall reconvey such portion of the Subject Interests to Seller. Failure by Buyer to timely assert a claim for an adjustment to the Purchase Price shall be deemed an election by Buyer to waive such claim and retain the interest covered by the asserted but uncured Title Defect. In the event Buyer and Seller are unable to agree upon the amount of the downward adjustment of the Purchase Price attributable to a Title Defect for the purposes of the foregoing, then the same shall be submitted for determination to a mutually acceptable reservoir engineering firm whose determination shall be final.

(c) Matters set out in EXHIBIT I shall not constitute a Title Defect; provided, however, any mortgages listed in Exhibit I, if not released at Closing, shall constitute a Title Defect.

7.3 TITLE DEFECTS. For the purposes of this Agreement, a portion of the Subject Interests shall be deemed to have a "Title Defect" if any one or more of the following statements is untrue in any material respect with respect to such portion of the Subject Interests as of the Effective Time:

(i) Seller has Defensible Title thereto.

(ii) All royalties, rentals, Pugh clause payments, shut-in gas payments and other payments due with respect to such portion of the Subject Interests have been properly and timely paid, except for payments held in suspense for title or other reasons which are customary in the

industry and which will not result in grounds for cancellation of Seller's rights in such portion of the Subject Interests.

(iii) Except as set forth in any of the Exhibits hereto, Seller is not in default under the material terms of any leases, farmout agreements or other contracts or agreements respecting such portion of the Subject Interests which could (1) materially interfere with the operation; value or use thereof, (2) materially prevent Seller from receiving the proceeds of production attributable to Seller's interest therein, or (3) result in cancellation of Seller's interest therein.

(iv) There is no lien, charge, encumbrance, defect or objection (other than a Permitted Encumbrance) against, in or to Seller's title thereto or right or interest therein, and no fact or circumstance relative thereto exists of such significance that a reasonable and prudent person engaged in the business of the ownership, development and operation of oil and gas properties with knowledge of all the facts and appreciation of their legal significance would be unwilling to accept and pay for the Subject Interest or portion thereof which is affected thereby.

Notwithstanding the foregoing, loss of any Subject Interest or portion thereof following the Effective Time due to (i) any election or decision made by Seller in accordance with Article IX or (ii) expiration of the primary or secondary term of a lease shall not constitute a Title Defect as long as Seller shall not have breached the provisions of Article IX. Subject to Section 15.1 below, the failure of any governmental office to approve or consent to any assignment or other conveyance of a Subject Interest filed with such office shall not constitute a Title Defect; provided that such office has not expressly and specifically refused to grant such consent or approval as a result of the existence of a Title Defect.

7.4 TITLE INDEMNIFICATION. Notwithstanding any other provisions of this Article VII, Seller shall have the option to execute and deliver to Buyer a title indemnity whereby Seller shall keep Buyer indemnified from and against any and all liability, loss, costs (including legal costs), suits, judgments, causes of action, claims or damages arising or incurred in connection with any uncured Title Defects, to the extent the same relate to acts, omissions or other matters occurring prior to the Effective Time and only with respect to such uncured Title Defects. The title indemnity shall be limited to the amount determined in accordance with this Article VII with respect to the particular Asset for which the indemnity is given. If Seller provides such a title indemnity, the relevant uncured Title Defects shall be deemed to be cured and removed for the purposes of this Agreement.

ARTICLE VIII
PREFERENTIAL PURCHASE RIGHTS AND CONSENTS

8.1 PREFERENTIAL RIGHT. A preferential purchase right exists with respect to the Subject Interests and the Ownership Interest. Immediately upon signing of this Agreement, a copy of this Agreement along with the requisite notices under the preferential purchase rights shall be sent to the parties entitled thereto.

8.2 CONSENTS. A consent to the transfer of the Ownership Interest is required. In the event the consent is not received before Closing, Seller shall, at Closing, transfer the beneficial

ownership of the Ownership Interest to Buyer and shall designate, as Seller's representatives with respect to management of LGG, persons designated by Buyer. Seller shall provide all notices to Buyer that it receives and shall act as Buyer's agent with respect to LGG, but only based on instructions from Buyer. Buyer shall indemnify Seller with respect to all any and all claims made against Seller with respect to Seller's actions on Buyer's behalf with respect to LGG.

ARTICLE IX
COVENANTS OF SELLER

9.1 COVENANTS OF SELLER PENDING CLOSING. From and after the date of execution of this Agreement and until the Closing, except as otherwise consented to by Buyer in writing and subject to Section 9.2 below and the terms of applicable operating and other agreements, Seller shall:

(a) Subject to Seller's right to obtain Seller's Credits pursuant to Section 3.2, continue to operate the Assets owned by it for the account of Buyer in a manner consistent with past practices;

(b) Maintain in full force and effect all policies of insurance covering the Assets now maintained by Seller;

(c) Use reasonable efforts to preserve in full force and effect all material leases, operating agreements, easements, rights-of-way, permits, licenses, contracts and other material agreements included in the Incidental Rights which relate to the Assets in which it owns an interest and perform all material obligations of Seller in or under any such agreement relating to such Assets;

(d) Not enter into any agreement or arrangement granting any preferential right to purchase any of the Assets or requiring the consent of any person to the transfer and assignment of any of the Assets hereunder, except in connection with the performance by Seller of an obligation or agreement existing on the date hereof or pursuant to this Agreement;

(e) Not dedicate, sell, farm out, encumber or dispose of any Assets without Buyer's written consent except (i) sales of oil and gas production in the ordinary course of business and (ii) as to a portion of the Assets that do not, in the aggregate, constitute a material portion of the Assets; and

(f) Maintain all material equipment included in the Assets in accordance with customary industry operating practices and procedures.

Notwithstanding the other provisions of this Article IX, (i) Seller may take any action with respect to the Assets if reasonably necessary under emergency circumstances and provided Buyer is notified as soon thereafter as reasonably practical, (ii) except as to a reduction in the Purchase Price attributable to a Title Defect, Seller shall have no liability to Buyer for the incorrect payment of royalties, shut-in royalties or similar payments or for any failure to pay any such payments through mistake or oversight (including Seller's negligence), and (iii) Seller's non-willful failure to comply

with any of the requirements of this Article IX shall not be deemed a default by Seller hereunder, serve as a basis for a claim by Buyer for damages (other than a reduction of the Purchase Price as a result of the failure of title), afford Buyer the right to make a claim for damages or permit Buyer not to close this sale if such failure does not have a material adverse effect on the value of the Assets taken as a whole. Any consent requested of Buyer with respect to the matters covered by this Article IX shall not be unreasonably withheld or action with respect thereto unduly delayed.

9.2 LIMITATIONS ON SELLER'S COVENANTS PENDING CLOSING.

(a) To the extent Seller is not the operator of any of the Assets, the obligations of Seller in Section 9.1 above, which have reference to operations or activities which normally or pursuant to existing contracts are carried out or performed by the operator, shall be construed to require only that Seller use reasonable efforts (without being obligated to incur any expense or institute any cause of action) to cause the operator of such Assets to take such actions or render such performance within the constraints of the applicable operating agreements and other applicable agreements.

(b) Notwithstanding anything to the contrary in this Article IX, should Seller not wish to pay any lease rental or other payment or participate in any reworking, deepening, drilling, completion, equipping or other operation on or with respect to any well or other Asset which may otherwise be required by Section 9.1 above, Seller shall give Buyer timely written or oral notice thereof as soon as reasonably practicable after Seller receives written notice thereof from the operator of such property (or if Seller is the operator, at the same time Seller gives written notice thereof to the non-operators of such property); and Seller shall not be obligated to make any such payment or to elect to participate in any such operation which Seller does not wish to make or participate in unless Seller receives from Buyer, within a reasonable time prior to the date when such payment or election is required to be made by Seller, (i) the written election and agreement of Buyer to require Seller to take such action and to indemnify Seller therefrom and (ii) all funds necessary for such action. Notwithstanding the foregoing, Seller shall not be obligated to pay any lease rental or other payment or to elect to participate in any operation if the third party operator of the property involved recommends that such action not be taken. If Buyer advances any funds pursuant to this Section 9.2(b) and the Assets to which such payments relate are not conveyed to Buyer at Closing, and Seller does not reimburse Buyer for all advances made by Buyer with respect to such Assets pursuant to this Section 9.2(b) within thirty (30) days after this Agreement terminates with respect to such Assets, then (i) Buyer shall own and be entitled to any right of Seller that would have lapsed but for such payment, and (ii) in the case of operations, Buyer shall be entitled to receive the penalty which Seller, as nonconsenting party, would have suffered under the applicable operating agreement with respect to such operations as if Buyer were a consenting party thereunder.

ARTICLE X
CLOSING CONDITIONS

10.1 SELLER'S CLOSING CONDITIONS. The obligations of Seller under this Agreement are subject, at the option of Seller, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of Buyer contained in this Agreement shall be true in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Buyer shall have performed and satisfied all agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing;

(b) Seller shall have received a certificate dated as of the Closing, executed by a duly authorized officer of Buyer, to the effect that to such officer's knowledge the statements made under Article V above are true at and as of the Closing;

(c) Seller believes that, pursuant to Section 802.3 of the FTC regulations, no Hart-Scott-Rodino Act filing is necessary, with respect to this transaction. If Buyer disagree with Seller's determination, the Buyer shall notify Seller within 10 days after the execution of this Agreement. If Buyer and Seller cannot agree, then the following becomes a Seller's Closing Condition: Except for approvals covered by Section 15.1 hereof, all necessary consents of and filings with the Federal Trade Commission and any other state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, and the applicable waiting periods prescribed in connection with the Hart-Scott-Rodino Act shall have elapsed or terminated (by early termination or otherwise) since the dates of the filings by the parties with respect thereto; and

(d) As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Seller) shall be pending or threatened before any court or governmental agency seeking to restrain Seller or prohibit the Closing or seeking damages against Seller as a result of the consummation of this Agreement.

(e) All material third party consents required for the transfer of the Subject interests to Buyer shall have been received, waived, or the time for exercise has expired so as to bar their exercise.

(f) Satisfactory releases of Seller's lender's mortgages on the Assets shall have been received.

(g) Seller reserves the right to exchange, for other property of like kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder, the Real Property Assets which, in part, are the subject of this Agreement. Seller expressly reserves the right to assign its rights, but not its obligations, hereunder to a "qualified intermediary" as provided in Section 1.103(k)-1(g)(4) of the U.S. Treasury regulations on or before the Closing Date. Buyer agrees to take all actions reasonably required of it, including, but not limited to, executing and delivering documents, to permit Seller to effect the exchange described in the this Section. The Seller agrees to indemnify and hold harmless the Buyer from all costs, losses, expenses, and liabilities arising out of the Buyer's cooperation with the Seller in

accomplishing such an exchange. The Buyer makes no warranty or representation with regard to the Seller's ability to qualify for a tax-free exchange pursuant to Section 1031 of the Internal Revenue Code.

10.2 BUYER'S CLOSING CONDITIONS. The obligations of Buyer under this Agreement are subject, at the option of Buyer, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of Seller contained in this Agreement shall be true in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Seller shall have performed and satisfied all agreements required by this Agreement to be performed and satisfied by Seller at or prior to the Closing;

(b) Buyer shall have received a certificate dated as of the Closing, executed by a duly authorized officer of Seller, to the effect that to such officer's knowledge the statements made under Article IV above by Seller are true at and as of the Closing;

(c) Seller believes that, pursuant to Section 802.3 of the FTC regulations, no Hart-Scott-Rodino Act filing is necessary, with respect to this transaction. If Buyer disagree with Seller's determination, the Buyer shall notify Seller within 10 days after the execution of this Agreement. If Buyer and Seller cannot agree, then the following becomes a Buyer's Closing Condition: Except for approvals covered by Section 15.1 hereof, all necessary consents and filings with the Federal Trade Commission and any other state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, and the applicable waiting periods prescribed in connection with the Hart-Scott-Rodino Act shall have elapsed or terminated (by early termination or otherwise) since the dates of the filings by the parties with respect thereto; and

(d) As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Buyer) shall be pending or threatened before any court or governmental agency seeking to restrain Buyer or prohibit the Closing or seeking damages against Buyer as a result of the consummation of this Agreement.

(e) All material third party consents required for the transfer of the Subject interests to Buyer shall have been received, waived, or the time for exercise has expired so as to bar their exercise.

(f) Satisfactory releases of Seller's lender's mortgages on the Assets shall have been received.

ARTICLE XI
CLOSING

11.1 CLOSING. The closing of this transaction (the "Closing") shall be held at 10:00 a.m., Central Standard Time, at the offices of Seller at 10740 Nall, Suite 230, Overland Park, Kansas 66211 on the second business day following the expiration of the ten day preferential right period provided to Chandler & Associates, Inc. in accordance with LGG's operating agreement and the joint operating agreement and joint development agreement on the property, or at such other date or place as the parties may agree in writing (herein called "Closing Date"). Regardless of when the Closing shall occur, Closing shall be effective with respect to each Asset as of the Effective Time, as specified in Section 1.11.

11.2 SELLER'S CLOSING OBLIGATIONS. At Closing (except Seller shall have a reasonable period after the Closing for items d, e, f and g), Seller shall deliver to Buyer the following:

(a) The Assignments, Bills of Sale and Conveyances substantially in the form attached hereto as EXHIBIT C and such other documents as may be reasonably necessary to convey Seller's interest in the Assets to Buyer in accordance with the provisions hereof;

(b) The certificate of Seller referred to in Section 10.2(b) hereof;

(c) Evidence of Seller's compliance with the Hart-Scott-Rodino Act (if necessary);

(d) Transfer or division orders, or letters-in-lieu thereof, to be effective at the Effective Time in the form required by the purchasers of the Hydrocarbons from the producing properties, provided that if any purchasers prepare the same, the execution and delivery thereof may be deferred until they are prepared;

(e) All title opinions, abstracts of title, lease records, data sheets, status and other reports pertaining to the Subject Interests heretofore received by Seller or to which Seller has access;

(f) All of the Basic Documents, and the files pertaining thereto, and all other contracts, documents and files affecting title to the Subject Interests to which Seller has access; and

(g) All lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, and all other books, files and records information and data, except insofar as Seller is prevented from transferring same by contractual obligations to third parties or applicable law.

(h) A tax certificate representing the fact that Seller is not a foreign entity.

11.3 BUYER'S CLOSING OBLIGATIONS. At Closing, Buyer shall deliver to Seller the following:

(a) The Purchase Price (subject to such adjustments, if any, as are expressly provided for in this Agreement) in immediately available funds to Seller as provided in Section 3.1 hereof (or to such other account within the continental United States of America designated by Seller to Buyer at least five (5) days prior to the Closing Date);

(b) The certificate of Buyer referred to in Section 10.1(b) hereof;

(c) Evidence of Buyer's compliance with the Hart-Scott-Rodino Act (if necessary).

ARTICLE XII
EFFECT OF CLOSING

12.1 REVENUES. To the extent not included in the reimbursements under Section 3.2 hereof, all proceeds, accounts receivable, notes receivable, revenues, monies and other items included in or attributable to the Excluded Assets and all other Excluded Assets shall belong to and be paid over to Seller and all other proceeds, accounts receivable, notes receivable, revenues, monies and other items relating to the period of time after the Effective Time and included in or attributable to the Assets shall belong to and be paid over to Buyer.

12.2 TAXES.

(a) Apportionment of Ad Valorem and Property Taxes. All ad valorem, real property taxes and personal property taxes, including interest and penalties attributable thereto (hereinafter "Property Taxes"), attributable to the Assets with respect to the tax assessment period ("Tax Period") during which the Effective Time occurs shall be apportioned as of the Effective Time between Seller and Buyer, with Seller paying a fraction thereof based upon the number of days in the Tax Period prior to the Effective Time and Buyer paying the balance thereof. This allocation prevails even if the assessment for the Tax Period is attributable, in whole or in part, to a prior calendar year. The owner of record on the assessment date shall file or cause to be filed all required reports and returns incident to the Property Taxes and shall pay or cause to be paid to the taxing authorities all Property Taxes relating to the Tax Period during which the Effective Time occurs. If Seller is the owner of record on the assessment date, then Buyer shall pay to Seller Buyer's pro rata portion of Property Taxes within thirty (30) days after receipt of Seller's invoice therefor, except to the extent taken into account as an adjustment to the Purchase Price pursuant to Section 3.2. If Buyer is the owner of record as of the assessment date then Seller shall pay to Buyer Seller's pro rata portion of Property Taxes within thirty (30) days after receipt of Buyer's invoice therefor, except to the extent taken into account as an adjustment to the Purchase Price pursuant to Section 3.2.

(b) Sales Taxes. The Purchase Price provided for hereunder excludes, and Buyer shall be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale of the Assets pursuant to this Agreement. To the extent required by applicable law, Seller shall collect and remit any Transfer Taxes that are required to be paid as a result of the transfer of the Assets by Seller to the Buyer. If the transfer of the Assets pursuant to this Agreement is exempt from any Transfer Taxes, Buyer shall, at Closing, provide Seller with properly executed exemption certificates or other documentation acceptable under applicable law. As used here, the term "Transfer Taxes" shall mean any sales, use, excise, stock, stamp, document, filing, recording, registration, authorization and similar taxes, fees and charges.

(c) Other Taxes. With the exception of income and franchise taxes, all other federal, state and local taxes (including interest and penalties attributable thereto) on the ownership or operations of the Assets which are imposed with respect to periods or portions of periods prior to the Effective Time shall be paid by Seller and all such taxes imposed with respect to periods or portions of periods beginning on or after the Effective Time shall be paid by Buyer.

(d) Cooperation. After the Closing, each party to this Agreement shall provide the other party with reasonable access to all relevant documents, data and other information (other than that which is subject to any attorney-client privilege) which may be required by the other party for the purpose of preparing tax returns, filing refund claims and responding to any audit by any taxing jurisdiction. Each party to this Agreement shall cooperate with all reasonable requests of the other party made in connection with contesting the imposition of taxes. Notwithstanding anything to the contrary in this Agreement, neither party to this Agreement shall be required at any time to disclose to the other party any Tax Return or other confidential tax information. Except where disclosure is required by applicable law or judicial order, any information obtained by a party pursuant to this Section 12.2(d) shall be kept confidential by such party, except to the extent disclosure is required in connection with the filing of any Tax Returns or claims for refund or in connection with the conduct of an audit, or other proceedings in response to an audit, by a taxing jurisdiction.

12.3 EXPENSES. To the extent not included in the reimbursements under Section 3.2 hereof or in the Assumed Obligations, all accounts payable and other costs and expenses (other than taxes described in Section 12.2) with respect to the Seller's interest in the Assets which are attributable under GAAP to the period prior to the Effective Time shall be the obligation of and be paid by Seller, and those which are attributable under GAAP to the period commencing with the Effective Time, as well as all Assumed Obligations, shall be the obligation of and be paid by Buyer.

12.4 SHARED OBLIGATIONS. If monies are received by any party hereto which, under the terms of this Article XII, belong to another party, the same shall immediately be paid over to the proper party. If an invoice or other evidence of an obligation is received which under the terms of this Article XII is partially the obligation of Seller and partially the obligation of Buyer, then the parties shall consult each other and each shall promptly pay its portion of such obligation to the obligee, provided that if either party hereto shall fail promptly to pay its portion of such obligation to the obligee, the other party hereto shall have the right (but not the obligation) to pay such portion of such obligation, whereupon the defaulting party shall promptly reimburse such other party for the defaulting party's portion so paid, plus interest on said amounts until reimbursed, at the rate applicable under Article III above.

12.5 SELLER OPERATED PROPERTIES. It is expressly understood and agreed that Seller shall not be obligated to continue operating any of the Assets following the Closing Date and Buyer hereby assumes full responsibility for operating (or causing the operation of) all Assets following the Closing Date.

12.6 RESERVATION OF RIGHT TO QUALIFY UNDER SECTION 29 OF THE CODE. Seller hereby retains, and Buyer consents thereto, the right to seek qualification of certain of the Real Property Assets

under Section 29 of the Internal Revenue Code of 1986, as amended, and as gas produced from coal seams under Section 503 of the Natural Gas Policy Act of 1978 (and including any successor or similar state or federal legislation) before the Federal Energy Regulatory Commission, or its successor agency. This reservation is not intended to reserve any rights to claim Section 29 credits with respect to production occurring after the Effective Date, but rather is to assure Seller's right to such credits prior to the Effective Date. Buyer agrees to cooperate fully with Seller at Seller's expense and to permit access to Buyer's records and all reasonable time to permit Seller to complete this qualification process.

ARTICLE XIII
SETTLEMENT OF PRORATIONS

13.1 ACCOUNTING. Prior to Closing, Seller shall furnish Buyer with an estimated accounting showing in reasonable detail the prorating of any amounts described in and subject to Article XII of this Agreement. If pursuant to such estimated accounting either Seller or Buyer shall owe any obligation to the other which is not included in the reimbursements under Section 3.2, then the Purchase Price paid at Closing shall be further adjusted to reflect such charges and credits which are necessary to accomplish such adjustment. Promptly after the Closing Date (but not later than one hundred twenty (120) days thereafter), Seller shall furnish Buyer with a final accounting showing in reasonable detail the prorating of any amounts described in and subject to Article XII hereof.

13.2 SETTLEMENT OF DISPUTES. If within thirty (30) days after Seller furnishes such final accounting to Buyer, Buyer and Seller are unable to agree on such final accounting or the adjustments provided for in Section 3.2 hereof, then either Seller or Buyer may submit such proration or allocation dispute to a mutually acceptable accounting firm, and the determination made as to such proration or allocation by such accounting firm shall be final and binding upon Seller and Buyer. Final settlement shall be made within ten (10) business days following agreement by the Buyer and Seller or final determination by said accounting firm. All determinations and adjustments with respect to allocating items to the periods before or after the Effective Time shall be in accordance with GAAP. The fees charged by said accounting firm for making determinations under Section 3.2 or this Section 13.2 shall be paid one-half (1/2) by Buyer and one-half (1/2) by Seller.

ARTICLE XIV
ENVIRONMENTAL

14.1 AVAILABILITY OF DATA TO BUYER: The Assets which are the subject of this Agreement have been utilized by Seller for the purposes of exploration, development and production of oil and gas, for related oilfield operations and possibly for the storage and disposal of waste materials or hazardous substances. Seller shall make available to Buyer, during the environmental assessment period described in Section 14.3 below, Seller's historical files regarding the foregoing operations, to the extent available and to the extent Seller is authorized to disclose same (excepting documents subject to confidentiality restrictions or legal privilege).

14.2 SPILLS AND NORM: Without changing the allocation of risk reflected in Section 13.7 and 13.8, and without creating knowledge on Buyer's part that could or would limit or eliminate

Seller's indemnification under Section 13.8(c)(ii). Buyer acknowledges that in the past there may have been spills of wastes, crude oil, produced water, or other materials (including, without limitation, any toxic, hazardous or extremely hazardous substances) onto the Lands. In addition, some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material (hereinafter referred to as "NORM"). In this regard Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale or in other forms, that said wells, materials and equipment located on the Lands or included in the Assets described herein may contain NORM and that NORM-containing material may have been buried or otherwise disposed of on the Lands. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of asbestos, NORM or other materials from the Assets and Lands where such material may be found and that Buyer assumes all liability for or in connection with the assessment, containment, removal, remediation, transportation and disposal of any such materials, in accordance with all past, present or future applicable laws, rules, regulations and other requirements of any governmental or judicial entities having jurisdiction and also with the terms and conditions of all applicable leases and other contracts.

14.3 BUYER AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM ANY CLAIM, CAUSE OF ACTION, JUDGMENT, LIABILITY, LOSS, DAMAGE OR OTHER COST WHATSOEVER BROUGHT BY OR IN FAVOR OF ANY PERSON FOR INJURY, ILLNESS OR DEATH, DAMAGE TO OR LOSS OF PROPERTY, FOR DAMAGE OR HARM TO THE ENVIRONMENT OR FOR ANY OTHER MATTER CAUSED BY BUYER'S ACCESS TO THE LANDS OR THE ENVIRONMENTAL ASSESSMENT OR TESTING THEREOF, EVEN IF SUCH LIABILITY IS ATTRIBUTABLE TO THE CONTRIBUTORY NEGLIGENCE OF SELLER; PROVIDED, THE FOREGOING SHALL NOT APPLY TO ANY CLAIM, CAUSE OF ACTION, JUDGMENT, LIABILITY, LOSS, DAMAGE OR OTHER COST WHATSOEVER TO THE EXTENT ARISING FROM CONDITIONS ON THE LANDS AS OPPOSED TO BUYER'S ACTIVITIES ON THE LAND PRIOR TO CLOSING.

14.4 MATERIAL ADVERSE ENVIRONMENTAL CONDITIONS: Buyer's sole and exclusive remedy for environmental conditions is as provided in Section 14.8.

14.5 "AS IS, WHERE IS" PURCHASE: Subject to Section 14.8, Buyer shall acquire the Assets in an "AS IS, WHERE IS" condition and shall assume all risks that the Assets may contain waste materials (whether toxic, hazardous, extremely hazardous or otherwise) or other adverse physical conditions, including, but not limited to, the presence of unknown abandoned oil and gas wells, water wells, sumps, pits, pipelines or other waste or spill sites which may not have been revealed by Buyer's investigation. On and after the Effective Time, all responsibility and liability related to all such conditions, whether known or unknown, fixed or contingent, will be transferred from Seller to Buyer, except as provided in Section 14.8.

14.6 DISPOSAL OF MATERIALS, SUBSTANCES AND WASTES: Buyer shall properly handle, remove, transport and dispose of any material, substance or waste (whether toxic, hazardous, extremely hazardous or otherwise) from the Assets or Lands (including, but not limited to, produced water, drilling fluids and other associated wastes), whether present before or after the Effective Time, in accordance with applicable local, state and federal laws and regulations. To the extent that the Lands

are not sold in fee to Buyer, Buyer shall keep records of the types, amounts and location of materials, substances and wastes which are transported, handled, discharged, released or disposed onsite and offsite. When and if any lease, an interest in which has been assigned pursuant to this Agreement, is terminated, Buyer shall take whatever additional testing, assessment, closure, reporting or remedial action with respect to the Assets or Lands as is necessary to meet any local, state or federal requirements directed at protecting human health or the environment in effect at that time, and any other action as necessary to restore the Lands or Assets to their original condition.

14.7 BUYER'S INDEMNITY:

(a) SUBJECT TO SECTION 14.8, AND (i) BEGINNING ON A DATE TWO YEARS FROM CLOSING, WITH RESPECT TO ALL LIABILITIES DESCRIBED HEREIN AND (ii) FROM THE CLOSING DATE WITH RESPECT TO ALL LIABILITIES NOT SUBJECT TO SECTION 14.8 BELOW, BUYER SHALL INDEMNIFY, HOLD HARMLESS, RELEASE AND DEFEND SELLER FROM AND AGAINST ALL DAMAGES, LOSSES, CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS AND OTHER COSTS (INCLUDING BUT NOT LIMITED TO ANY CIVIL FINES, PENALTIES, COSTS OF ASSESSMENT, CLEAN-UP, REMOVAL AND REMEDIATION OF POLLUTION OR CONTAMINATION, AND EXPENSES FOR THE MODIFICATION, REPAIR OR REPLACEMENT OF FACILITIES ON THE LANDS) BROUGHT BY ANY AND ALL PERSONS AND ANY AGENCY OR OTHER BODY OF FEDERAL, STATE OR LOCAL GOVERNMENT, ON ACCOUNT OF ANY PERSONAL INJURY, ILLNESS OR DEATH, ANY DAMAGE TO, DESTRUCTION OR LOSS OF PROPERTY, AND ANY CONTAMINATION OR POLLUTION OF NATURAL RESOURCES (INCLUDING SOIL, AIR, SURFACE WATER OR GROUNDWATER) TO THE EXTENT ANY OF THE FOREGOING DIRECTLY OR INDIRECTLY IS CAUSED BY OR OTHERWISE INVOLVES ANY ENVIRONMENTAL CONDITION OF THE ASSETS OR LANDS, WHETHER CREATED OR EXISTING BEFORE, ON OR AFTER THE EFFECTIVE TIME, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE, DISPOSAL OR RELEASE OF ANY MATERIAL (WHETHER HAZARDOUS, EXTREMELY HAZARDOUS, TOXIC OR OTHERWISE) OF ANY KIND IN, ON OR UNDER THE ASSETS OR THE LANDS.

(b) SUBJECT TO SECTION 14.8, BUYER'S INDEMNIFICATION OBLIGATIONS SHALL EXTEND TO AND INCLUDE, BUT NOT BE LIMITED TO (I) THE NEGLIGENCE OR OTHER FAULT OF SELLER, BUYER AND THIRD PARTIES, WHETHER SUCH NEGLIGENCE IS ACTIVE OR PASSIVE, GROSS, JOINT, SOLE OR CONCURRENT, (II) SELLER'S OR BUYER'S STRICT LIABILITY, AND (III) SELLER'S OR BUYER'S LIABILITIES OR OBLIGATIONS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. Sections 9601 ET. SEQ.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET. SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTIONS 466 ET. SEQ.), THE SAFE DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTIONS 1801 ET. SEQ.), THE TOXIC SUBSTANCES CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), THE CLEAN AIR ACT (42 U.S.C. SECTION 7401 ET. SEQ,) AS AMENDED, THE CLEAN AIR ACT AMENDMENTS OF 1990 AND ALL STATE AND LOCAL LAWS AND ANY REPLACEMENT OR SUCCESSOR LEGISLATION OR

REGULATION THERETO. THIS INDEMNIFICATION SHALL BE IN ADDITION TO ANY OTHER INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT, AND IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT ANY TERMS OF THIS ARTICLE SHALL CONTROL OVER ANY CONFLICTING OR CONTRADICTING TERMS OR PROVISIONS CONTAINED IN THIS AGREEMENT.

14.8 SELLER'S INDEMNITY:

(a) SUBJECT TO THE TERMS AND PROVISIONS OF SECTIONS 14.7 AND 15.7 OF THIS AGREEMENT, AND WITH RESPECT TO ANY CLAIM DESCRIBED IN THIS SECTION 13.8(a), WRITTEN NOTICE OF WHICH BUYER HAS GIVEN SELLER WITHIN A TWO-YEAR PERIOD FOLLOWING THE CLOSING DATE, SELLER SHALL INDEMNIFY, HOLD HARMLESS, RELEASE AND DEFEND BUYER FROM AND AGAINST DAMAGES, LOSSES, CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS AND OTHER COSTS (INCLUDING BUT NOT LIMITED TO ANY CIVIL FINES, PENALTIES, COSTS OF ASSESSMENT, CLEAN-UP, REMOVAL AND REMEDIATION OF POLLUTION OR CONTAMINATION, AND EXPENSES FOR THE MODIFICATION, REPAIR OR REPLACEMENT OF FACILITIES ON THE LANDS BUT ONLY TO THE EXTENT SUCH ITEMS EXCEED $1 MILLION) BUT ONLY IF BROUGHT BY ANY AGENCY OR OTHER BODY OF FEDERAL, STATE OR LOCAL GOVERNMENT OR A THIRD PARTY, WHICH IS ENTIRELY UNAFFILIATED WITH BUYER, ON ACCOUNT OF CLAIM OR VIOLATION OF ANY ENVIRONMENTAL LAW OR REGULATION TO THE EXTENT ANY OF THE FOREGOING DIRECTLY OR INDIRECTLY IS CAUSED BY OR OTHERWISE INVOLVES ANY ENVIRONMENTAL CONDITION OF THE ASSETS OR LANDS, CREATED OR EXISTING BEFORE THE EFFECTIVE TIME, AND WHICH CONSTITUTES A VIOLATION OF APPLICABLE ENVIRONMENTAL LAWS IN EFFECT AS OF THE EFFECTIVE TIME, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE, DISPOSAL OR RELEASE OF ANY MATERIAL (WHETHER HAZARDOUS, EXTREMELY HAZARDOUS, TOXIC OR OTHERWISE) OF ANY KIND IN, ON OR UNDER THE ASSETS OR THE LANDS.

(b) SELLER'S INDEMNIFICATION OBLIGATIONS SHALL EXTEND TO AND INCLUDE, BUT NOT BE LIMITED TO (I) THE NEGLIGENCE OR OTHER FAULT OF SELLER, BUYER AND THIRD PARTIES, WHETHER SUCH NEGLIGENCE IS ACTIVE OR PASSIVE, GROSS, JOINT, SOLE OR CONCURRENT, (II) SELLER'S OR BUYER'S STRICT LIABILITY, AND (III) SELLER'S OR BUYER'S LIABILITIES OR OBLIGATIONS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET. SEQ.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET. SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTIONS 466 ET. SEQ.), THE SAFE DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTIONS 1801 ET. SEQ.), THE TOXIC SUBSTANCES CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), THE CLEAN AIR ACT (42 U.S.C. SECTION 7401 ET. SEQ.) AS AMENDED, THE CLEAN AIR ACT AMENDMENTS OF 1990 AND ALL STATE AND LOCAL LAWS, AS IN EFFECT AS OF THE DATE OF THIS AGREEMENT. THIS INDEMNIFICATION SHALL BE IN ADDITION TO ANY OTHER INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT, AND IT IS EXPRESSLY

UNDERSTOOD AND AGREED THAT ANY TERMS OF THIS ARTICLE SHALL CONTROL OVER ANY CONFLICTING OR CONTRADICTING TERMS OR PROVISIONS CONTAINED IN THIS AGREEMENT.

(c) SELLER'S INDEMNIFICATION SHALL NOT EXTEND TO MATTERS OR CONDITIONS (i) FOR WHICH AN ADJUSTMENT OF THE PURCHASE PRICE WAS MADE, OR (ii) WHICH WERE DISCLOSED TO OR KNOWN BY BUYER ON OR BEFORE BUYER'S EXECUTION OF THIS AGREEMENT.

14.9 REDUCTION. There shall be no reduction in the Purchase Price under Section 7.2 unless Seller's share of a proposed reduction as to any single incident exceeds $50,000.00; this shall be determined on an incident by incident basis. In addition, if Seller's share of the proposed reduction under Section 7.2 as to any single incident exceeds $50,000.00, there shall be no reduction in the Purchase Price until such time as the total of these excess amounts (over $50,000.00) exceeds $500,000.00. Seller's indemnity under Section 14.8 shall not be applicable until such time as Seller's share of liability under Section 14.8 exceeds $1,000,000.00.

ARTICLE XV
MISCELLANEOUS

15.1 CERTAIN GOVERNMENTAL CONSENTS. At the Closing, Seller shall execute and deliver to Buyer such assignments of Federal and State leases as require consent to assignment, on the forms required by the governmental agency having jurisdiction thereof. Seller and Buyer will use reasonable efforts after Closing to obtain approval of such assignments.

15.2 PUBLIC ANNOUNCEMENTS. The parties hereto agree that prior to making any public announcement or statement with respect to the transaction contemplated by this Agreement, the party desiring to make such public announcement or statement shall consult with the other party hereto and exercise reasonable efforts to (i) agree upon the text of a joint public announcement or statement to be made by both of such parties or (ii) obtain approval of the other party hereto to the text of a public announcement or statement to be made solely by Seller or Buyer, as the case may be. Nothing contained in this paragraph shall be construed to require either party to obtain approval of the other party hereto to disclose information with respect to the transaction contemplated by this Agreement to any state or federal governmental authority or agency to the extent required by applicable law or by any applicable rules, regulations or orders of any governmental authority or agency having jurisdiction or necessary to comply with disclosure requirements of any major stock exchange and applicable securities laws .

15.3 FILING AND RECORDING OF ASSIGNMENTS, ETC. Buyer shall be solely responsible for all filings and recording of assignments and other documents related to the Assets and for all fees connected therewith, and upon request Buyer shall advise Seller of the pertinent recording data. Seller shall not be responsible for any loss to Buyer because of Buyer's failure to file or record documents correctly or promptly. Buyer shall promptly file all appropriate forms, declarations or bonds with Federal, State and Indian agencies relative to its assumption of operations and Seller shall cooperate with Buyer in connection with such filings.

15.4 ASSUMPTION AND INDEMNITY. SUBJECT TO THE OTHER PROVISIONS HEREIN, BUYER SHALL ASSUME ALL RISK OF LOSS WITH RESPECT TO ANY CHANGE IN THE CONDITION OF THE ASSETS FROM AND AFTER THE EFFECTIVE TIME (EVEN THOUGH DUE IN WHOLE OR IN PART TO SELLER'S NEGLIGENCE). BUYER AGREES TO ASSUME AND PAY, PERFORM, FULFILL AND DISCHARGE ALL ASSUMED OBLIGATIONS, AND AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS ATTRIBUTABLE TO OR ARISING OUT OF THE ASSUMED OBLIGATIONS, INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF. TO THE EXTENT NOT INCLUDED IN ASSUMED OBLIGATIONS AND SUBJECT TO THE OTHER PROVISIONS HEREIN, SELLER AGREES TO PAY, PERFORM, FULFILL AND DISCHARGE ALL COSTS, EXPENSES AND LIABILITIES INCURRED BY SELLER WITH RESPECT TO THE OWNERSHIP OR OPERATION OF SELLER'S INTEREST IN THE ASSETS AND ACCRUING PRIOR TO THE EFFECTIVE TIME EVEN THOUGH ASSERTED AFTER THE EFFECTIVE TIME, AND AGREES TO INDEMNIFY, DEFEND AND HOLD BUYER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS ATTRIBUTABLE TO OR ARISING OUT OF SUCH OBLIGATIONS OF SELLER, INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF. FOR EXAMPLE, WITH RESPECT TO OPERATIONS COMMITTED TO BY SELLER AND COMMENCED PRIOR TO THE EFFECTIVE TIME, BUT NOT COMPLETED UNTIL AFTER THE EFFECTIVE TIME, THE COSTS ACCRUING WITH RESPECT THERETO PRIOR TO THE EFFECTIVE TIME SHALL BE THE OBLIGATION OF SELLER AND THE COSTS ACCRUING WITH RESPECT THERETO AFTER THE EFFECTIVE TIME SHALL BE THE OBLIGATION OF BUYER. WITHOUT LIMITING THE PARTIES' RESPECTIVE REPRESENTATIONS IN SECTIONS 4.1(f) AND 5.1(f) HEREOF, EACH PARTY HEREBY AGREES TO INDEMNIFY AND HOLD THE OTHER HARMLESS FROM AND AGAINST ANY CLAIM FOR A BROKERAGE OR FINDER'S FEE OR COMMISSION IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT TO THE EXTENT SUCH CLAIM ARISES FROM OR, IS ATTRIBUTABLE TO THE ACTIONS OF SUCH INDEMNIFYING PARTY, INCLUDING, WITHOUT LIMITATION, ANY AND ALL LOSSES, DAMAGES, ATTORNEY'S FEES, COSTS AND EXPENSES OF ANY KIND OR CHARACTER ARISING OUT OF OR INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR DEFENDING AGAINST THE SAME.

15.5 FURTHER ASSURANCES AND RECORDS

(a) After the Closing, each of the parties will execute, acknowledge and deliver to the other such further instruments, and take such other action, as may be reasonably requested in order to more effectively assure to said party all of the respective properties, rights, titles, interests, estates, and privileges intended to be assigned, delivered or inuring to the benefit of such party in consummation of the transactions contemplated hereby.

(b) Buyer agrees to maintain the files and records of Seller that are acquired pursuant to this Agreement until the tenth (10th) anniversary of the Closing Date (or for such longer period of time as Seller shall advise Buyer is necessary in order to have records available with respect to open years for tax audit purposes), or, if any of such records pertain to any claim or dispute pending on the tenth (10th) anniversary of the Closing Date, Buyer shall maintain any of such records designated by Seller until such claim or dispute is finally resolved and the time for all appeals has been exhausted. Buyer shall provide Seller and its representatives reasonable access to and the right to copy such files and records for the purposes of (i) preparing and delivering any accounting provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement, (ii) complying with any law, rule or regulation affecting Seller's interest in the Assets prior to the Closing Date, (iii) preparing any audit of the books and records of any third party relating to Seller's interest in the Assets prior to the Closing Date, or responding to any audit prepared by such third parties, (iv) preparing tax returns, (v) responding to or disputing any tax audit or (vi) asserting, defending or otherwise dealing with any claim or dispute under this Agreement. In no event shall Buyer destroy any such files and records without giving Seller sixty (60) days advance written notice thereof and the opportunity, at Seller's expense, to obtain such files and records prior to their destruction.

(c) Buyer agrees that, as soon as practicable after the Closing, it will remove or cause to be removed the names and marks used by Seller and all variations and derivatives thereof and logos relating thereto from the Assets and will not thereafter make any use whatsoever of such names, marks and logos.

(d) To the extent not obtained or satisfied as of Closing, Seller agrees to continue to use reasonable efforts, but without any obligation to incur any cost or expense in connection therewith, and to cooperate with Buyer's efforts to obtain for Buyer (i) access to files, records and data relating to the Assets in the possession of third parties; (ii) access to wells constituting a part of the Assets operated by third parties for purposes of inspecting same; and (iii) the waiver of confidentiality or other restrictions on the review by and/or transfer to Buyer of seismic, geophysical, engineering or other data pertaining to the Subject Interests.

15.6 LIMITATIONS. The express representations and warranties of Seller contained in this Agreement (i) are made by Seller solely with respect to Assets owned by Seller, (ii) are enforceable against the owner of the respective Assets and are not a joint or collective liability and (iii) are exclusive and are in lieu of all other representations and warranties, express, implied or statutory, including without limitation any representation or warranty with respect to title to the Assets or the quality, quantity or volume of the reserves of oil, gas or other Hydrocarbons in or under the Subject Interests and unless specifically provided otherwise in this Agreement, such express representations and warranties of Seller shall terminate at Closing and be of no further force and effect. The items

of personal property, equipment, fixtures and appurtenances conveyed as part of the Assets are sold hereunder "AS IS, WHERE IS" and no warranties or representations of any kind or character, express or implied, including any warranty of quality, merchantability, fitness for a particular purpose or condition, are given by or on behalf of Seller. THE WARRANTIES OF SELLER CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, AND BUYER HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (a) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE ASSETS, (b) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, AND (c) THE ENVIRONMENTAL CONDITION OF THE ASSETS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY WAIVES, AS TO PERSONAL, MOVABLE AND IMMOVABLE PROPERTY, EQUIPMENT AND FIXTURES CONSTITUTING A PART OF THE ASSETS (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (iv) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (v) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM VICES OR DEFECTS, WHETHER KNOWN OR UNKNOWN, AND (vi) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW AND (vii) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH, IT BEING THE EXPRESS INTENTION OF BUYER AND SELLER THAT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN ARTICLE IV) THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY SHALL BE CONVEYED TO BUYER AS IS AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR, AND BUYER REPRESENTS TO SELLER THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS WITH RESPECT TO THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY AS BUYER DEEMS APPROPRIATE AND BUYER WILL ACCEPT THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY AS IS, IN THEIR PRESENT CONDITION AND STATE OF REPAIR, IT BEING THE EXPRESS INTENTION OF BOTH BUYER AND SELLER THAT THE PERSONAL PROPERTY, EQUIPMENT AND FIXTURES INCLUDED WITHIN THE ASSETS ARE HEREBY CONVEYED TO BUYER IN

THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS, AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. SELLER AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAW, RULE OR ORDER. To the maximum extent permitted by law, Buyer waives all provisions of the Texas Deceptive Trade Practices Act, Chapter 17, Texas Business and Commerce Code (other than Section 17.555 thereof) and, to the extent permitted by law, similar such provisions in like Acts in all other applicable jurisdictions, insofar as the provisions of such act may be applicable to this Agreement or the transactions contemplated hereby. To evidence its ability to grant such waiver, Buyer hereby represents and warrants to Seller that the Buyer (i) is seeking or acquiring, by purchase or lease, goods or services for commercial or business use, (ii) has assets of $5 million or more according to its most recent financial statement prepared in accordance with GAAP, (iii) has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of the transaction contemplated hereby and (iv) is not in a significantly disparate bargaining position. Seller makes no representation or warranty, express or implied with respect to whether any of the Subject Interests are qualified for, or whether Buyer might be qualified to take, tax credits under Section 29 of the Internal Revenue Code with respect to production from the Subject Interests.

15.7 SURVIVAL. No representation, warranty, covenant or agreement made herein shall survive the Closing except as provided in this Section 15.7. It is expressly agreed that the terms and provisions of Articles I, III, IV, V, VIII, XII, XIII, and XV and Sections 6.3, 6.4, 7.1, Sections 14.1 through 14.7 and Section 14.9, shall survive the Closing. The terms and provisions of Section 14.8 shall expire according to its terms.

15.8 GAS IMBALANCE: Buyer acknowledges and agrees to the following regarding gas imbalances as of the Effective Time on any of the Assets to be transferred pursuant to this Agreement:

(a) GAS UNDERPRODUCTION: In the event Seller is underproduced as to any wells located on the Lands or if any amounts are owed Seller with respect to any pipeline, transportation or processing imbalances, Buyer agrees not to hold Seller liable for such underproduction or such amounts. Seller, however, agrees to assign to Buyer all of its contractual rights to make up such underproduction, and to recover all amounts owed.

(b) GAS OVERPRODUCTION: In the event Seller is overproduced as to any wells located on the Lands or if any amounts are due from Seller with respect to any pipeline, transportation or processing imbalances, Buyer acknowledges and agrees that its share of gas from any such overproduced wells may at some point be curtailed by underproduced working interest owners and it may be required to satisfy, in kind or in value, such third party transporters and processors for such imbalances. Seller shall not be liable to Buyer in the event such curtailment occurs or satisfaction is required.

(c) GAS BALANCING STATEMENTS: Seller has furnished Buyer with statements in its possession showing the most current status of the before mentioned imbalances and these statements are summarized in EXHIBIT M.

(d) FUTURE LIABILITY: From and after the Effective Time, any and all benefits, liabilities associated with such imbalance accounts shall accrue to and be the responsibility of Buyer. Buyer shall assume Seller's overproduced or underproduced position in the Assets as of the Effective Time, including but not limited to Buyer's responsibility for payment of royalties on the volume of such gas which Seller took in excess of its entitlement and any obligation to balance whether in cash or in kind. Except as provided in Section 17.9(e), there shall be no adjustment to the Purchase Price as a result of the imbalance accounts attributable to the Assets.

(e) ADJUSTMENT TO PURCHASE PRICE: In the event either Seller or Buyer determines no later than sixty (60) days after the Closing Date that a "material" error was made with the imbalance account set forth in EXHIBIT M or that a material change (either increase or decrease) exists between the imbalance represented in EXHIBIT M and the imbalance as of the Effective Time in such an account, the adjustments under Section 3.2, shall be adjusted to compensate for the economic impact of the error or change. Such an error or change is material only if the total difference in the value of the imbalance accounts as set forth in EXHIBIT M and the correct or changed imbalance accounts exceeds ten percent (10%) of the value of the imbalance accounts as set forth in EXHIBIT M, but in no event less than $100,000.00. For the purposes of this Section only, the value of such an imbalance account adjustment shall be calculated by multiplying the applicable volume of gas by $2.50 per MMBtu which shall represent the value of such imbalance and then making appropriate adjustments for royalties and severance taxes and similar taxes, if any, actually paid on such amount or which will be required to be paid. The Purchase Price shall be reduced or increased by the adjustments for such gas imbalance changes on the Effective Time for material errors discovered prior to the Effective Time. Adjustments for material errors discovered after the Closing Date shall be included in a final settlement statement as provided herein.

15.9 SIGNATURE OF KLT INC. This Agreement for Purchase and Sale is executed by KLT Inc. solely for the purposes of Article XIV and 15.4 and for no other purpose.

15.10 NOTICES. All notices authorized or required by any of the provisions of this Agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier, or any other form of facsimile, postage or charges prepaid, and addressed to the parties at the addresses set forth below:

If to Seller: Apache Canyon Gas, L.L.C.
10740 Nall, Suite 230
Overland Park, KS 66211
Telephone No.: 913-967-4304
Telecopy No.: 913-967-4340
Attention: President

If to Buyer: Evergreen Resources, Inc.
1401 17th Street, Suite 1200
Denver, Colorado 80202
Attention: President
Telecopy No.: (303) 295-7895

Any party may, by written notice so delivered to the other, change the address to which delivery shall thereafter be made.

15.11 INCIDENTAL EXPENSES. Buyer shall bear and pay any and all Federal, State or local Transfer Taxes as defined in Section 12.2(b) hereof incident to the transfer, assignment or other conveyance of the Assets to Buyer. Each party shall bear its own respective expenses incurred in connection with the Closing of this transaction, including its own consultants' fees, attorneys' fees, accountants' fees, and other similar costs and expenses.

15.12 ENTIRE AGREEMENT. Except for the Confidentiality Agreement referenced in Section 6.3, this Agreement embodies the entire agreement between the parties (superseding all prior agreements, arrangements and understandings related to the subject matter hereof), and may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto. No supplement, amendment, modification, waiver or termination of this Agreement shall be binding unless in writing and executed by both parties hereto. The headings herein are for convenience only and shall have no significance in the interpretation hereof.

15.13 GOVERNING LAW. Except for matters of title to the Subject Interests or their transfer, which shall be governed by the law of their situs, this Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado without regard for any conflict of laws or choice of laws principles that would permit or require the application of the laws of any other jurisdiction.

15.14 EXHIBITS. All Exhibits and Schedules hereto which are referred to herein are hereby made a part hereof and incorporated herein by reference.

15.15 CERTAIN TERMS. As used in this Agreement, the term "knowledge" means actual knowledge of any fact, circumstance or condition by the officers or management employees of the party involved at a supervisory or higher level, but does not include (i) knowledge imputed to the party involved by reason of knowledge of or notice to any person, firm or corporation other than its officers or employees at a supervisory or higher level or (ii) knowledge deemed to have been constructively given by reason of any filing, registration or recording of any document or instrument in any public record or with any governmental entity. As used in this Agreement, the term "day" means any calendar day, and the term "business day" means any day exclusive of Saturdays, Sundays and national holidays.

15.16 INTERIM ACCOUNTING, PAYMENT AND COLLECTION SERVICES. Buyer and Seller agree to cooperate to transfer financial accounting services for the Assets as promptly as practicable after the Effective Time.

15.17 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and each and every counterpart shall be deemed for all purposes one (1) agreement.

15.18 WAIVER. Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the party waiving compliance. Except as otherwise expressly provided in this Agreement, the failure of any party at any time or times to require performance of any provision hereof shall in no manner affect such party's right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

15.19 BINDING, EFFECT; ASSIGNMENT. All the terms, provisions, covenants, representations, warranties and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors; but this Agreement and the rights and obligations hereunder shall not be assignable or delegable by Buyer without the express written consent of Seller. Any assignment or delegation without such consent will be void. In addition to its rights under Section 10.1(g), Seller shall have the right to transfer its rights and obligations hereunder without Buyer's consent so long as such transferee is capable of delivering to Buyer the same title Seller is capable of delivering and Seller remains liable for its warranties and representation made hereunder to the same extent Seller would have been liable had such transfer not been made.

15.20 NO RECORDATION. Without limiting any party's right to file suit to enforce its rights under this Agreement and except as to those portions of this Agreement set forth in the Assignment, Bill of Sale and Conveyance, EXHIBIT C, Buyer and Seller expressly covenant and agree not to record or place of record this Agreement or any copy or memorandum hereof.

15.21 INDEPENDENT INVESTIGATION. Buyer represents and acknowledges that it is knowledgeable of the oil and gas business and of the usual and customary practices of producers such as Seller and that it has had access to the Assets, the offices and employees of Seller, and the books, records and files of Seller relating to the Assets and in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Buyer has relied solely on the basis of its own independent due diligence investigation of the Assets and upon the representations and warranties made in Article IV. Accordingly, Buyer acknowledges that Seller has not made, and Seller hereby expressly disclaims and negates any representation or warranty (other than those express representations and warranties made in Article IV), express, implied, at common law, by statute or otherwise, relating to the Assets.

15.22 TERMINATION. In the event the total amount of adjustments to the Purchase Price under Sections 7.2 and 14.4 exceeds twenty-five percent (25%) of the Purchase Price, either party may terminate this Agreement by notifying the other party of its intention to terminate on or before the Closing Date and in the event of such termination, neither Seller nor Buyer shall be under any

obligation to the other with regard to the purchase and sale of any of the Assets or Subject Interests, such termination to be without liability to either party.

15.23 COSTS. Each party shall pay its own costs, including fees and expenses of its own counsel and accountants, in connection with the purchase and sale of the Properties. Seller shall discharge all Encumbrances other than the Permitted Encumbrances. Seller shall pay all sales and other transfer taxes, if any, incurred in connection with the transaction contemplated by this Agreement. Buyer shall pay all documentary, filing and recording fees.

15.24 NO THIRD PARTY BENEFICIARIES. Nothing in this Agreement shall entitle any Person, other than the parties hereto or their respective permitted successors and assigns, to any claim, cause of action, remedy or right of any kind.

15.25 LIABILITIES OF THE PARTIES. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective interest.

15.26 JURISDICTION AND VENUE. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO, ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS AGREEMENT MAY BE LITIGATED ON IN STATE OR FEDERAL COURTS IN COLORADO. BUYER AND SELLER HEREBY SUBMIT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN COLORADO, AND EACH HEREBY WAIVES ANY RIGHTS IT MAY HAVE TO TRANSFER OR CHANGE THE JURISDICTION OR VENUE OF ANY LITIGATION BROUGHT AGAINST IT BY THE OTHER.

15.27 WAIVER OR RIGHTS TO JURY TRIAL. BUYER AND SELLER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, IRREVOCABLY, AND UNCONDITIONALLY WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING, COUNTERCLAIM, OR OTHER LITIGATION THAT RELATES TO OR ARISES OUT OF ANY OF THIS AGREEMENT OR OTHERWISE WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION ARE MATERIAL INDUCEMENT FOR SELLER ENTERING INTO THIS AGREEMENT.

ARTICLE XVI
CASUALTY LOSS AND CONDEMNATION

16.1 NO TERMINATION.

(a) Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the Effective Time until Closing for production of oil, gas and/or other

hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property due to ordinary wear and tear.

(b) If after the Effective Time and prior to the Closing any part of the Assets shall be destroyed by fire or other casualty or if any part of the Assets shall be taken in condemnation or under the right of eminent domain or if proceedings for such purposes shall be pending or threatened, this Agreement shall remain in full force and effect notwithstanding any such destruction, taking or proceeding or the threat thereof.

16.2 PROCEEDS AND AWARDS. In the event of any loss described in Section 16.1(b), Seller shall either (i) at the Closing pay to Buyer all sums paid to Seller by reason of such destruction less any costs and expenses incurred by Seller in collecting same, or (ii) commit, use, or apply such sums (less any costs and expenses incurred by Seller in collecting same) to repair, restore or replace such damaged or taken Assets. To the extent the insurance proceeds, condemnation awards or other payments are not committed, used or applied by Seller prior to the Closing Date to repair, restore or replace such damaged or taken Assets, Seller shall at the Closing pay to Buyer all sums paid to Seller by reason of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. In addition and to the extent such proceeds, awards or payments have not been committed, used or applied by Seller in repair, restoration or replacement as aforesaid, Seller shall assign, transfer and set over unto Buyer, without recourse against Seller, all of the right, title and interest of Seller in and to any claims against third parties with respect to the event or circumstance causing such loss and any unpaid insurance proceeds, condemnation awards or other payments arising out of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. Any such funds which have been committed by Seller for repair, restoration or replacement as aforesaid shall be paid by Seller for such purposes or, at Seller's option, delivered to Buyer upon Seller's receipt from Buyer of adequate assurance and indemnity from Buyer that Seller shall incur no liability or expense as a result of such commitment. Notwithstanding anything to the contrary in this Section 16.2, Seller shall not be obligated to carry or maintain, and shall have no obligation or liability to Buyer for its failure to carry or maintain, any insurance coverage with respect to any of the Assets, except as required by Section 9.1 (b).

ARTICLE XVII
DEFAULT AND REMEDIES

17.1 SELLER'S REMEDIES. Upon failure of Buyer to comply herewith by the Closing Date, as it may be extended in accordance herewith, Seller, at its sole option, may (i) enforce whatever legal or equitable rights may be appropriate and applicable in Seller's sole discretion or (ii) terminate this Agreement, all other remedies (except as expressly retained in Section 17.3) being expressly waived by Seller. Upon failure of Buyer to pay the Installment Payment when due (including extensions, if any, under the Grace Period), Seller shall have the right to exercise its rights under the Note and Mortgage and to exercise any other rights to which it may be entitled under applicable law. In addition, and not in lieu of any other remedies, Seller has the right to retain, free and clear of any claim by Buyer, all amounts previously paid by Buyer to Seller, including, without limitation, the Initial Payment, proceeds from the Production Payment and all consideration, if any, paid in connection with the Grace Period.

17.2 BUYER'S REMEDIES. Upon failure of Seller to comply herewith by the Closing Date, as it may be extended in accordance herewith, Buyer, at its sole option and as its sole and exclusive remedy, may (i) bring an action for specific performance of this Agreement or (ii) terminate this Agreement , all other remedies (except as expressly retained in Section 17.3) being expressly waived by Buyer.

17.3 OTHER REMEDIES. Notwithstanding the foregoing, termination of this Agreement shall not prejudice or impair Buyer's obligations under Sections 6.3 (and the Confidentiality Agreement referenced therein), 6.4 and 9.2(b) and such other portions of this Agreement as are necessary to the enforcement and construction of Sections 6.3, 6.4 and 9.2(b). The prevailing party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorney's fees from the non-prevailing party.

17.4 NOTICE. Notice of termination under this Article XVII or under Section 15.22 shall be in writing and given as provided in Section 15.10. The party receiving the notice shall have 30 days from receipt of such notice to cure of remedy the circumstance giving rise to the termination right to the satisfaction of the party delivering such notice.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

APACHE CANYON GAS, L.L.C.,
a Delaware limited liability company
By: KLT Inc., as designated director of KLT Gas, Inc., sole member

By: /s/Bruce B. Selkirk
Name: Bruce B. Selkirk, III
Title: Managing Director

"SELLER"

EVERGREEN RESOURCES, INC.,
a Colorado corporation

By: /s/Mark S. Sexton
Name: Mark S. Sexton
Title: President and CEO

`BUYER"

KLT INC.
a Missouri corporation
Executed solely for the purpose of ARTICLE XIV and Section 15.4

By: /s/Bruce B. Selkirk
Name: Bruce B. Selkirk, III
Title: Managing Director

Exhibit 10(b)

AGREEMENT FOR PURCHASE AND SALE

dated September 19, 2000

by and between

APACHE CANYON GAS, L.L.C.,
a Delaware limited liability company

as Seller

and

EVERGREEN RESOURCES, INC.
a Colorado corporation

as Buyer

EXECUTION VERSION

TABLE OF CONTENTS

EXHIBITS

AGREEMENT FOR PURCHASE AND SALE

THIS AGREEMENT dated as of the 19th day of September, 2000, between Apache Canyon Gas, L.L.C., a Delaware limited liability company ("Seller"), and Evergreen Resources, Inc., a Colorado corporation (herein referred to as "Buyer").

W I T N E S S E T H:

WHEREAS, Seller owns certain real estate oil and gas leasehold and mineral interests and related equipment situated in the State of Colorado, all of which it holds in connection with its business of petroleum exploration and production; and

WHEREAS, Seller desires to sell and Buyer desires to acquire these interests and related assets on the terms and conditions hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

The following terms, as used herein, shall have the following meanings:

1.1 "Agreement" means this Agreement for Purchase and Sale between Seller and Buyer.

1.2 "Assets" means the following described assets and properties (except to the extent constituting Excluded Assets):

(a) "Real Property Assets" which consist of the following:

(1) the Subject Interests;

(2) the Lands;

(3) the Incidental Rights;

(4) the Claims; and

(5) all Hydrocarbons produced from or attributable to the Subject Interests with respect to all periods subsequent to the Effective Time, together with all proceeds from or of such Hydrocarbons.

1.3 "Assumed Obligations" means (i) all liabilities and obligations of Seller with respect to the Claims, (ii) all liabilities and obligations of Seller arising or accruing under or with respect to the Assets from and after the Effective Time, (iii) all liabilities and obligations of Seller, whether accrued or not, with respect to plugging and abandoning any wells, removing structures and facilities and the restoration of the surface pertaining to the Assets, (iv) a pro-rata share of Property Taxes with respect to the Assets for the Tax Period in which Closing occurs and all Transfer Taxes, (v) all liabilities and obligations of Seller arising or accruing under or with respect to the Material Contracts from and after the Effective Time, (vi) all liabilities and obligations under the Basic Documents from and after the Effective Time except to the extent that a particular obligation is otherwise expressly retained by Seller hereunder, and (vii) all other liabilities and obligations assumed by Buyer under this Agreement, including but not limited to liabilities and obligations assumed by Buyer under Article XIII.

1.4 "Basic Documents" means all Material Contracts, agreements, and other legally binding rights and obligations to which the Assets may be subject, or that may relate to the Assets including, without limitation, leases, assignments in the chain of title, overriding royalty assignments, farmout and farmin agreements, option agreements, pooling and unitization agreements, operating agreements. production sales and marketing agreements, processing agreements, transportation agreements, production purchasing agreements, permits, licenses and orders.

1.5 "Buyer's Credits" is defined in Section 3.2.

1.6 "Claims" means all obligations and benefits with respect to gas production, pipeline, transportation or processing imbalances, all of which are to be assumed or received by Buyer pursuant to this Agreement.

1.7 "Closing" is defined in Section 10.1.

1.8 "Closing Date" is defined in Section 10.1.

1.9 "Conveyance" mean the Assignment, Bill of Sale and Conveyance of the Real Property Assets a form of which is set out in EXHIBIT C.

1.10 "Defensible Title" means such title to a Subject Interest that, subject to and except for Permitted Encumbrances, (a) entitles Seller to receive not less than the net revenue interest of Seller for the well or unit as set forth in EXHIBIT A of all Hydrocarbons produced, saved and marketed from or attributable to such well or unit and (b) obligates Seller to bear the costs and expenses relating to the maintenance, development and operation of such well or unit in an amount not greater than the working interest of Seller for such well or unit as set forth in EXHIBIT A (unless Seller's net revenue interest therein is proportionately increased) it being understood that the existence of Permitted Encumbrances affecting any Asset shall not form the basis for a claim that Seller does not have Defensible Title to such Asset.

1.11 "Effective Time" means either: (i) 7:00 a.m. Mountain Time on September 1, 2000 if the Closing Date occurs on or before September 22, 2000; or (ii) 7:00 a.m. Mountain Time on September 30, 2000 if the Closing Date is after September 22, 2000.

1.12. "Excluded Assets" mean the following:

(a) all rights, interests, assets and properties of Seller which are expressly excluded from this sale under other provisions of this Agreement or which are set forth in EXHIBIT D;

(b) (i) except to the extent constituting or attributable to Claims, all trade credits, accounts receivable, notes receivable and other receivables attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time, and (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time;

(c) all corporate, financial, tax and legal (other than title) records of Seller, however, Buyer shall be entitled to receive copies of any financial, tax (subject to Section 11.2(d) of this Agreement) or legal records which directly relate to the Assets; PROVIDED, HOWEVER, THAT Buyer's said entitlement shall not extend to any records whose disclosure may expose Seller to any possible claim of breach of privilege or confidentiality under any agreement or under federal or state laws;

(d) except to the extent constituting Claims and except as otherwise provided in this Agreement, all claims and causes of action of Seller (i) arising from acts, omissions or events, or damage to or destruction of property, occurring prior to the Effective Time, or (ii) with respect to any of the Excluded Assets;

(e) except as otherwise provided in clause (vi) of the definition of Incidental Rights or in Article XV hereof, all rights, titles, claims and interests of Seller (i) under any policy or agreement of insurance or indemnity, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards;

(f) all (i) Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, and (ii) Hydrocarbons which, at the Effective Time, are owned by Seller or to which Seller has title and are in storage, within processing plants, or in pipelines;

(g) Seller's share of any and all claims, as well as Seller's claims, for refund of or loss carry forwards with respect to (i) federal, state and local, sales and use, ad valorem, property, excise, production, severance, gross receipts, payroll, withholding or other taxes attributable to any period prior to the Effective Time; (ii) federal, state and local income or franchise taxes; or (iii) any taxes attributable to the Excluded Assets;

(h) all amounts due or payable to Seller as adjustments or refunds under any audit pertaining to periods prior to the Effective Time;

(i) all amounts due or payable to Seller as adjustments or refunds under any contracts or agreements respecting periods prior to the Effective Time, other than Claims;

(j) all amounts due or payable to Seller as adjustments to insurance premiums related to the Assets with respect to any period prior to the Effective Time;

(k) except to the extent included in the Claims, all proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to (i) the Assets prior to the Effective Time or (ii) any Excluded Assets;

(l) any logo, service mark, copyright, trade name or trademark associated with Seller or any business of Seller; and

(m) all files, information and data expressly excluded from the definition of Incidental Rights.

(n) all interests in the firm transportation contracts as follows: (1) CIG contract number 33053000, and (2) CIG contract number 33257000.

(o) all vehicles, tractors, trailers and similar equipment owned by Seller.

1.13 "GAAP" means Generally accepted accounting principles, consistently applied.

1.14 "Hydrocarbons" means crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids and other liquid or gaseous hydrocarbons (including C02), and also refers to all other minerals of every kind and character which may be covered by or included in the Subject Interests.

1.15 "Incidental Rights" shall mean all right, title and interest of Seller in and to or derived from the following insofar as the same directly relate to the Subject Interests: (i) all unitization, communitization and pooling designations, declarations, agreements and orders covering Hydrocarbons in or under the Lands or any portion thereof and the units and pooled or communitized areas created thereby; (ii) all easements, rights-of-way, surface leases, permits, licenses, servitudes or other interests, including; (iii) all equipment and other personal property, fixtures and improvements situated upon the Lands and used or held for use in connection with the exploration, development or operation of the Subject Interests or Lands or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the Subject Interests or Lands; (iv) the following Hydrocarbon sales, purchase and exchange contracts: 33160000 and 33195000 both with CIG, along with all Material Contracts; (v) originals of all lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, and all other books, files and records, information and data (including copies of engineering, geological and geophysical data to the extent same may be transferred, but subject in all events to any and all consents concerning ownership and transfer), and all rights thereto, of Seller insofar as the same are directly related to and necessary to the realization of value by Buyer of any of the Subject Interests

or Lands and to the extent the transfer thereof is not prohibited by existing contractual obligations with third parties; and (vi) to the extent transferable and subject to Article XV hereof, all interest of Seller in and to all claims and causes of action which Seller may have against insurance companies and others by reason of injury or damage to or destruction or loss of all or any part of the Assets by reason of events occurring subsequent to the Effective Time.

1.16 "Lands" mean, except to the extent constituting Excluded Assets, each and every kind and character of right, title, claim or interest which Seller has in and to the lands covered by the Subject Interests.

1.17 "Material Contracts" means all contracts related to the Assets the absence of which would cause a material change either in the operations of the Assets or their value, as set forth on EXHIBIT E.

1.18 "Permitted Encumbrances" shall mean any of the following matters:

(a) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in the agreements, instruments and documents which create or reserve to Seller its interests in any of the Assets provided they do not operate to reduce the net revenue interest, nor increase the working interest (unless Seller's net revenue interest therein is proportionately increased) of Seller in the Subject Interests as reflected in EXHIBIT A hereto;

(b) encumbrances that arise under operating agreements to secure payment of amounts not yet delinquent and are of a type and nature customary in the oil and gas industry;

(c) encumbrances that arise as a result of pooling and unitization agreements, declarations, orders or laws to secure payment of amounts not yet delinquent;

(d) any materialman's, mechanics', repairman's, employees', contractors', operators' or other similar liens or charges for liquidated amounts arising in the ordinary course of business, (w) which are inchoate, (x) which Seller has agreed to assume or pay pursuant to the terms hereof, or (y) for which Seller is responsible for paying or releasing at Closing;

(e) any liens for taxes, tax assessments not yet delinquent, or tax assessments that are being contested in good faith, and other assessments not yet delinquent, or if delinquent, that are being contested in good faith;

(f) any liens or security interests created by law or reserved in oil and gas leases for royalty, bonus or rental or for compliance with the terms of the Subject Interests;

(g) any obligations or duties affecting the Assets to any municipality or public authority with respect to any franchise, grant, license or permit, and all applicable laws, rules and orders of governmental authority;

(h) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals, ditches,

reservoirs, or the like, or (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over, or in respect of property owned or leased by Seller or over which Seller owns rights-of-way, easements, permits, or licenses, to the extent such matters, individually or in the aggregate, do not interfere materially with oil and gas operations currently conducted on the Subject Interests;

(i) all lessors' royalties, overriding royalties, net profits interests, carried interests, reversionary interests and other burdens to the extent that the net cumulative effect of such burdens does not operate to reduce the net revenue interest of Seller in any of the Subject Interests to below the applicable net revenue interest set forth in EXHIBIT A hereto;

(j) all defects and irregularities affecting title to the Subject Interests which individually or in the aggregate do not operate to reduce the net revenue interest, nor increase the working interest (unless Seller's net revenue interest is increased proportionately) of Seller in the Subject Interests as reflected in EXHIBIT A hereto or otherwise interfere materially with the operation, value or use of the Subject Interests;

(k) preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which waivers or consents are obtained from the appropriate parties with respect to the sale contemplated hereunder or following the furnishing, by Seller to the appropriate party, of all requisite notices and information, the applicable time period for asserting such rights has expired without an exercise of such rights with respect to such sale;

(l) all rights to consent by, required notices to, filings with, or other actions by governmental entities in connection with the sale or conveyance of oil and gas leases or interests therein if the same are customarily obtained contemporaneously with or subsequent to such sale or conveyance;

(m) (i) Material Contracts, division orders, unitization and pooling designations, declarations, orders and agreements, and (ii) contracts and agreements with affiliates of Seller of the kind enumerated in subclause (i) of this clause (m) that have been disclosed to Buyer in EXHIBIT H hereto;

(n) any encumbrance, title defect or matter (whether or not constituting a Title Defect) waived or deemed waived by Buyer pursuant to Article VII hereof;

(o) any agreement, contract, lease, instrument, permit, amendment or extension entered into by Seller in accordance with Article VIII hereof;

(p) the Oil and Gas Purchase and Processing Agreements; and

(q) that certain eight inch gathering line found in the southwest part of "Lease No. 1 - Wet Canyon Area," also known as the Weston Tract, as described in EXHIBIT A hereto, servicing wells on the west-adjacent tract commonly known as the "Golden Eagle Tract" and connecting, through compression facilities, to the CIG pipeline, and all associated equipment related

thereto or necessary for the operation thereof, along with a surface right-of-way, twenty feet in width running the length of said gathering line with the gathering line, as nearly as possible, down the middle.

1.19 "Property Taxes" is defined in Section 11.2.

1.20 "Purchase Price" is defined in Section 3.1.

1.21 "Seller's Credits" is defined in Section 3.2.

1.22 "Subject Interests" means, except to the extent constituting Excluded Assets, any and all interests owned by Seller and set forth in EXHIBIT A-1 or which Seller is now entitled to receive by reason of any existing participation, joint venture, farm-in or other agreement, in and to the oil, gas and/or mineral leases, permits, licenses, concessions, leasehold estates, fee, royalty and overriding royalty interests described in EXHIBIT A-1 attached hereto including, without limitation, Seller's minerals, mineral fee and reversionary interests in, on and under the lands described in EXHIBIT A.

1.23 "Tax Period" is defined in Section 11.2.

1.24 "Title Defect" is defined in Section 7.3.

1.25 "Transfer Taxes" is defined in Section 11.2.

ARTICLE II
SALE AND PURCHASE

Subject to the terms and conditions of this Agreement and the Permitted Encumbrances, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase and pay for the Assets.

ARTICLE III
PURCHASE PRICE AND PAYMENT

3.1 PURCHASE PRICE. (a) The total consideration for the sale and conveyance of the Assets to Buyer is Buyer's payment of One Hundred Forty-One Million Dollars ($U.S.141,000,000.00), as adjusted in Section 3.1(c) below, (the "Purchase Price"). The cash portion of the Purchase Price, together with and subject to such adjustments, if any, as are expressly provided for elsewhere in this Agreement, shall be paid by Buyer to Seller by means of completed Federal Funds transfers to Seller's account in Apache Canyon Gas, L.L.C., routing number 101000695, account number 9870964996 as follows: (i) Thirty-five Million Dollars ($U.S. 35,000,000.00) and (ii) subject to Section 10.4, Shares of Redeemable Preferred Stock of Buyer with a face value of One Hundred Million Dollars ($U.S.100,000,000.00) pursuant to the provisions set out in EXHIBIT I, ("Preferred Stock"). Also at Closing, subject to Section 10.4, and as a credit to the payment of the Purchase Price, Buyer shall deliver to Seller a certificate or certificates, registered in the name of the Seller

or its designee, evidencing ownership of shares of common stock of the Buyer aggregating Six Million Dollars ($US6,000,000.00) of Buyer's common stock (the "Evergreen Stock") calculated as provided in (b) below. The $6,000,000.00 in Evergreen Stock, the Preferred Stock, and the $35,000,000.00 cash paid at Closing, together, constitute the "Initial Payment."

(b) The amount of Evergreen Stock to be included in the Initial Payment shall be calculated based on a per-share price equal to the average closing price of the Evergreen Stock for the fifteen trading day period ending the day prior to the Closing. The Evergreen Stock, at Closing, shall not be registered and shall be initially restricted. The terms of Seller's holding of such stock shall be subject to the provisions of EXHIBIT J.

(c) On December 29, 2000, the parties shall calculate the simple arithmetic average of the settle prices for NYMEX natural gas futures contracts for the months of January, 2001 through December, 2001, as published in the December 27, 2000, edition of THE WALL STREET JOURNAL under the heading "Natural Gas, (NYM) 10,000 MMBtu.; $ per MMBtu's". If such average equals or exceeds $4.465 per MMBtu, then Buyer shall, on or before January 5, 2001, deliver to Seller a certificate or certificates, registered in the name of the Seller or its designee, evidencing ownership of shares of common stock of the Buyer aggregating Four Million Dollars ($US4,000,000.00) of Buyer's common stock (the Adjustment Stock") calculated as provided in the next sentence. The number of shares of Adjustment Stock shall be calculated based on a per-share price equal to the average closing price of the Adjustment Stock for the fifteen trading day period ending the day prior to the date of delivery of the Adjustment Stock to Seller. The Adjustment Stock, when issued, shall not be registered and shall be initially restricted. The terms of Seller's holding of such stock shall be subject, MUTATIS MUTANDIS, to the provisions of EXHIBIT J.

(d) Notwithstanding anything set out herein, if, at December 31, 2000, the Redemption of the Preferred Stock as provided in Section 2.4 of the Amendment to State Terms, set forth in Exhibit I hereof (the "Amendment") has not occurred, the Parties shall make the following calculation: Take the sum of the Dividends received pursuant to Section 2.1 of the Amendment (excluding, however, any Dividends received associated with an increase in Dividends over the initially effective dividend amount of $95 per share per annum set forth in Section 2.1) plus the actual proceeds received by the Seller or its assigns pursuant to that certain production payment reserved in that certain conveyance from Seller to Buyer set forth in Exhibit C ("Production Payment") and covering certain Leases and Lands in Las Animas County, Colorado. If such sum does not equal what Seller would have received had it reserved a production payment equal to the "Applicable Percentage", as defined below, of the Hydrocarbons attributable to such Leases and Lands (instead of the 18.64% that it did reserve), assuming that Seller would have been paid at precisely the same average rate per Mcf, that Seller, in fact, received attributable to is Production Payment reserved in Exhibit C, then Buyer shall be obligated to pay a one-time payment ("December Adjustment"), as an adjustment to the Purchase Price, to Seller equal to the difference between what Seller actually received and what it would have received had it reserved only the Applicable Percentage production payment and had not received, and had not been entitled to receive, any dividend hereunder ("Theoretical Production Payment"). In addition, at the time of the Redemption of the last share of Seller's Preferred Stock, Buyer and Seller shall make the calculation, and Buyer shall be obligated to the payment, if such results from that calculation, as an adjustment to the Purchase Price utilizing the formula set out in the preceding sentence, but calculated from December

31, 2000 through the date of the Redemption of the last share of Seller's Preferred Stock ("Final Adjustment") Buyer and Seller both recognize that actual proceeds of the Production Payment may not be paid until the second month after the end of the month in which production occurred. Accordingly, upon each payment required in this Section 3.1(d), the Buyer and Seller shall meet and determine, in good faith, their best estimate of what cash payments Seller is likely to receive from the Production Payment, but attributable to the particular time period set out above, after the relevant date and take that sum into consideration in calculating each of the one-time adjustments provided for hereunder. If Buyer and Seller cannot agree, then the average of the actual proceeds received in the three calendar months next preceding the Adjustment (whether the December Adjustment or the Final Adjustment) shall be used for making such estimate. The Final Adjustment shall be made contemporaneously and as a condition of the Redemption; provided, however, nothing herein shall prohibit Buyer from making the Redemption of the last share of Seller's Preferred Stock on or before December 31, 2000, in which case there shall be only on Adjustment. The Buyer and Seller shall meet within 120 days of each Adjustment to make a final determination of the correct amount of each one-time dividend. If, on the other hand, the Production Payment and the Dividends paid actually exceed the Theoretical Production Payment, then Seller shall refund the excess amount to Buyer. The term "Redemption" has the meaning ascribed to it in the Amendment.

(e) As used above, the "Applicable Percentage" means:

i. Initially 59.47%. The Applicable Percentage will remain 59.47% if the preferential purchase right applicable to the Lorencito properties (as described under the terms of that certain Agreement for Purchase and Sale between Buyer and Seller of even date herewith) is NOT exercised by the holder thereof.

ii. If that preferential right is exercised by the holder thereof, then Buyer, within 10 days following the closing on the exercise of that preferential right, shall make a Redemption of $20 million worth of Seller's Preferred Stock, and upon that Redemption, the Applicable Percentage shall be 56.8%.

3.2 PURCHASE PRICE CREDITS.

(a) Within 10 days after December 31, 2000, the parties shall exchange information with respect to revenues received from production and other operating sources (excluding interest income), from or attributable to the Assets for periods on or after the Effective Date received by Seller plus $150,000.00 ("Buyer's Credits") and shall calculate all exploration, production, development, operating, overhead, general and administrative and other costs paid or incurred by Seller with respect to the Assets for such period charged under applicable operating agreements or, if no operating agreement is applicable, then under the most recent COPAS Accounting Procedure Joint Operations ("Seller's Credits") excluding all non-cash charges attributable to depletion, depreciation, bad debt losses, lease abandonment, etc.; provided that Seller shall have no obligation to make any payment that would constitute a Seller's Credit after the Effective Time. Only items of revenue, cost and expense attributable to the Assets shall be included in the foregoing calculations. If Seller's Credits exceed Buyer's Credits, the difference shall be due

Seller by Buyer. If Buyer's Credits exceed Seller's Credits, the difference shall be due Buyer by Seller. Prior to the end of the ten day period beginning with December 31, 2000, Seller shall furnish Buyer with an estimated accounting showing the amount of Seller's Credits and the amount of Buyer's Credits. The amount of the final credit, as adjusted, shall be paid in cash on final adjustment by the party owing it. If within such time period, the parties are unable to agree as to whether an item of income or expense belongs in the period before or after the Effective Time, or is properly included in Seller's Credits or Buyer's Credits, or as to any other accounting matters, then such item or matter may be submitted for determination to a mutually acceptable accounting firm in accordance with Section 12.2 hereof. Final settlement shall be made within ten (10) business days following agreement by the Buyer and Seller or final determination by said accounting firm (which final determination shall be binding upon Buyer and Seller).

(b) Seller and Buyer or representatives of each shall determine the amount of the Hydrocarbons existing in storage tanks, gathering lines, pipelines, gasoline plants, and other facilities as of the Effective Date using the point or points of delivery to Seller's purchasers as a zero reference point. Seller shall receive a credit in the final adjustment of the Purchase Price as provided for in paragraph (a) above equal to an amount calculated by multiplying the volume of such Hydrocarbons by (i) in the case of oil, the posted price in the field, as of the Effective Time (or if none, a mutually agreeable price) or (ii) in the case of gas, the prevailing spot market price net of transportation and basis differential at the location of the Subject Interests, as of the Effective Time

3.3 PURCHASE PRICE ALLOCATIONS. Seller and Buyer mutually agree to allocate the Purchase Price among the Assets as set forth in EXHIBIT B attached hereto. Seller and Buyer agree that said allocation as set forth in EXHIBIT B is the proper allocation of the Purchase Price in accordance with the fair market value of the Assets, and that said allocation of the Purchase Price of the Assets as set forth in EXHIBIT B shall apply for purposes of Sections 755 and 1060 of the Internal Revenue Code of 1986 (as amended and together with any regulations promulgated thereunder, the "Code"). Seller and Buyer agree (and each agrees to cause its affiliates) to report the federal, state and local income and other tax consequences of the transactions contemplated herein, and in particular to report the information required under Section 1060(b) of the Code (and any regulations promulgated thereunder), in a manner consistent with such allocation. Seller and Buyer further agree (and each agrees to cause its affiliates) to not take any tax position inconsistent with such allocation in connection with the examination of any of their tax returns, refund claims or litigation, investigations or other proceedings involving any of their tax returns. Seller and Buyer each further agree that they will not take any position inconsistent with this allocation in preparing financial statements, tax returns, reports to shareholders or government authorities or otherwise.

Buyer and Seller each agree to furnish the other a copy of IRS Form 8594 (Asset Acquisition Statement under Section 1060 of the Code) as filed with the Internal Revenue Service by such party or any affiliate thereof, pursuant to Sections 755 and 1060 of the Code, as a result of the consummation of the transactions contemplated hereby, within thirty (30) days of the filing of such form with the Internal Revenue Service.

ARTICLE IV
SELLER'S REPRESENTATIONS

4.1 SELLER'S REPRESENTATIONS. Seller represents to Buyer as of the date hereof that:

(a) Seller is a limited liability company duly formed and existing pursuant to the laws of the State of Delaware and is qualified to do business in the State of Colorado.

(b) Subject to Section 14.1, the consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with, any provision of the governing documents of Seller, any provision of any agreement or instrument to which Seller is a party or by which Seller is a party or by which it is bound or to the knowledge of Seller, any judgment, decree, order, statute, rule or regulation applicable to Seller.

(c) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action by Seller.

(d) This Agreement constitutes, and all documents and instruments required hereunder to be executed and delivered by Seller at Closing will constitute, legal, valid and binding obligations of Seller in accordance with their respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(e) There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by, or to the actual knowledge of the officers of Seller, threatened against Seller;

(f) Seller may contract for brokerage or finder's services against which it shall hold Buyer harmless pursuant to Section 14.4;

(g) Except as shown on EXHIBIT K hereto, there is no claim, demand or suit, action or other proceeding pending in which Seller has been served with process, or to Seller's knowledge threatened, before any, court or governmental agency which if adversely decided could reasonably be expected to result in a material impairment or loss of title to any material part of the Assets taken as a whole or the value thereof taken as a whole or which might materially hinder or impede the operation of the Assets taken as a whole;

(h) Except as shown on EXHIBIT K and as may be referred to in Article XIV, Seller, to its knowledge, has not violated, and to Seller's knowledge there are no alleged violations by Seller of, any applicable rules, regulations or orders of any governmental agency having jurisdiction over the Assets which would affect in any material respect the value of the Assets taken as a whole; and

(i) Seller is a United States person within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

(j) Seller makes no representation or warranty, express or implied with respect to whether any of the Subject Interests are qualified for, or whether Buyer might be qualified to take,

tax credits under Section 29 of the Internal Revenue Code with respect to production from the Subject Interests.

(k) Seller is not in breach or default, or to Seller's knowledge, alleged to be in breach or default, under any of (i) the Oil and Gas Purchase and Processing Agreements, (ii) any of the instruments creating or reserving the Subject Interests, or (iii) any other Material Contract affecting or included within the Assets, other than a breach or default which would not have a material adverse effect, and, to Seller's knowledge, no other party to any of the instruments and agreements described in (i) through (iii), of this paragraph (k) is in breach of or default thereunder. No event, condition or occurrence exists which after notice or lapse of time or both would constitute a breach or default by Seller under any of the foregoing except for such breaches or defaults that would not have a material adverse effect.

(l) There are no gas imbalances, other than imbalances affecting the pipeline, on the Subject Interests.

(m) The only consents to which the Subject Interests or the Material Contracts are subject are contained in the transportation agreements included in Incidental Rights or as otherwise set forth in Exhibit E.

(n) Seller (a) understands that the offer and sale of the Evergreen Stock, the Preferred Stock and the Adjustment Stock have not been and, subject the provisions of Exhibit J, will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws, and that such stock is being offered and sold in reliance upon federal and state exemptions for transactions not involving any public offering; (b) is acquiring such stock solely for its own account for investment purposes and not with a view to the distribution of such stock, and will not transfer any shares of such stock without compliance with all applicable securities laws; (c) is an "accredited investor," as that term is defined in Rule 501(a) promulgated under the Securities Act; (d) is a sophisticated investor with sufficient knowledge and experience in financial, investment and business affairs to permit it to evaluate the merits and risks involved in purchasing such stock and is able to bear the economic risk and lack of liquidity inherent in holding such stock for an indefinite period of time; and (e) has received information concerning Buyer and has had the opportunity to ask questions of, and receive answers from, Buyer and its representatives concerning the business of Buyer and the terms of the Evergreen Stock, the Preferred Stock and the Adjustment Stock and to obtain additional information as desired in order to evaluate the merits and risks inherent in holding such stock.

ARTICLE V
BUYER'S REPRESENTATIONS

5.1 BUYER'S REPRESENTATIONS. Buyer represents to Seller as of the date hereof that:

(a) It is a corporation, duly organized, validly existing and in good standing under the laws of the State of Colorado, and Buyer is or prior to Closing will be duly qualified pursuant to any and all applicable laws, statutes and regulations to own and operate the Assets;

(b) It has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, to purchase the Assets on the terms described in this Agreement, and to perform its other obligations under this Agreement and the other documents and agreements contemplated hereby. Subject to Section 14.1, the consummation of the transactions contemplated by this Agreement will not violate., nor be in conflict with, any provision of Buyer's charter, or governing documents, or any material agreement or instrument to which Buyer is a party or by which it is bound, or any judgment, decree, order, statute, rule or regulation applicable to Buyer;

(c) The execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite action on the part of Buyer;

(d) This Agreement constitutes, and all documents and instruments required hereunder to be executed and delivered by Buyer at Closing will constitute, legal, valid and binding obligations of Buyer in accordance with their respective terms, subject to bankruptcy and other similar laws of general application with respect to creditors;

(e) There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by, or to the actual knowledge of the officers of Buyer, threatened against Buyer;

(f) No broker or finder has acted for or on behalf of Buyer in connection with this Agreement or the transactions contemplated by this Agreement, and no broker or finder is entitled to any brokerage or finder's fee or commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Buyer;

(g) Buyer is now or prior to Closing will be, and after Closing shall continue to be, qualified to own Federal and State oil, gas and mineral leases in all jurisdictions where any such Subject Interests are located, and the consummation of the transactions contemplated hereby will not cause Buyer to be disqualified as such an owner or to exceed any acreage limitation imposed by any law, statute, rule or regulation;

(h) Buyer has arranged to have available by the Closing Date sufficient funds and shares to enable the Buyer to pay in full the Initial Payment, together with all costs and expenses relative thereto, and otherwise to perform its obligations under this Agreement.

(i) Buyer is not a Public Utility Holding Company as defined in the Public Utility Holding Company Act of 1935, and, to the knowledge of Seller, it is not a partner with any party who is a Public Utility Holding Company.

(j) All shares of Buyer, whether preferred or common, issued or to be issued to Seller pursuant to the terms of this Agreement, are, at the time of issuance, duly and validly authorized for issuance, validly issued, fully paid and nonassessable, and have not been issued, and are not held, in violation of a preemptive rights. All such shares shall be free and clear of all liens, encumbrances, claims and restrictions, except as set forth in this Agreement. There are no agreements or understandings with respect to the voting of such shares. Buyer has furnished to the Seller true and complete copies of the Certificate of Incorporation and Bylaws of the Buyer, including all amendments and restatements thereof.

ARTICLE VI
ACCESS TO INFORMATION AND INSPECTION

6.1 FILES. Seller has permitted Buyer and its representatives access to all accounting records, abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division orders, check vouchers, payout statements and agreements pertaining to the Assets insofar as the same are now in existence and in the possession of Seller. Buyer and Seller acknowledge that Buyer has had access to such records and information, prior to the execution of this Agreement.

6.2 OTHER FILES. Seller has made available to Buyer for inspection by Buyer all geological, geophysical, production and engineering books, records and data in possession of Seller, except such records or data which Seller is prevented by contractual obligations with third parties from disclosing.

6.3 CONFIDENTIALITY AGREEMENT. Buyer and Seller entered into that certain Confidentiality Agreement dated June 23, 2000, between Seller and Buyer, the terms of which are incorporated herein by reference and made a part of this Agreement. The Confidentiality Agreement shall expire at Closing.

6.4 INSPECTIONS. Seller has permitted Buyer and its representatives at reasonable times and at their sole risk, cost and expense, to conduct reasonable inspections of the Assets; provided, however, Buyer shall repair any damage to the Assets resulting from such inspections and Buyer does hereby indemnify and hold harmless Seller from and against any and all losses, costs, damages, obligations, claims, liabilities, expenses or causes of action arising from Buyer's inspection of the Assets, including, without limitation, claims for personal injuries, property damage and reasonable attorney's fees and further including claims arising in whole or part from Seller's negligence.

ARTICLE VII
TITLE

7.1 NO WARRANTY OR REPRESENTATION. Seller shall convey Seller's interests in and to the Assets to Buyer subject to the Permitted Encumbrances and without any warranty of title, express or implied, except as to claims by, through and under Seller, but not otherwise, as provided in the form of Assignment, Bill of Sale and Conveyance attached as EXHIBIT C hereto. Seller makes no warranty or representation, express or implied, with respect to the accuracy or completeness of the

information, records and data now, heretofore or hereafter made available to Buyer in connection with this Agreement (including, without limitation, any description of the Assets, pricing assumptions, potential for production of Hydrocarbons from the Subject Interests, or any other matters contained in any other material furnished to Buyer by Seller or by Seller's agents or representatives). The Subject Interests are subject to a secured loan in favor of BankOne, N.A. Agent, which will be released at or prior to closing.

7.2 BUYER'S TITLE REVIEW.

(a) For 45 calendar days after Closing, Buyer may at Buyer's sole cost and expense commence and diligently pursue such examination of title to the Subject Interests as Buyer desires. Seller shall fully cooperate with Buyer and shall make available to Buyer at Seller's offices in Overland Park, Kansas, all documents, records and material in Seller's possession (except to the extent disclosure of same is prohibited pursuant to agreements with third parties) and all assistance reasonably necessary to assist Buyer in determining the validity of Seller's title in and to the Subject Interests. In no event, however, does Seller warrant or represent the sufficiency, completeness or accuracy of such documents, records and materials, and Buyer's reliance thereon shall be at Buyer's sole risk and expense. Immediately upon completion of Buyer's title review of each property, Buyer shall notify Seller of any Title Defects associated with such property in accordance with Section 7.4 below. Buyer will conclude Buyer's title review and give notice to Seller of all asserted Title Defects not later than five (5) days after the send of said 45 day period. To be effective, Buyer's written notice of a Title Defect must include (i) a brief description of the matter constituting the asserted Title Defect and (ii) supporting documents reasonably necessary for Seller (or a title attorney or examiner hired by Seller) to verify the existence of such asserted Title Defect. Any matters not described in a written notice of Title Defect as provided above shall conclusively be deemed to have been waived and accepted by Buyer, and shall be deemed Permitted Encumbrances hereunder.

(b) Upon receipt of the notice set forth under Section 7.2(a) Seller shall have the right, but not the obligation, for 10 calendar days to cure all or any portion of asserted Title Defects, such curative costs to be borne solely by Seller. If Buyer elects to waive or is deemed to have waived any asserted or unasserted Title Defects, such waived or unasserted Title Defects shall be deemed Permitted Encumbrances hereunder. If Seller within the time provided above is unable, elects not, or refuses, to cure such asserted Title Defects, Buyer may, subject to Section 7.4 below, by written notice delivered to Seller not later than two (2) business days after the end of such period, and as Buyer's sole and exclusive remedy and only if the thresholds of Section 12.9 have been met, elect to have Seller refund to Buyer, a portion of the Purchase Price by an amount attributable to the reserves to which title has failed as mutually agreed upon by the parties and based upon the allocations made pursuant to Section 3.3, and Buyer shall reconvey such portion of the Subject Interests to Seller. Failure by Buyer to timely assert a claim for an adjustment to the Purchase Price shall be deemed an election by Buyer to waive such claim and retain the interest covered by the asserted but uncured Title Defect. In the event Buyer and Seller are unable to agree upon the amount of the downward adjustment of the Purchase Price attributable to a Title Defect for the purposes of the foregoing, then the same shall be submitted for determination to a mutually acceptable reservoir engineering firm whose determination shall be final.

7.3 TITLE DEFECTS. For the purposes of this Agreement, a portion of the Subject Interests shall be deemed to have a "Title Defect" if any one or more of the following statements is untrue in any material respect with respect to such portion of the Subject Interests as of the Effective Time:

(i) Seller has Defensible Title thereto.

(ii) All royalties, rentals, Pugh clause payments, shut-in gas payments and other payments due with respect to such portion of the Subject Interests have been properly and timely paid, except for payments held in suspense for title or other reasons which are customary in the industry and which will not result in grounds for cancellation of Seller's rights in such portion of the Subject Interests.

(iii) Except as set forth in any of the Exhibits hereto, Seller is not in default under the material terms of any leases, farmout agreements or other contracts or agreements respecting such portion of the Subject Interests which could (1) materially interfere with the operation; value or use thereof, (2) materially prevent Seller from receiving the proceeds of production attributable to Seller's interest therein, or (3) result in cancellation of Seller's interest therein.

(iv) There is no lien, charge, encumbrance, defect or objection (other than a Permitted Encumbrance) against, in or to Seller's title thereto or right or interest therein, and no fact or circumstance relative thereto exists of such significance that a reasonable and prudent person engaged in the business of the ownership, development and operation of oil and gas properties with knowledge of all the facts and appreciation of their legal significance would be unwilling to accept and pay for the Subject Interest or portion thereof which is affected thereby.

Notwithstanding the foregoing, loss of any Subject Interest or portion thereof following the Effective Time due to (i) any election or decision made by Seller in accordance with Article VIII or (ii) expiration of the primary or secondary term of a lease shall not constitute a Title Defect as long as Seller shall not have breached the provisions of Article VIII. Subject to Section 14.1 below, the failure of any governmental office to approve or consent to any assignment or other conveyance of a Subject Interest filed with such office shall not constitute a Title Defect; provided that such office has not expressly and specifically refused to grant such consent or approval as a result of the existence of a Title Defect.

7.4 TITLE INDEMNIFICATION. Notwithstanding any other provisions of this Article VII, Seller shall have the option to execute and deliver to Buyer a title indemnity whereby Seller shall keep Buyer indemnified from and against any and all liability, loss, costs (including legal costs), suits, judgments, causes of action, claims or damages arising or incurred in connection with any uncured Title Defects, to the extent the same relate to acts, omissions or other matters occurring prior to the Effective Time and only with respect to such uncured Title Defects. The title indemnity shall be limited to the amount determined in accordance with this Article VII with respect to the particular Asset for which the indemnity is given. If Seller provides such a title indemnity, the relevant uncured Title Defects shall be deemed to be cured and removed for the purposes of this Agreement.

ARTICLE VIII

COVENANTS OF SELLER

8.1 COVENANTS OF SELLER PENDING CLOSING. From and after the date of execution of this Agreement and until the Closing, except as otherwise consented to by Buyer in writing and subject to Section 8.2 below and the terms of the Material Contracts, Seller shall:

(a) Subject to Seller's right to obtain Seller's Credits pursuant to Section 3.2, continue to operate the Assets owned by it for the account of Buyer in a manner consistent with past practices;

(b) Maintain in full force and effect all policies of insurance covering the Assets now maintained by Seller;

(c) Use reasonable efforts to preserve in full force and effect all material leases, operating agreements, easements, rights-of-way, permits, licenses, contracts and other material agreements included in the Incidental Rights which relate to the Assets in which it owns an interest and perform all material obligations of Seller in or under any such agreement relating to such Assets;

(d) Not enter into any agreement or arrangement granting any preferential right to purchase any of the Assets or requiring the consent of any person to the transfer and assignment of any of the Assets hereunder, except in connection with the performance by Seller of an obligation or agreement existing on the date hereof or pursuant to this Agreement;

(e) Not dedicate, sell, farm out, encumber or dispose of any Assets without Buyer's written consent except (i) sales of oil and gas production in the ordinary course of business and (ii) as to a portion of the Assets that do not, in the aggregate, constitute a material portion of the Assets; and

(f) Maintain all material equipment included in the Assets in accordance with customary industry operating practices and procedures.

Notwithstanding the other provisions of this Article VIII, (i) Seller may take any action with respect to the Assets if reasonably necessary under emergency circumstances and provided Buyer is notified as soon thereafter as reasonably practical, (ii) except as to a reduction in the Purchase Price attributable to a Title Defect, Seller shall have no liability to Buyer for the incorrect payment of royalties, shut-in royalties or similar payments or for any failure to pay any such payments through mistake or oversight (including Seller's negligence), and (iii) Seller's non-willful failure to comply with any of the requirements of this Article VIII shall not be deemed a default by Seller hereunder, serve as a basis for a claim by Buyer for damages (other than a reduction of the Purchase Price as a result of the failure of title), afford Buyer the right to make a claim for damages or permit Buyer not to close this sale if such failure does not have a material adverse effect on the value of the Assets taken as a whole. Any consent requested of Buyer with respect to the matters covered by this Article VIII shall not be unreasonably withheld or action with respect thereto unduly delayed.

8.2 LIMITATIONS ON SELLER'S COVENANTS PENDING CLOSING.

(a) To the extent Seller is not the operator of any of the Assets, the obligations of Seller in Section 8.1 above, which have reference to operations or activities which normally or pursuant to existing contracts are carried out or performed by the operator, shall be construed to require only that Seller use reasonable efforts (without being obligated to incur any expense or institute any cause of action) to cause the operator of such Assets to take such actions or render such performance within the constraints of the applicable operating agreements and other applicable agreements.

(b) Notwithstanding anything to the contrary in this Article VIII, should Seller not wish to pay any lease rental or other payment or participate in any reworking, deepening, drilling, completion, equipping or other operation on or with respect to any well or other Asset which may otherwise be required by Section 8.1 above, Seller shall give Buyer timely written or oral notice thereof as soon as reasonably practicable after Seller receives written notice thereof from the operator of such property (or if Seller is the operator, at the same time Seller gives written notice thereof to the non-operators of such property); and Seller shall not be obligated to make any such payment or to elect to participate in any such operation which Seller does not wish to make or participate in unless Seller receives from Buyer, within a reasonable time prior to the date when such payment or election is required to be made by Seller, (i) the written election and agreement of Buyer to require Seller to take such action and to indemnify Seller therefrom and (ii) all funds necessary for such action. Notwithstanding the foregoing, Seller shall not be obligated to pay any lease rental or other payment or to elect to participate in any operation if the third party operator of the property involved recommends that such action not be taken. If Buyer advances any funds pursuant to this Section 8.2(b) and the Assets to which such payments relate are not conveyed to Buyer at Closing, and Seller does not reimburse Buyer for all advances made by Buyer with respect to such Assets pursuant to this Section 8.2(b) within thirty (30) days after this Agreement terminates with respect to such Assets, then (i) Buyer shall own and be entitled to any right of Seller that would have lapsed but for such payment, and (ii) in the case of operations, Buyer shall be entitled to receive the penalty which Seller, as nonconsenting party, would have suffered under the applicable operating agreement with respect to such operations as if Buyer were a consenting party thereunder.

8.3. POST-CLOSING. To the extent that the agreement anticipated to be attached as EXHIBIT G has not been reached and Closing proceeds under Sections 10.2(i) and 10.3(i), Buyer and Seller shall use best efforts to enter into such agreements after the Closing.

ARTICLE IX
CLOSING CONDITIONS

9.1 SELLER'S CLOSING CONDITIONS. The obligations of Seller under this Agreement are subject, at the option of Seller, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of Buyer contained in this Agreement shall be true in all material respects at and as of the Closing as if such representations and warranties were

made at and as of the Closing, and Buyer shall have performed and satisfied all agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing;

(b) Seller shall have received a certificate dated as of the Closing, executed by a duly authorized officer of Buyer, to the effect that to such officer's knowledge the statements made under Article V above are true at and as of the Closing;

(c) Seller believes that, pursuant to Section 802.3 of the FTC regulations, no Hart-Scott-Rodino Act filing is necessary, with respect to this transaction. If Buyer disagree with Seller's determination, the Buyer shall notify Seller within 10 days after the execution of this Agreement. If Buyer and Seller cannot agree, then the following becomes a Seller's Closing Condition: Except for approvals covered by Section 14.1 hereof, all necessary consents of and filings with the Federal Trade Commission and any other state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, and the applicable waiting periods prescribed in connection with the Hart-Scott-Rodino Act shall have elapsed or terminated (by early termination or otherwise) since the dates of the filings by the parties with respect thereto; and

(d) As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Seller) shall be pending or threatened before any court or governmental agency seeking to restrain Seller or prohibit the Closing or seeking damages against Seller as a result of the consummation of this Agreement.

(e) All material third party consents required for the transfer of the Subject interests to Buyer shall have been received, waived, or the time for exercise has expired so as to bar their exercise.

(f) Satisfactory releases of Seller's lender's mortgages on the Assets shall have been received.

(g) Seller reserves the right to exchange, for other property of like kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder, the Real Property Assets which, in part, are the subject of this Agreement. Seller expressly reserves the right to assign its rights, but not its obligations, hereunder to a "qualified intermediary" as provided in Section 1.103(k)-1(g)(4) of the U.S. Treasury regulations on or before the Closing Date. Buyer agrees to take all actions reasonably required of it, including, but not limited to, executing and delivering documents, to permit Seller to effect the exchange described in the this Section. The Seller agrees to indemnify and hold harmless the Buyer from all costs, losses, expenses, and liabilities arising out of the Buyer's cooperation with the Seller in accomplishing such an exchange. The Buyer makes no warranty or representation with regard to the Seller's ability to qualify for a tax-free exchange pursuant to Section 1031 of the Internal Revenue Code.

(h) The parties shall have executed a Purchase and Sale Agreement covering the Lorencito tract and the ownership interest of seller in Lorencito Gas Gathering, L.L.C.

(i) The parties shall have entered into an Agency Agreement in the form set forth in Exhibit G, under which Seller shall appoint Buyer as its agent in connection with the special use permits required with respect to the Subject Interests.

9.2 BUYER'S CLOSING CONDITIONS. The obligations of Buyer under this Agreement are subject, at the option of Buyer, to the satisfaction at or prior to the Closing of the following conditions:

(a) All representations and warranties of Seller contained in this Agreement shall be true in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Seller shall have performed and satisfied all agreements required by this Agreement to be performed and satisfied by Seller at or prior to the Closing;

(b) Buyer shall have received a certificate dated as of the Closing, executed by a duly authorized officer of Seller, to the effect that to such officer's knowledge the statements made under Article IV above by Seller are true at and as of the Closing;

(c) Seller believes that, pursuant to Section 802.3 of the FTC regulations, no Hart-Scott-Rodino Act filing is necessary, with respect to this transaction. If Buyer disagree with Seller's determination, the Buyer shall notify Seller within 10 days after the execution of this Agreement. If Buyer and Seller cannot agree, then the following becomes a Buyer's Closing Condition: Except for approvals covered by Section 14.1 hereof, all necessary consents and filings with the Federal Trade Commission and any other state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, and the applicable waiting periods prescribed in connection with the Hart-Scott-Rodino Act shall have elapsed or terminated (by early termination or otherwise) since the dates of the filings by the parties with respect thereto; and

(d) As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Buyer) shall be pending or threatened before any court or governmental agency seeking to restrain Buyer or prohibit the Closing or seeking damages against Buyer as a result of the consummation of this Agreement.

(e) All material third party consents required for the transfer of the Subject Interests and Material Contracts to Buyer shall have been received, waived, or the time for exercise has expired so as to bar their exercise.

(f) Satisfactory releases of Seller's lender's mortgages on the Assets shall have been received.

(g) The parties shall have executed a Purchase and Sale Agreement covering the Lorencito tract and the ownership interest of seller in Lorencito Gas Gathering, L.L.C.

(h) The parties shall have entered into an Agency Agreement in the form set forth in Exhibit G, under which Seller shall appoint Buyer as its agent in connection with the special use permits required with respect to the Subject Interests.

ARTICLE X
CLOSING

10.1 CLOSING. The closing of this transaction (the "Closing") shall be held at 10:00 a.m., Central Standard Time, at the offices of Seller at 10740 Nall, Suite 230, Overland Park, Kansas 66211 on or before September 30, 2000, or at such other date or place as the parties may agree in writing (herein called "Closing Date"). Regardless of when the Closing shall occur, Closing shall be effective with respect to each Asset as of the Effective Time, as specified in Section 1.11.

10.2 SELLER'S CLOSING OBLIGATIONS. At Closing (except Seller shall have a reasonable period after the Closing for items d, e, f and g), Seller shall deliver to Buyer the following:

(a) The Assignments, Bills of Sale and Conveyances substantially in the form attached hereto as EXHIBIT C and such other documents as may be reasonably necessary to convey all Seller's interest in the Assets to Buyer in accordance with the provisions hereof;

(b) The certificate of Seller referred to in Section 9.2(b) hereof;

(c) Evidence of Seller's compliance with the Hart-Scott-Rodino Act (if necessary);

(d) Transfer or division orders, or letters-in-lieu thereof, to be effective at the Effective Time in the form required by the purchasers of the Hydrocarbons from the producing properties, provided that if any purchasers prepare the same, the execution and delivery thereof may be deferred until they are prepared;

(e) All title opinions, abstracts of title, lease records, data sheets, status and other reports pertaining to the Subject Interests heretofore received by Seller or to which Seller has access;

(f) All of the Basic Documents, and the files pertaining thereto, and all other contracts, documents and files affecting title to the Subject Interests to which Seller has access; and

(g) All lease files, land files, well files, gas and oil sales contract files, gas processing files, division order files, abstracts, title opinions, and all other books, files and records information and data, except insofar as Seller is prevented from transferring same by contractual obligations to third parties or applicable law.

(h) A certificate of Seller as to the representation made in Section 4.1(i).

(i) To the extent Buyer and Seller have reached agreement with respect to Special Use Permits as provided in EXHIBIT G, such agreement shall be delivered. If agreement has not been reached with respect to that matter, the lack of such agreement shall not constitute a condition of Closing and Closing shall proceed without such agreement and, subject to Section 8.3, such Special Use Permits shall be governed by the provisions of Section 13.10.

10.3 BUYER'S CLOSING OBLIGATIONS. At Closing, Buyer shall deliver to Seller the following:

(a) The Initial Payment portion of the Purchase Price subject to such adjustments, if any, as are expressly provided for in this Agreement) in immediately available funds to Seller as provided in Section 3.1 hereof (or to such other account within the continental United States of America designated by Seller to Buyer at least five (5) days prior to the Closing Date);

(b) The certificate of Buyer referred to in Section 9.1(b) hereof;

(c) Evidence of Buyer's compliance with the Hart-Scott-Rodino Act (if necessary);

(d) The Redeemable Preferred Stock of Buyer as described in EXHIBIT I.

(e) The Evergreen Stock in the amount determined by Section 3.2(b) above, subject to Section 10.4, below; and

(f) The executed agreements as set out in EXHIBITS J .

(g) To the extent Buyer and Seller have reached agreement with respect to Special Use Permits as provided in EXHIBIT G, such agreement shall be delivered. If agreement has not been reached with respect to that matter, the lack of such agreement shall not constitute a condition of Closing and Closing shall proceed without such agreement and, subject to Section 8.3, such Special Use Permits shall be governed by the provisions of Section 13.10.

10.4 POST CLOSING STOCK LISTINGS AND ADJUSTMENTS. The Evergreen Stock and the Adjustment Stock are required to be approved for listing on the New York Stock Exchange ("NYSE") prior to issuance to Seller. Buyer and Seller acknowledge that the NYSE could impose conditions in connection with the approval of the listing of such stock. Upon the signing of this Agreement, Buyer shall diligently pursue the listing of the Evergreen Stock and the Adjustment Stock. Buyer shall issue and deliver the Evergreen Stock to Seller immediately upon the receipt of NYSE approval for listing. The Redeemable Preferred Stock shall not be listed on the NYSE, and shall be issued and delivered to Seller at Closing. The terms of the Redeemable Preferred Stock as described in Exhibit I shall, however, upon the signing of this Agreement, be submitted by Buyer to the NYSE for review, and Buyer and Seller acknowledge that the NYSE may comment on the terms of such stock. To the extent that the NYSE suggests or requires any changes to the terms and conditions contained in Exhibit I, or imposes any conditions in connection with the approval of the listing of the Evergreen Stock and the Adjustment Stock, and such changes or conditions, if implemented, are likely to have an adverse economic effect on Seller, Buyer and Seller shall

negotiate in good faith to agree upon a means to compensate Seller for such adverse economic effect. Upon agreement on such means, Seller agrees to accept the changes to the terms of the Redeemable Preferred Stock and Exhibit I required or requested by the NYSE and any conditions in connection with the approval of the listing of the Evergreen Stock and the Adjustment Stock imposed by the NYSE.

ARTICLE XI
EFFECT OF CLOSING

11.1 REVENUES. To the extent not included in the reimbursements under Section 3.2 hereof, all proceeds, accounts receivable, notes receivable, revenues, monies and other items included in or attributable to the Excluded Assets and all other Excluded Assets shall belong to and be paid over to Seller and all other proceeds, accounts receivable, notes receivable, revenues, monies and other items relating to the period of time after the Effective Time and included in or attributable to the Assets shall belong to and be paid over to Buyer.

11.2 TAXES.

(a) Apportionment of Ad Valorem and Property Taxes. All ad valorem, real property taxes and personal property taxes, including interest and penalties attributable thereto (hereinafter "Property Taxes"), attributable to the Assets with respect to the tax assessment period ("Tax Period") during which the Effective Time occurs shall be apportioned as of the Effective Time between Seller and Buyer, with Seller paying a fraction thereof based upon the number of days in the Tax Period prior to the Effective Time and Buyer paying the balance thereof. This allocation prevails even if the assessment for the Tax Period is attributable, in whole or in part, to a prior calendar year. The owner of record on the assessment date shall file or cause to be filed all required reports and returns incident to the Property Taxes and shall pay or cause to be paid to the taxing authorities all Property Taxes relating to the Tax Period during which the Effective Time occurs. If Seller is the owner of record on the assessment date, then Buyer shall pay to Seller Buyer's pro rata portion of Property Taxes within thirty (30) days after receipt of Seller's invoice therefor, except to the extent taken into account as an adjustment to the Purchase Price pursuant to Section 3.2. If Buyer is the owner of record as of the assessment date then Seller shall pay to Buyer Seller's pro rata portion of Property Taxes within thirty (30) days after receipt of Buyer's invoice therefor, except to the extent taken into account as an adjustment to the Purchase Price pursuant to Section 3.2.

(b) Sales Taxes. The Purchase Price provided for hereunder excludes, and Buyer shall be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale of the Assets pursuant to this Agreement. To the extent required by applicable law, Seller shall collect and remit any Transfer Taxes that are required to be paid as a result of the transfer of the Assets by Seller to the Buyer. If the transfer of the Assets pursuant to this Agreement is exempt from any Transfer Taxes, Buyer shall, at Closing, provide Seller with properly executed exemption certificates or other documentation acceptable under applicable law. As used here, the term "Transfer Taxes" shall mean any sales, use, excise, stock, stamp, document, filing, recording, registration, authorization and similar taxes, fees and charges.

(c) Other Taxes. With the exception of income and franchise taxes, all other federal, state and local taxes (including interest and penalties attributable thereto) on the ownership or operations of the Assets which are imposed with respect to periods or portions of periods prior to the Effective Time shall be paid by Seller and all such taxes imposed with respect to periods or portions of periods beginning on or after the Effective Time shall be paid by Buyer.

(d) Cooperation. After the Closing, each party to this Agreement shall provide the other party with reasonable access to all relevant documents, data and other information (other than that which is subject to any attorney-client privilege) which may be required by the other party for the purpose of preparing tax returns, filing refund claims and responding to any audit by any taxing jurisdiction. Each party to this Agreement shall cooperate with all reasonable requests of the other party made in connection with contesting the imposition of taxes. Notwithstanding anything to the contrary in this Agreement, neither party to this Agreement shall be required at any time to disclose to the other party any Tax Return or other confidential tax information. Except where disclosure is required by applicable law or judicial order, any information obtained by a party pursuant to this Section 11.2(d) shall be kept confidential by such party, except to the extent disclosure is required in connection with the filing of any Tax Returns or claims for refund or in connection with the conduct of an audit, or other proceedings in response to an audit, by a taxing jurisdiction.

11.3 EXPENSES. To the extent not included in the reimbursements under Section 3.2 hereof or in the Assumed Obligations, all accounts payable and other costs and expenses (other than taxes described in Section 11.2) with respect to the Seller's interest in the Assets which are attributable under GAAP to the period prior to the Effective Time shall be the obligation of and be paid by Seller, and those which are attributable under GAAP to the period commencing with the Effective Time, as well as all Assumed Obligations, shall be the obligation of and be paid by Buyer.

11.4 SHARED OBLIGATIONS. If monies are received by any party hereto which, under the terms of this Article XI, belong to another party, the same shall immediately be paid over to the proper party. If an invoice or other evidence of an obligation is received which under the terms of this Article XI is partially the obligation of Seller and partially the obligation of Buyer, then the parties shall consult each other and each shall promptly pay its portion of such obligation to the obligee, provided that if either party hereto shall fail promptly to pay its portion of such obligation to the obligee, the other party hereto shall have the right (but not the obligation) to pay such portion of such obligation, whereupon the defaulting party shall promptly reimburse such other party for the defaulting party's portion so paid, plus interest on said amounts until reimbursed, at the rate applicable under Article III above.

11.5 SELLER OPERATED PROPERTIES. It is expressly understood and agreed that Seller shall not be obligated to continue operating any of the Assets following the Closing Date and Buyer hereby assumes full responsibility for operating (or causing the operation of) all Assets following the Closing Date.

11.6 RESERVATION OF RIGHT TO QUALIFY UNDER SECTION 29 OF THE CODE. Seller hereby retains, and Buyer consents thereto, the right to seek qualification of certain of the Real Property Assets under Section 29 of the Internal Revenue Code of 1986, as amended, and as gas produced from coal seams under Section 503 of the Natural Gas Policy Act of 1978 (and including any successor or similar state or federal legislation) before the Federal Energy Regulatory Commission, or its successor agency. This reservation is not intended to reserve any rights to claim Section 29 credits with respect to production occurring after the Effective Date, but rather is to assure Seller's right to such credits prior to the Effective Date. Buyer agrees to cooperate fully with Seller at Seller's expense and to permit access to Buyer's records and all reasonable time to permit Seller to complete this qualification process.

ARTICLE XII
SETTLEMENT OF PRORATIONS

12.1 ACCOUNTING. Prior to Closing, Seller shall furnish Buyer with an estimated accounting showing in reasonable detail the prorating of any amounts described in and subject to Article XI of this Agreement. If pursuant to such estimated accounting either Seller or Buyer shall owe any obligation to the other which is not included in the reimbursements under Section 3.2, then the Purchase Price paid at Closing shall be further adjusted to reflect such charges and credits which are necessary to accomplish such adjustment. Promptly after the Closing Date (but not later than one hundred twenty (120) days thereafter), Seller shall furnish Buyer with a final accounting showing in reasonable detail the prorating of any amounts described in and subject to Article XI hereof.

12.2 SETTLEMENT OF DISPUTES. If within thirty (30) days after Seller furnishes such final accounting to Buyer, Buyer and Seller are unable to agree on such final accounting or the adjustments provided for in Section 3.2 hereof, then either Seller or Buyer may submit such proration or allocation dispute to a mutually acceptable accounting firm, and the determination made as to such proration or allocation by such accounting firm shall be final and binding upon Seller and Buyer. Final settlement shall be made within ten (10) business days following agreement by the Buyer and Seller or final determination by said accounting firm. All determinations and adjustments with respect to allocating items to the periods before or after the Effective Time shall be in accordance with GAAP. The fees charged by said accounting firm for making determinations under Section 3.2 or this Section 12.2 shall be paid one-half (1/2) by Buyer and one-half (1/2) by Seller.

ARTICLE XIII
ENVIRONMENTAL

13.1 AVAILABILITY OF DATA TO BUYER: The Assets which are the subject of this Agreement have been utilized by Seller for the purposes of exploration, development and production of oil and gas, for related oilfield operations and possibly for the storage and disposal of waste materials or hazardous substances. Seller shall make available to Buyer, during the environmental assessment period described in Section 13.3 below, Seller's historical files regarding the foregoing operations, to the extent available and to the extent Seller is authorized to disclose same (excepting documents subject to confidentiality restrictions or legal privilege).

13.2 SPILLS AND NORM: Without changing the allocation of risk reflected in Sections 13.7 and 13.8, and without creating knowledge on Buyer's part that could or would limit or eliminate Seller's indemnification under Section 13.8(c)(ii), Buyer acknowledges that in the past there may have been spills of wastes, crude oil, produced water, or other materials (including, without limitation, any toxic, hazardous or extremely hazardous substances) onto the Lands. In addition, some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material (hereinafter referred to as "NORM"). In this regard Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale or in other forms, that said wells, materials and equipment located on the Lands or included in the Assets described herein may contain NORM and that NORM-containing material may have been buried or otherwise disposed of on the Lands. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of asbestos, NORM or other materials from the Assets and Lands where such material may be found and that Buyer assumes all liability for or in connection with the assessment, containment, removal, remediation, transportation and disposal of any such materials, in accordance with all past, present or future applicable laws, rules, regulations and other requirements of any governmental or judicial entities having jurisdiction and also with the terms and conditions of all applicable leases and other contracts.

13.3 ACCESS TO CONDUCT ASSESSMENT:

BUYER AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM ANY CLAIM, CAUSE OF ACTION, JUDGMENT, LIABILITY, LOSS, DAMAGE OR OTHER COST WHATSOEVER BROUGHT BY OR IN FAVOR OF ANY PERSON FOR INJURY, ILLNESS OR DEATH, DAMAGE TO OR LOSS OF PROPERTY, FOR DAMAGE OR HARM TO THE ENVIRONMENT OR FOR ANY OTHER MATTER CAUSED BY BUYER'S ACCESS TO THE LANDS OR THE ENVIRONMENTAL ASSESSMENT OR TESTING THEREOF, EVEN IF SUCH LIABILITY IS ATTRIBUTABLE TO THE CONTRIBUTORY NEGLIGENCE OF SELLER; PROVIDED, THE FOREGOING SHALL NOT APPLY TO ANY CLAIM, CAUSE OF ACTION, JUDGMENT, LIABILITY, LOSS, DAMAGE OR OTHER COST WHATSOEVER TO THE EXTENT ARISING FROM CONDITIONS ON THE LANDS AS OPPOSED TO BUYER'S ACTIVITIES ON THE LAND PRIOR TO CLOSING.

13.4 MATERIAL ADVERSE ENVIRONMENTAL CONDITIONS: Buyer's sole and exclusive remedy for environmental conditions is as provided in Section 13.8.

13.5 "AS IS, WHERE IS" PURCHASE: Subject to Section 13.8, Buyer shall acquire the Assets in an "AS IS, WHERE IS" condition and shall assume all risks that the Assets may contain waste materials (whether toxic, hazardous, extremely hazardous or otherwise) or other adverse physical conditions, including, but not limited to, the presence of unknown abandoned oil and gas wells, water wells, sumps, pits, pipelines or other waste or spill sites which may not have been revealed by Buyer's investigation. On and after the Effective Time, all responsibility and liability related to all such conditions, whether known or unknown, fixed or contingent, will be transferred from Seller to Buyer, except as provided in Section 13.8.

13.6 DISPOSAL OF MATERIALS, SUBSTANCES AND WASTES: Buyer shall properly handle, remove, transport and dispose of any material, substance or waste (whether toxic, hazardous, extremely hazardous or otherwise) from the Assets or Lands (including, but not limited to, produced water, drilling fluids and other associated wastes), whether present before or after the Effective Time, in accordance with applicable local, state and federal laws and regulations. To the extent that the Lands are not sold in fee to Buyer, Buyer shall keep records of the types, amounts and location of materials, substances and wastes which are transported, handled, discharged, released or disposed onsite and offsite. When and if any lease, an interest in which has been assigned pursuant to this Agreement, is terminated, Buyer shall take whatever additional testing, assessment, closure, reporting or remedial action with respect to the Assets or Lands as is necessary to meet any local, state or federal requirements directed at protecting human health or the environment in effect at that time, and any other action as necessary to restore the Lands or Assets to their original condition.

13.7 BUYER'S INDEMNITY:

(a) SUBJECT TO SECTION 13.8, AND (i) BEGINNING ON A DATE TWO YEARS FROM CLOSING, WITH RESPECT TO ALL LIABILITIES DESCRIBED HEREIN AND (ii) FROM THE CLOSING DATE WITH RESPECT TO ALL LIABILITIES NOT SUBJECT TO SECTION 13.8 BELOW, BUYER SHALL INDEMNIFY, HOLD HARMLESS, RELEASE AND DEFEND SELLER FROM AND AGAINST ALL DAMAGES, LOSSES, CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS AND OTHER COSTS (INCLUDING BUT NOT LIMITED TO ANY CIVIL FINES, PENALTIES, COSTS OF ASSESSMENT, CLEAN-UP, REMOVAL AND REMEDIATION OF POLLUTION OR CONTAMINATION, AND EXPENSES FOR THE MODIFICATION, REPAIR OR REPLACEMENT OF FACILITIES ON THE LANDS) BROUGHT BY ANY AND ALL PERSONS AND ANY AGENCY OR OTHER BODY OF FEDERAL, STATE OR LOCAL GOVERNMENT, ON ACCOUNT OF ANY PERSONAL INJURY, ILLNESS OR DEATH, ANY DAMAGE TO, DESTRUCTION OR LOSS OF PROPERTY, AND ANY CONTAMINATION OR POLLUTION OF NATURAL RESOURCES (INCLUDING SOIL, AIR, SURFACE WATER OR GROUNDWATER) TO THE EXTENT ANY OF THE FOREGOING DIRECTLY OR INDIRECTLY IS CAUSED BY OR OTHERWISE INVOLVES ANY ENVIRONMENTAL CONDITION OF THE ASSETS OR LANDS, WHETHER CREATED OR EXISTING BEFORE, ON OR AFTER THE EFFECTIVE TIME, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE, DISPOSAL OR RELEASE OF ANY MATERIAL (WHETHER HAZARDOUS, EXTREMELY HAZARDOUS, TOXIC OR OTHERWISE) OF ANY KIND IN, ON OR UNDER THE ASSETS OR THE LANDS.

(b) SUBJECT TO SECTION 13.8, BUYER'S INDEMNIFICATION OBLIGATIONS SHALL EXTEND TO AND INCLUDE, BUT NOT BE LIMITED TO (I) THE NEGLIGENCE OR OTHER FAULT OF SELLER, BUYER AND THIRD PARTIES, WHETHER SUCH NEGLIGENCE IS ACTIVE OR PASSIVE, GROSS, JOINT, SOLE OR CONCURRENT, (II) SELLER'S OR BUYER'S STRICT LIABILITY, AND (III) SELLER'S OR BUYER'S LIABILITIES OR OBLIGATIONS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET. SEQ.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET. SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTIONS 466 ET. SEQ.), THE SAFE

DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTIONS 1801 ET. SEQ.), THE TOXIC SUBSTANCES CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), THE CLEAN AIR ACT (42 U.S.C. SECTION 7401 ET. SEQ,) AS AMENDED, THE CLEAN AIR ACT AMENDMENTS OF 1990 AND ALL STATE AND LOCAL LAWS AND ANY REPLACEMENT OR SUCCESSOR LEGISLATION OR REGULATION THERETO. THIS INDEMNIFICATION SHALL BE IN ADDITION TO ANY OTHER INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT, AND IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT ANY TERMS OF THIS ARTICLE SHALL CONTROL OVER ANY CONFLICTING OR CONTRADICTING TERMS OR PROVISIONS CONTAINED IN THIS AGREEMENT.

13.8 SELLER'S INDEMNITY:

(a) SUBJECT TO THE TERMS AND PROVISIONS OF SECTIONS 13.7 AND 14.7 OF THIS AGREEMENT, AND WITH RESPECT TO ANY CLAIM DESCRIBED IN THIS SECTION 13.8(a), WRITTEN NOTICE OF WHICH BUYER HAS GIVEN SELLER WITHIN A TWO-YEAR PERIOD FOLLOWING THE CLOSING DATE, SELLER SHALL INDEMNIFY, HOLD HARMLESS, RELEASE AND DEFEND BUYER FROM AND AGAINST DAMAGES, LOSSES, CLAIMS, DEMANDS, CAUSES OF ACTION, JUDGMENTS AND OTHER COSTS (INCLUDING BUT NOT LIMITED TO ANY CIVIL FINES, PENALTIES, COSTS OF ASSESSMENT, CLEAN-UP, REMOVAL AND REMEDIATION OF POLLUTION OR CONTAMINATION, AND EXPENSES FOR THE MODIFICATION, REPAIR OR REPLACEMENT OF FACILITIES ON THE LANDS BUT ONLY TO THE EXTENT SUCH ITEMS EXCEED $1 MILLION) BUT ONLY IF BROUGHT BY ANY AGENCY OR OTHER BODY OF FEDERAL, STATE OR LOCAL GOVERNMENT OR A THIRD PARTY, WHICH IS ENTIRELY UNAFFILIATED WITH BUYER, ON ACCOUNT OF ANY CLAIM OF VIOLATION OF ANY ENVIRONMENTAL LAW OR REGULATION TO THE EXTENT ANY OF THE FOREGOING DIRECTLY OR INDIRECTLY IS CAUSED BY OR OTHERWISE INVOLVES ANY ENVIRONMENTAL CONDITION OF THE ASSETS OR LANDS, CREATED OR EXISTING BEFORE THE EFFECTIVE TIME, AND WHICH CONSTITUTES A VIOLATION OF APPLICABLE ENVIRONMENTAL LAWS IN EFFECT AS OF THE EFFECTIVE TIME, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE, DISPOSAL OR RELEASE OF ANY MATERIAL (WHETHER HAZARDOUS, EXTREMELY HAZARDOUS, TOXIC OR OTHERWISE) OF ANY KIND IN, ON OR UNDER THE ASSETS OR THE LANDS.

(b) SELLER'S INDEMNIFICATION OBLIGATIONS SHALL EXTEND TO AND INCLUDE, BUT NOT BE LIMITED TO (I) THE NEGLIGENCE OR OTHER FAULT OF SELLER, BUYER AND THIRD PARTIES, WHETHER SUCH NEGLIGENCE IS ACTIVE OR PASSIVE, GROSS, JOINT, SOLE OR CONCURRENT, (II) SELLER'S OR BUYER'S STRICT LIABILITY, AND (III) SELLER'S OR BUYER'S LIABILITIES OR OBLIGATIONS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET. SEQ.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET. SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTIONS 466 ET. SEQ.), THE SAFE DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTIONS 1801

ET. SEQ.), THE TOXIC SUBSTANCES CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), THE CLEAN AIR ACT (42 U.S.C. SECTION 7401 ET. SEQ.) AS AMENDED, THE CLEAN AIR ACT AMENDMENTS OF 1990 AND ALL STATE AND LOCAL LAWS, AS IN EFFECT AS OF THE DATE OF THIS AGREEMENT. THIS INDEMNIFICATION SHALL BE IN ADDITION TO ANY OTHER INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT, AND IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT ANY TERMS OF THIS ARTICLE SHALL CONTROL OVER ANY CONFLICTING OR CONTRADICTING TERMS OR PROVISIONS CONTAINED IN THIS AGREEMENT.

(c) SELLER'S INDEMNIFICATION SHALL NOT EXTEND TO MATTERS OR CONDITIONS (i) FOR WHICH AN ADJUSTMENT OF THE PURCHASE PRICE WAS MADE , OR (ii) WHICH WERE DISCLOSED TO OR KNOWN BY BUYER ON OR BEFORE BUYER'S EXECUTION OF THIS AGREEMENT.

13.9 REDUCTION. There shall be no reduction in the Purchase Price under Section 7.2 unless Seller's share of a proposed reduction as to any single incident exceeds $50,000.00; this shall be determined on an incident by incident basis. In addition, if Seller's share of the proposed reduction under Section 7.2 as to any single incident exceeds $50,000.00, there shall be no reduction in the Purchase Price until such time as the total of these excess amounts (over $50,000.00) exceeds $500,000.00. Seller's indemnity under Section 13.8 shall not be applicable until such time as Seller's share of liability under Section 13.8 exceeds $1,000,000.00.

13.10. ENVIRONMENTAL PERMITS. Notwithstanding any other provision of this Agreement, and except as set out in EXHIBIT G to the extent executed and delivered at Closing, Buyer and Seller agree as follows:

a. There are various permits and licenses required by governmental agencies in connection with the operation of the Subject Interests.

b. With respect to all such licenses, permits and similar items, the parties agree that

(1) those that can be assigned or transferred without governmental approval will be so assigned or transferred at Closing;

(2) those that can be assigned or transferred, but only with governmental approval, will be requested to be assigned or transferred at or shortly after Closing;

(3) as to those that cannot be assigned or transferred, Buyer will commence its application for such licenses, permits and similar items at or before Closing and Seller will cooperate fully with Buyer in attempting to acquire such items; and

(4) the lack of a necessary permit, license, or similar item will not constitute an unfilled closing condition of either party and will not constitute a breach of either party's representations or warranties.

ARTICLE XIV
MISCELLANEOUS

14.1 CERTAIN GOVERNMENTAL CONSENTS. At the Closing, Seller shall execute and deliver to Buyer such assignments of Federal and State leases as require consent to assignment, on the forms required by the governmental agency having jurisdiction thereof. Seller and Buyer will use reasonable efforts after Closing to obtain approval of such assignments.

14.2 PUBLIC ANNOUNCEMENTS. The parties hereto agree that prior to making any public announcement or statement with respect to the transaction contemplated by this Agreement, the party desiring to make such public announcement or statement shall consult with the other party hereto and exercise reasonable efforts to (i) agree upon the text of a joint public announcement or statement to be made by both of such parties or (ii) obtain approval of the other party hereto to the text of a public announcement or statement to be made solely by Seller or Buyer, as the case may be. Nothing contained in this paragraph shall be construed to require either party to obtain approval of the other party hereto to disclose information with respect to the transaction contemplated by this Agreement to any state or federal governmental authority or agency to the extent required by applicable law or by any applicable rules, regulations or orders of any governmental authority or agency having jurisdiction or necessary to comply with disclosure requirements of any major stock exchange and applicable securities laws .

14.3 FILING AND RECORDING OF ASSIGNMENTS, ETC. Buyer shall be solely responsible for all filings and recording of assignments and other documents related to the Assets and for all fees connected therewith, and upon request Buyer shall advise Seller of the pertinent recording data. Seller shall not be responsible for any loss to Buyer because of Buyer's failure to file or record documents correctly or promptly. Buyer shall promptly file all appropriate forms, declarations or bonds with Federal, State and Indian agencies relative to its assumption of operations and Seller shall cooperate with Buyer in connection with such filings.

14.4 ASSUMPTION AND INDEMNITY. SUBJECT TO THE OTHER PROVISIONS HEREIN, BUYER SHALL ASSUME ALL RISK OF LOSS WITH RESPECT TO ANY CHANGE IN THE CONDITION OF THE ASSETS FROM AND AFTER THE EFFECTIVE TIME THROUGH CLOSING (EVEN THOUGH DUE IN WHOLE OR IN PART TO SELLER'S NEGLIGENCE). BUYER AGREES TO ASSUME AND PAY, PERFORM, FULFILL AND DISCHARGE ALL ASSUMED OBLIGATIONS, AND AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS ATTRIBUTABLE TO OR ARISING OUT OF THE ASSUMED OBLIGATIONS, INCLUDING, WITHOUT LIMITATION, ANY INTEREST,

PENALTY, REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF. TO THE EXTENT NOT INCLUDED IN ASSUMED OBLIGATIONS AND SUBJECT TO THE OTHER PROVISIONS HEREIN, SELLER AGREES TO PAY, PERFORM, FULFILL AND DISCHARGE ALL COSTS, EXPENSES AND LIABILITIES INCURRED BY SELLER WITH RESPECT TO THE OWNERSHIP OR OPERATION OF SELLER'S INTEREST IN THE ASSETS AND ACCRUING PRIOR TO THE EFFECTIVE TIME EVEN THOUGH ASSERTED AFTER THE EFFECTIVE TIME, AND AGREES TO INDEMNIFY, DEFEND AND HOLD BUYER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS ATTRIBUTABLE TO OR ARISING OUT OF SUCH OBLIGATIONS OF SELLER, INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEY'S FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF. FOR EXAMPLE, WITH RESPECT TO OPERATIONS COMMITTED TO BY SELLER AND COMMENCED PRIOR TO THE EFFECTIVE TIME, BUT NOT COMPLETED UNTIL AFTER THE EFFECTIVE TIME, THE COSTS ACCRUING WITH RESPECT THERETO PRIOR TO THE EFFECTIVE TIME SHALL BE THE OBLIGATION OF SELLER AND THE COSTS ACCRUING WITH RESPECT THERETO AFTER THE EFFECTIVE TIME SHALL BE THE OBLIGATION OF BUYER. WITHOUT LIMITING THE PARTIES' RESPECTIVE REPRESENTATIONS IN SECTIONS 4.1(f) AND 5.1(f) HEREOF, EACH PARTY HEREBY AGREES TO INDEMNIFY AND HOLD THE OTHER HARMLESS FROM AND AGAINST ANY CLAIM FOR A BROKERAGE OR FINDER'S FEE OR COMMISSION IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT TO THE EXTENT SUCH CLAIM ARISES FROM OR, IS ATTRIBUTABLE TO THE ACTIONS OF SUCH INDEMNIFYING PARTY, INCLUDING, WITHOUT LIMITATION, ANY AND ALL LOSSES, DAMAGES, ATTORNEY'S FEES, COSTS AND EXPENSES OF ANY KIND OR CHARACTER ARISING OUT OF OR INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR DEFENDING AGAINST THE SAME.

14.5 FURTHER ASSURANCES AND RECORDS

(a) After the Closing, each of the parties will execute, acknowledge and deliver to the other such further instruments, and take such other action, as may be reasonably requested in order to more effectively assure to said party all of the respective properties, rights, titles, interests, estates, and privileges intended to be assigned, delivered or inuring to the benefit of such party in consummation of the transactions contemplated hereby.

(b) Buyer agrees to maintain the files and records of Seller that are acquired pursuant to this Agreement until the tenth (10th) anniversary of the Closing Date (or for such longer period of time as Seller shall advise Buyer is necessary in order to have records available with respect to open years for tax audit purposes), or, if any of such records pertain to any claim or dispute pending on the tenth (10th) anniversary of the Closing Date, Buyer shall maintain any of such records designated by Seller until such claim or dispute is finally resolved and the time for all

appeals has been exhausted. Buyer shall provide Seller and its representatives reasonable access to and the right to copy such files and records for the purposes of (i) preparing and delivering any accounting provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement, (ii) complying with any law, rule or regulation affecting Seller's interest in the Assets prior to the Closing Date, (iii) preparing any audit of the books and records of any third party relating to Seller's interest in the Assets prior to the Closing Date, or responding to any audit prepared by such third parties, (iv) preparing tax returns, (v) responding to or disputing any tax audit or (vi) asserting, defending or otherwise dealing with any claim or dispute under this Agreement. In no event shall Buyer destroy any such files and records without giving Seller sixty (60) days advance written notice thereof and the opportunity, at Seller's expense, to obtain such files and records prior to their destruction.

(c) Buyer agrees that, as soon as practicable after the Closing, it will remove or cause to be removed the names and marks used by Seller and all variations and derivatives thereof and logos relating thereto from the Assets and will not thereafter make any use whatsoever of such names, marks and logos.

(d) To the extent not obtained or satisfied as of Closing, Seller agrees to continue to use reasonable efforts, but without any obligation to incur any cost or expense in connection therewith, and to cooperate with Buyer's efforts to obtain for Buyer (i) access to files, records and data relating to the Assets in the possession of third parties; (ii) access to wells constituting a part of the Assets operated by third parties for purposes of inspecting same; and (iii) the waiver of confidentiality or other restrictions on the review by and/or transfer to Buyer of seismic, geophysical, engineering or other data pertaining to the Subject Interests.

14.6 LIMITATIONS. The express representations and warranties of Seller contained in this Agreement (i) are made by Seller solely with respect to Assets owned by Seller, (ii) are enforceable against the owner of the respective Assets and are not a joint or collective liability and (iii) are exclusive and are in lieu of all other representations and warranties, express, implied or statutory, including without limitation any representation or warranty with respect to title to the Assets or the quality, quantity or volume of the reserves of oil, gas or other Hydrocarbons in or under the Subject Interests and unless specifically provided otherwise in this Agreement, such express representations and warranties of Seller shall terminate at Closing and be of no further force and effect. The items of personal property, equipment, fixtures and appurtenances conveyed as part of the Assets are sold hereunder "AS IS, WHERE IS" and no warranties or representations of any kind or character, express or implied, including any warranty of quality, merchantability, fitness for a particular purpose or condition, are given by or on behalf of Seller. THE WARRANTIES OF SELLER CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, AND BUYER HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (a) PRODUCTION RATES,

RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE ASSETS, (b) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, AND (c) THE ENVIRONMENTAL CONDITION OF THE ASSETS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY WAIVES, AS TO PERSONAL, MOVABLE AND IMMOVABLE PROPERTY, EQUIPMENT AND FIXTURES CONSTITUTING A PART OF THE ASSETS (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (iv) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (v) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM VICES OR DEFECTS, WHETHER KNOWN OR UNKNOWN, AND (vi) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW AND (vii) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH, IT BEING THE EXPRESS INTENTION OF BUYER AND SELLER THAT THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY SHALL BE CONVEYED TO BUYER AS IS AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR, AND BUYER REPRESENTS TO SELLER THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS WITH RESPECT TO THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY AS BUYER DEEMS APPROPRIATE AND BUYER WILL ACCEPT THE REAL PROPERTY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY AS IS, IN THEIR PRESENT CONDITION AND STATE OF REPAIR, IT BEING THE EXPRESS INTENTION OF BOTH BUYER AND SELLER THAT THE PERSONAL PROPERTY, EQUIPMENT AND FIXTURES INCLUDED WITHIN THE ASSETS ARE HEREBY CONVEYED TO BUYER IN THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS, AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. SELLER AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAW, RULE OR ORDER. To the maximum extent permitted by law, Buyer waives all provisions of the Texas Deceptive Trade Practices Act, Chapter 17, Texas Business and Commerce Code (other than Section 17.555 thereof) and, to the extent permitted by law, similar such provisions in like Acts in all other applicable jurisdictions, insofar as the provisions of such act may be applicable to this Agreement or the transactions contemplated hereby. To evidence its ability to grant such waiver, Buyer hereby represents and warrants to Seller that the Buyer (i) is seeking or acquiring, by purchase or lease, goods or services for commercial or business use, (ii) has assets of

$5 million or more according to its most recent financial statement prepared in accordance with GAAP, (iii) has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of the transaction contemplated hereby and (iv) is not in a significantly disparate bargaining position. Seller makes no representation or warranty, express or implied with respect to whether any of the Subject Interests are qualified for, or whether Buyer might be qualified to take, tax credits under Section 29 of the Internal Revenue Code with respect to production from the Subject Interests.

14.7 SURVIVAL. No representation, warranty, covenant or agreement made herein shall survive the Closing except as provided in this Section 14.7. It is expressly agreed that the terms and provisions of Articles I, III, IV, V, XII, and XIII and Sections 6.3, 6.4, 7.1, Sections 13.1 through 13.7 and Section 13.9, shall survive the Closing. The terms and provisions of Section 13.8 shall expire according its term.

14.8 SIGNATURE OF KLT INC. This Agreement for Purchase and Sale is executed by KLT Inc. solely for purposes of Article XIII and Section 14.4 and for no other purpose.

14.9 NOTICES. All notices authorized or required by any of the provisions of this Agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier, or any other form of facsimile, postage or charges prepaid, and addressed to the parties at the addresses set forth below:

If to Seller: Apache Canyon Gas, L.L.C.
10740 Nall, Suite 230
Overland Park, KS 66211
Telephone No.: 913-967-4304
Telecopy No.: 913-967-4340
Attention: President

If to Buyer: Evergreen Resources, Inc.
1401 17th Street, Suite 1200
Denver, Colorado 80202
Attention: President
Telecopy No.: (303) 295-7895

Any party may, by written notice so delivered to the other, change the address to which delivery shall thereafter be made.

14.10 INCIDENTAL EXPENSES. Buyer shall bear and pay (i) any and all Federal, State or local Transfer Taxes as defined in Section 11.2(b) hereof incident to the transfer, assignment or other conveyance of the Assets to Buyer, and (ii) all costs or fees required to obtain consent to assign any Federal, State or Indian leases included in the Assets. Each party shall bear its own respective expenses incurred in connection with the Closing of this transaction, including its own consultants' fees, attorneys' fees, accountants' fees, and other similar costs and expenses.

14.11 ENTIRE AGREEMENT. Except for the Confidentiality Agreement referenced in Section 6.3, this Agreement embodies the entire agreement between the parties (superseding all prior agreements, arrangements and understandings related to the subject matter hereof), and may be supplemented, altered, amended, modified or revoked by writing only, signed by all of the parties hereto. No supplement, amendment, modification, waiver or termination of this Agreement shall be binding unless in writing and executed by both parties hereto. The headings herein are for convenience only and shall have no significance in the interpretation hereof.

14.12 GOVERNING LAW. Except for matters of title to the Subject Interests or their transfer, which shall be governed by the law of their situs, this Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado without regard for any conflict of laws or choice of laws principles that would permit or require the application of the laws of any other jurisdiction.

14.13 EXHIBITS. All Exhibits and Schedules hereto which are referred to herein are hereby made a part hereof and incorporated herein by reference.

14.14 CERTAIN TERMS. As used in this Agreement, the term "knowledge" means actual knowledge of any fact, circumstance or condition by the officers or management employees of the party involved at a supervisory or higher level, but does not include (i) knowledge imputed to the party involved by reason of knowledge of or notice to any person, firm or corporation other than its officers or employees at a supervisory or higher level or (ii) knowledge deemed to have been constructively given by reason of any filing, registration or recording of any document or instrument in any public record or with any governmental entity. As used in this Agreement, the term "day" means any calendar day, and the term "business day" means any day exclusive of Saturdays, Sundays and national holidays.

14.15 INTERIM ACCOUNTING, PAYMENT AND COLLECTION SERVICES. Buyer and Seller agree to cooperate to transfer financial accounting services for the Assets as promptly as practicable after the Effective Time.

14.16 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and each and every counterpart shall be deemed for all purposes one (1) agreement.

14.17 WAIVER. Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the party waiving compliance. Except as otherwise expressly provided in this Agreement, the failure of any party at any time or times to require performance of any provision hereof shall in no manner affect such party's right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

14.18 BINDING, EFFECT; ASSIGNMENT. All the terms, provisions, covenants, representations, warranties and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors; but this Agreement and the rights and obligations hereunder shall not be assignable or delegable by Buyer without the express written consent of Seller. Any assignment or delegation without such consent will be void. In addition to its rights under Section 10.1(g), Seller shall have the right to transfer its rights and obligations hereunder without Buyer's consent so long as such transferee is capable of delivering to Buyer the same title Seller is capable of delivering and Seller remains liable for its warranties and representation made hereunder to the same extent Seller would have been liable had such transfer not been made.

14.19 NO RECORDATION. Without limiting any party's right to file suit to enforce its rights under this Agreement and except as to those portions of this Agreement set forth in the Assignment, Bill of Sale and Conveyance, EXHIBIT C, Buyer and Seller expressly covenant and agree not to record or place of record this Agreement or any copy or memorandum hereof.

14.20 INDEPENDENT INVESTIGATION. Buyer represents and acknowledges that it is knowledgeable of the oil and gas business and of the usual and customary practices of producers such as Seller and that it has had access to the Assets, the offices and employees of Seller, and the books, records and files of Seller relating to the Assets and in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Buyer has relied solely on the basis of its own independent due diligence investigation of the Assets and upon the representations and warranties made in Article IV. Accordingly, Buyer acknowledges that Seller has not made, and Seller hereby expressly disclaims and negates any representation or warranty (other than those express representations and warranties made in Article IV), express, implied, at common law, by statute or otherwise, relating to the Assets.

14.21 TERMINATION. In the event the total amount of adjustments to the Purchase Price under Sections 7.2 and 13.4 exceeds twenty-five percent (25%) of the Purchase Price, either party may terminate this Agreement by notifying the other party of its intention to terminate on or before the Closing Date and in the event of such termination neither Seller nor Buyer shall be under any obligation to the other with regard to the purchase and sale of any of the Assets or Subject Interests, such termination to be without liability to either party.

14.22 COSTS. Each party shall pay its own costs, including fees and expenses of its own counsel and accountants, in connection with the purchase and sale of the Properties. Seller shall discharge all Encumbrances other than the Permitted Encumbrances. Seller shall pay all sales and other transfer taxes, if any, incurred in connection with the transaction contemplated by this Agreement. Buyer shall pay all documentary, filing and recording fees.

14.23 NO THIRD PARTY BENEFICIARIES. Nothing in this Agreement shall entitle any Person, other than the parties hereto or their respective permitted successors and assigns, to any claim, cause of action, remedy or right of any kind.

14.24 LIABILITIES OF THE PARTIES. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations. It is not the intention of the

parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective interest.

14.25 JURISDICTION AND VENUE. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO, ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS AGREEMENT MAY BE LITIGATED ON IN STATE OR FEDERAL COURTS IN COLORADO, RESPECTIVELY. BUYER AND SELLER HEREBY SUBMIT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN COLORADO, AND EACH HEREBY WAIVES ANY RIGHTS IT MAY HAVE TO TRANSFER OR CHANGE THE JURISDICTION OR VENUE OF ANY LITIGATION BROUGHT AGAINST IT BY THE OTHER.

14.26 WAIVER OR RIGHTS TO JURY TRIAL. BUYER AND SELLER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, IRREVOCABLY, AND UNCONDITIONALLY WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING, COUNTERCLAIM, OR OTHER LITIGATION THAT RELATES TO OR ARISES OUT OF ANY OF THIS AGREEMENT OR OTHERWISE WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION ARE MATERIAL INDUCEMENT FOR SELLER ENTERING INTO THIS AGREEMENT.

ARTICLE XV
CASUALTY LOSS AND CONDEMNATION

15.1 NO TERMINATION.

(a) Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the Effective Time until Closing for production of oil, gas and/or other hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property due to ordinary wear and tear.

(b) If after the Effective Time and prior to the Closing any part of the Assets shall be destroyed by fire or other casualty or if any part of the Assets shall be taken in condemnation or under the right of eminent domain or if proceedings for such purposes shall be pending or threatened, this Agreement shall remain in full force and effect notwithstanding any such destruction, taking or proceeding or the threat thereof.

15.2 PROCEEDS AND AWARDS. In the event of any loss described in Section 15.1(b), Seller shall either (i) at the Closing pay to Buyer all sums paid to Seller by reason of such destruction less any costs and expenses incurred by Seller in collecting same, or (ii) commit, use, or apply such sums (less any costs and expenses incurred by Seller in collecting same) to repair, restore or replace such damaged or taken Assets. To the extent the insurance proceeds, condemnation awards or other

payments are not committed, used or applied by Seller prior to the Closing Date to repair, restore or replace such damaged or taken Assets, Seller shall at the Closing pay to Buyer all sums paid to Seller by reason of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. In addition and to the extent such proceeds, awards or payments have not been committed, used or applied by Seller in repair, restoration or replacement as aforesaid, Seller shall assign, transfer and set over unto Buyer, without recourse against Seller, all of the right, title and interest of Seller in and to any claims against third parties with respect to the event or circumstance causing such loss and any unpaid insurance proceeds, condemnation awards or other payments arising out of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. Any such funds which have been committed by Seller for repair, restoration or replacement as aforesaid shall be paid by Seller for such purposes or, at Seller's option, delivered to Buyer upon Seller's receipt from Buyer of adequate assurance and indemnity from Buyer that Seller shall incur no liability or expense as a result of such commitment. Notwithstanding anything to the contrary in this Section 15.2, Seller shall not be obligated to carry or maintain, and shall have no obligation or liability to Buyer for its failure to carry or maintain, any insurance coverage with respect to any of the Assets, except as required by Section 8.1(b).

ARTICLE XVI
DEFAULT AND REMEDIES

16.1 SELLER'S REMEDIES. Upon failure of Buyer to comply herewith by the Closing Date, as it may be extended in accordance herewith, Seller, at its sole option, may (i) enforce whatever legal or equitable rights may be appropriate and applicable in Seller's sole discretion or (ii) terminate this Agreement, all other remedies (except as expressly retained in Section 16.3) being expressly waived by Seller.

16.2 BUYER'S REMEDIES. Upon failure of Seller to comply herewith by the Closing Date, as it may be extended in accordance herewith, Buyer, at its sole option and as its sole and exclusive remedy, may (i) bring an action for specific performance of this Agreement or (ii) terminate this Agreement , all other remedies (except as expressly retained in Section 16.3) being expressly waived by Buyer.

16.3 OTHER REMEDIES. Notwithstanding the foregoing, termination of this Agreement shall not prejudice or impair Buyer's obligations under Sections 6.3 (and the Confidentiality Agreement referenced therein), 6.4 and 8.2(b) and such other portions of this Agreement as are necessary to the enforcement and construction of Sections 6.3, 6.4 and 8.2(b). The prevailing party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorney's fees from the non-prevailing party.

16.4 NOTICE. Notice of termination under this Article XVI or under Section 14.21 shall be in writing and given as provided in Section 14.9. The party receiving the notice shall have 30 days from receipt of such notice to cure of remedy the circumstance giving rise to the termination right to the satisfaction of the party delivering such notice.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

APACHE CANYON GAS, L.L.C.,
a Delaware limited liability company
By: KLT Inc., as designated director of KLT Gas, Inc., sole member

By: /s/Bruce B. Selkirk
Name: Bruce B. Selkirk, III
Title: Managing Director

"SELLER"

EVERGREEN RESOURCES, INC.,
a Colorado corporation

By: /s/Mark S. Sexton
Name: Mark S. Sexton
Title: President and CEO

'BUYER"

KLT INC.
a Missouri corporation
Executed solely for the purpose of ARTICLE XIII and Section 14.4

By: /s/Bruce B. Selkirk
Name: Bruce B. Selkirk, III
Title: Managing Director

AMENDED AND RESTATED AGREEMENT

BETWEEN

RICHARD D. WEINSTEIN

AND

KLT TELECOM INC.

DATED AS OF SEPTEMBER 27, 2000

AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT (this "Agreement") is made as of September 27, 2000, by and between Richard D. Weinstein ("Weinstein") and KLT Telecom Inc. ("KLT"). Each of Weinstein and KLT is a "Party", and collectively they are the "Parties".

WITNESSETH:

WHEREAS, the Parties wish to amend and restate the Agreement between the Parties dated as of August 26, 2000 (the "Original Agreement") in the manner set forth in this Agreement;

WHEREAS, Weinstein (which term shall include, for this purpose, trusts for the benefit of Weinstein and his immediate family) owns 30,000,000 shares of the common stock (the "Shares") of DTI Holdings, Inc. (the "Company");

WHEREAS, KLT owns shares of the Company which are convertible into 30,000,000 shares of common stock of the Company and which have voting rights equivalent to such common stock;

WHEREAS, as a result of their equal voting rights and pursuant to the Shareholders' Agreement, dated as of March 12, 1997 (the "Shareholders' Agreement") entered into in connection with the investment by KLT in the Company, KLT and Weinstein have equal representation on the Board of Directors of the Company;

WHEREAS, on account of differences in their views as to certain matters affecting the business and operations of the Company, the Parties consider it advisable, and in the best interests of the Company, that (i) the current ownership structure of the Company not continue, and (ii) the disputes between them be resolved without litigation by executing a mutual release if the transactions and matters contemplated by this Agreement are consummated, or to have resolution of such disputes deferred for six months after the Agreement is terminated in the event that the transactions contemplated by this Agreement are not consummated;

WHEREAS, Weinstein wishes to sell and grant an option to purchase, and KLT desires to purchase and obtain an option to purchase, the Shares of the Company, and the Parties now wish to enter into this Agreement for the purpose of setting forth the terms and conditions relating to such purchase and option; and

WHEREAS, Weinstein and KLT agree to cause the delegation of the power and authority to KLT's designees listed on Exhibit A during the Delegation Period (as defined in Section 5.1(a)) under the circumstances described in Section 5.1(a).

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and on the terms and conditions herein set forth, the Parties hereto agree as follows:

1. EFFECTIVE DATE OF AGREEMENT AND PURCHASE OF INITIAL SHARES

1.1 EFFECTIVE DATE. The Parties agree that, except as otherwise provided herein, this Agreement became legally binding on the Parties on September 14, 2000 (the "Effective Date").

1.2 PURCHASE. Subject to the terms and conditions of this Agreement, Weinstein agrees to sell to KLT, and KLT agrees to purchase from Weinstein, such percentage of the Shares (together with all and any rights arising therefrom; the "Initial Shares") as would not, in the opinion of counsel to KLT, cause a Change of Control (as defined in the Indenture (as defined in Section 2.1(b)), and assuming all rights to purchase stock of the Company had been fully exercised), but in no event more than ninety percent (90%) of the Shares, and shall pay, as the aggregate purchase price of the Initial Shares, an amount equal to $109,417,747 and all of the additional consideration listed on Exhibit B (collectively, the "Initial Shares Purchase Price").

1.3 REMAINING SHARES OPTION. If KLT shall acquire the Initial Shares by midnight on November 20, 2000, New York City time, Weinstein shall grant to KLT an option, in the form attached as Exhibit 1.3 (the "Remaining Shares Option"), to purchase the Shares owned by Weinstein other than the Initial Shares (the "Remaining Shares") for a period of five years thereafter for an aggregate exercise price in an amount equal to $12,157,528.20, plus an amount equal to the product of $12,157,528.20 times 15% per annum, commencing from the Initial Shares Closing Date, compounded semi-annually and calculated on the basis of a year of 360 days and twelve 30-day months and actual days elapsed in each month (collectively, the "Remaining Shares Exercise Price").

1.4 ESCROW OF SHARES. The certificates evidencing the Remaining Shares shall be placed in escrow on the Initial Shares Closing Date with a mutually acceptable escrow agent and none of such Shares shall be sold or otherwise disposed of, or transferred, except pursuant to this Agreement or the exercise of the Remaining Shares Option, or as permitted by Section 6.4, or until termination of this Agreement in accordance with its terms.

1.5 INITIAL SHARES CLOSING DATE. The closing of the purchase and sale of the Initial Shares (the "Initial Shares Closing") will take place at the offices of KLT at 10:00 a.m., local time, on November 21, 2000 or at such other date, time and place as the Parties shall mutually agree (the "Initial Shares Closing Date").

1.6 TRANSACTIONS ON THE INITIAL SHARES CLOSING DATE.

(a) On the Initial Shares Closing Date, Weinstein shall deliver or cause to be delivered to KLT the following:

(i) the certificates evidencing the Initial Shares, duly endorsed as being sold and transferred to KLT or its designees, and all other documents necessary to effect the transfer of ownership of the Initial Shares on the books of the Company;

(ii) a certificate signed by Weinstein to the effect that as of the Initial Shares Closing Date all the conditions under Sections 2.1. (a), (d), (e) and (f) of this Agreement have been satisfied or waived and that all representations and warranties of Weinstein in Section 3 herein are true and correct in all material respects;

(iii) a letter of resignation of Weinstein from all of his positions as an officer and director of the Company, effective as of the Initial Shares Closing Date;

(iv) a Mutual Release between the Parties, in the form attached hereto as Exhibit C, executed by the Parties, with only such changes from such form as shall be approved by the Parties;

(v) the fully executed Real Property Purchase Agreement in the form attached hereto as Exhibit D ("Real Property Purchase Agreement");

(vi) the fully executed Deed (as defined in the Real Property Purchase Agreement);

(vii) the fully executed Lease Assignment (as defined in the Real Property Purchase Agreement);

(viii) evidence satisfactory to KLT that the entire principal and interest on the existing promissory note from Weinstein to the Company is repaid in full on the Initial Shares Closing Date.

(b) On the Initial Shares Closing Date, KLT shall deliver to Weinstein the following:

(i) Payment of the cash portion of the Initial Shares Purchase Price and the Property Purchase Price (as defined in the Real Property Purchase Agreement) by wire transfer of immediately available funds to an account to be designated by Weinstein, provided that Weinstein shall designate such account not later than the second Business Day prior to the Initial Shares Closing Date;

(ii) documents, in form reasonably satisfactory to Weinstein and his counsel, evidencing the consideration described on Exhibit B hereto; and

(iii) a copy of resolutions duly adopted by the Board of Directors of KLT and KCPL authorizing the execution, delivery and performance of this Agreement;

(iv) a certificate signed by an authorized officer of KLT to the effect that as of the Initial Shares Closing Date all the conditions under Section 2.2 of this Agreement have been satisfied or waived and that all

representations and warranties of KLT in Section 4 herein are true and correct in all material respects; and

(v) a Mutual Release between Weinstein and KLT, in the form attached hereto as Exhibit C, executed by KLT on its own behalf and as a duly authorized representative of KCPL, with only such changes from such form as shall be approved by the Parties, accompanied by documents reasonably satisfactory to Weinstein and his counsel evidencing approval and authorization of such Mutual Release by KCPL.

All documents for the Initial Shares Closing shall be in form and substance reasonably satisfactory to counsel for Weinstein and KLT.

2. CONDITIONS TO INITIAL SHARES CLOSING

2.1 CONDITIONS PRECEDENT OF KLT. The obligations of KLT at the Initial Shares Closing shall be subject to the satisfaction, or waiver by KLT, at the Initial Shares Closing of each of the following conditions:

(a) ACCURACY OF WEINSTEIN'S REPRESENTATIONS AND WARRANTIES AND PERFORMANCE OF COVENANTS. The representations and warranties of Weinstein contained herein, and in the documents attached hereto, shall be true and correct in all material respects on and as of the Initial Shares Closing Date, and Weinstein shall have performed and observed in all material respects all covenants, agreements and conditions contained herein, and in the documents attached hereto, to be performed or observed on or before the Initial Shares Closing Date by Weinstein.

(b) PURCHASE OF NOTES AND WARRANTS. KLT shall have consummated the purchase, by tender offer, privately negotiated purchase(s) or open market purchase(s) or a combination of any of the foregoing, of both (i) at least ninety percent (90%) of the aggregate principal amount of the 12 1/2% Senior Discount Notes due 2008 and the 12 1/2% Series B Senior Discount Notes due 2008 (collectively the "Notes") issued pursuant to the Indenture, dated as of February 23, 1998, between the Company and The Bank of New York, as trustee (the "Indenture") and (ii) warrants (the "Warrants"), each initially entitling the holder thereof to purchase 1.552 shares of common stock of the Company (the "Warrant Shares") representing in the aggregate at least ninety percent (90%) of the Warrant Shares, for a cash purchase price or prices determined in the sole discretion of KLT, and, in the case of each of (i) and (ii), subject to reasonable terms and conditions customary in such transactions (the "Minimum Purchase Condition").

(c) BANK WAIVER. KLT shall have received all waivers, in form and substance satisfactory to KLT, of covenants and other provisions in its current credit agreement with Bank One, NA, and the other lenders thereunder ("Loan Agreement") which are necessary (i) to permit KLT to carry out the transactions provided for under this Agreement, (ii) to avoid a default, breach or violation of any provision of the Loan Agreement as a result of carrying out the transactions contemplated hereby, or (iii) to

avoid causing the acceleration of any payment or other performance under the Loan Agreement as a result of carrying out the transactions contemplated hereby.

(d) DELIVERY OF DOCUMENTS. Weinstein shall have delivered the certificates representing the Initial Shares, duly endorsed, and all documents required to be delivered at the Initial Shares Closing to KLT as set forth in Section 1.6(a).

(e) NO THREATENED OR PENDING LITIGATION. On the Initial Shares Closing Date, no suit, action or other proceeding instituted by a third party, or any injunction or final judgment relating thereto, shall be threatened or be pending before any court or governmental or regulatory official, body or authority which would prohibit the consummation of the transactions contemplated hereby or expose KLT or KCPL to any liability in connection therewith.

(f) NO MATERIAL ADVERSE CHANGE. No event(s) or circumstance(s) shall occur between the execution of this Agreement and the Initial Shares Closing that, individually or in the aggregate, has caused or may be reasonably expected to cause a Material Adverse Effect (as defined in Section 3.4), except for (i) any such effect which results from event(s) or circumstance(s) as to which KLT has actual knowledge prior to the execution of this Agreement unless the economic effect of such event(s) or circumstance(s), individually or in the aggregate, on the Company has changed materially and adversely from that contemplated by the valuation model used by KLT in determining the Initial Shares Purchase Price, or (ii) any such event(s) or circumstance(s) that result from any action taken by KLT's Designees (as defined in Section 5.1(a)) during the Delegation Period.

(g) FINANCING COMMITMENTS. KLT shall have obtained the Financing Commitments (as defined in Section 5.3(b)).

2.2 CONDITIONS PRECEDENT OF WEINSTEIN. The obligations of Weinstein at the Initial Shares Closing shall be subject to the satisfaction, or waiver by Weinstein, at the Initial Shares Closing of each of the following conditions:

(a) ACCURACY OF KLT'S REPRESENTATIONS AND WARRANTIES AND PERFORMANCE OF COVENANTS. The representations and warranties of KLT contained herein shall be true and correct in all material respects on and as of the Initial Shares Closing Date, and KLT shall have performed and observed in all material respects all covenants, agreements and conditions contained herein to be performed or observed on or before the Initial Shares Closing Date by KLT.

(b) PAYMENT. Weinstein shall have received the cash portion of the Initial Shares Purchase Price and all other items listed in Section 1.6(b) required to be delivered at the Initial Shares Closing to Weinstein.

(c) NO THREATENED OR PENDING LITIGATION. On the Initial Shares Closing Date, no suit, action or other proceeding instituted by a third party, or any

injunction or final judgment relating thereto, shall be threatened or be pending before any court or governmental or regulatory official, body or authority which would prohibit the consummation of the transactions contemplated hereby or expose Weinstein to any liability in connection therewith.

(d) FINANCING COMMITMENTS. The condition set forth in Section 2.1(g) must have been satisfied within 30 days after the Effective Date.

(e) INITIAL THRESHOLD CONDITION. KLT shall have either purchased or made binding offers to purchase (subject only to acceptance by the sellers and satisfaction of the Minimum Purchase Condition) (i) Notes with an aggregate principal amount equal to at least forty percent (40%) of the aggregate principal amount of all of the Notes, and (ii) Warrants representing the right to purchase at least forty percent (40%) of all of the Warrant Shares, in each case within 30 days after the Effective Date (collectively, the "Initial Threshold Condition").

3. REPRESENTATIONS AND WARRANTIES OF WEINSTEIN

Weinstein represents and warrants to KLT that the following representations and warranties are true and correct as of the date hereof and will be true and correct as of the Initial Shares Closing Date. For purposes of this Section 3, the term "Company" shall mean DTI Holdings, Inc. and its wholly-owned subsidiary Digital Teleport, Inc.

3.1 CORPORATE EXISTENCE. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri. The Company has full corporate power and authority to carry on its business as currently conducted.

3.2 POWER AND AUTHORITY. Weinstein has the power, authority and capacity to execute and deliver this Agreement and the other documents contemplated hereby, to consummate the transactions contemplated hereby and thereby and to perform his obligations hereunder and thereunder.

3.3 BINDING EFFECT. This Agreement constitutes, and the Remaining Shares Option will constitute (upon the granting thereof), a valid and binding obligation of Weinstein. This Agreement is, and the Remaining Shares Option will (upon the granting thereof) be, enforceable against Weinstein in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting the enforceability of creditors' rights generally or general principles of equity, regardless to whether enforceability is considered in a proceeding in equity or at law.

3.4 NO VIOLATIONS OF OBLIGATIONS. Except as indicated on Schedule 3.4, the delivery of this Agreement by Weinstein does not, and the delivery of the Remaining Shares Option (upon the granting thereof) will not, and the consummation by Weinstein of the agreements and transactions contemplated by this Agreement, and by the Remaining Shares Option (upon the granting thereof), will not, (a) (i) conflict with, result in a breach or violate the

articles of incorporation or by-laws of the Company, or (ii) to the best knowledge of Weinstein after reasonable investigation ("Weinstein's Best Knowledge"), violate or be contrary to any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order of any governmental entity to which Weinstein or Company is a party or to which Weinstein or Company or any of the property of either of them is subject; or (b) to Weinstein's Best Knowledge, except in respect of the Notes or Warrants referred to in Section 2.1(b) above, conflict with, or result in a breach or violation of, or accelerate the performance required by, the terms of any agreement, contract, indenture or other instrument to which Weinstein or Company is a party or to which any of the property of either of them is subject, which breach or violation, individually or in the aggregate, would have a material and adverse effect on the business, condition (financial or otherwise), results of operations or prospects of the Company (a "Material Adverse Effect"), or constitute a default or loss of any right thereunder or an event which, with the lapse of time or notice or both, might result in a default or loss of any right thereunder or the creation of any lien, charge or encumbrance upon any of the material assets or properties of Weinstein or the Company.

3.5 APPROVALS. The execution and delivery by Weinstein of this Agreement and the Remaining Shares Option (upon the granting thereof), and the consummation of the agreements and transactions contemplated hereby and thereby by Weinstein will not, to Weinstein's Best Knowledge, require any consent, approval, order or authorization of any governmental entity or regulatory authority, except for any such consent, approval, order or authorization the absence of which will not have a Material Adverse Effect.

3.6 THE SHARES.

(a) Subject to the release of the existing lien on a portion of the Shares created by Weinstein in favor of the Company, Weinstein (or trusts for the benefit of Weinstein and his immediate family) has, and will transfer to KLT, good, valid and marketable title to the Initial Shares and the Remaining Shares as provided herein. Upon consummation of the transactions contemplated herein, or upon exercise of the Remaining Shares Option, KLT shall acquire the applicable Shares, free and clear of any and all liabilities, security interests, claims, liens, encumbrances, restrictions, pledges, trusts, voting trusts, shareholder agreements, equity charges, conditional sale or title retention agreements or burdens of any kind whatsoever other than those created by or through KLT.

(b) The Shares have been duly authorized and are legally and validly issued. The Shares are fully paid and nonassessable. Except as provided in the Shareholders' Agreement and except for the pledge from Weinstein in favor of the Company pertaining to a portion of the Shares, there are no options, warrants, conversion privileges, preemptive rights or other rights outstanding in respect of any of the Shares.

3.7 COMPLIANCE WITH LAWS. The Company is not in violation in any material respect of any law or any ordinance or regulation of any local or foreign governmental entity or authority.

3.8 TAX MATTERS. Except as indicated on Schedule 3.8 hereto:

(a) The Company timely has filed or caused to be timely filed with the appropriate governmental entity all material federal, state, local and foreign income, franchise, excise, payroll, sales and use, property and withholding tax returns and reports required to be filed pursuant to any applicable federal, state, local and foreign tax laws by or on behalf of the Company, including estimated tax and informational returns ("Tax Returns"). All Tax Returns are true, correct and complete in all material respects.

(b) All Taxes (whether or not reflected in Tax Returns as filed) payable by the Company with respect to all periods reflected on the Tax Returns have been fully paid, and there are no grounds for the assertion or assessment of any material additional Taxes against the Company or its assets with respect to such periods. All accrued but unpaid Taxes are properly reflected on the books of the Company.

(c) No Tax Returns are the subject of an audit and there are no audits of any Tax Returns in process or threatened. There is no waiver of any statute of limitations in effect with respect to any Tax Returns.

(d) There are no tax liens, whether imposed by any federal, state, local or foreign taxing authority, outstanding against any of the assets, properties or business of the Company.

(e) As used in this Agreement, "Taxes" means all taxes, charges, fees, levies or other like assessments, including without limitation income, gross receipts, ad valorem, value added, premium, excise, real property, personal property, windfall profit, sales, use, transfer, license, withholding, employment, payroll and franchise taxes imposed by the United States or any other nation, state or bilateral or multilateral governmental authority, any local governmental unit or subdivision thereof, or any branch, agency or judicial body thereof; and shall include any interest, fines, penalties, assessments or additions to tax resulting from, attributable to, or incurred in connection with any such Taxes or any contest or dispute thereof.

3.9 FINANCIAL STATEMENTS.

(a) The Company has furnished or made available to KLT the audited annual balance sheet and income statement of the Company as of June 30, 1999 and the interim unaudited quarterly income statement of the Company for each of the quarters ended September 30, 1999, December 31, 1999, March 31, 2000 and June 30, 2000 and the unaudited annual balance sheet of the Company as of June 30, 2000 (together, the "Financial Statements"). The Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company at the dates and for the periods indicated, and have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), subject, as to such interim and unaudited financial statements, to normal year-end and audit adjustments and except for the absence of footnotes.

(b) To Weinstein's Best Knowledge, the Company does not have any liabilities or obligations (whether accrued, absolute, contingent, unliquidated or otherwise), except as would not have a Material Adverse Effect, and except (i) as set forth in the Financial Statements (including notes thereto) unless any such liabilities are not required to be set forth therein in accordance with GAAP, (ii) as set forth on Schedule 3.9, or (iii) to the extent they arise in the ordinary course of the business of the Company and are not required to be set forth in a Schedule hereto, and (iv) Taxes incurred since the date of the Financial Statements.

3.10 CONTRACTS. Weinstein has listed on Schedule 3.10 all contracts, agreements or other obligations requiring the payment by the Company of more than $1 million, except for those contracts, agreements or other obligations not so listed which would not have a Material Adverse Effect (as defined in Section 3.4).

3.11 BROKERS AND FINDERS. Weinstein has not engaged any broker or finder in connection with this Agreement or the transactions contemplated hereby and no payment of any type is due to any broker or finder of Weinstein with respect thereto.

3.12 PERSONAL PROPERTY AND EQUIPMENT LOCATED ON PROPERTY. The Company is, or upon delivery of the Deed, the Company or KLT will be, the sole owner, and has or will have good, valid and marketable title to all of the personal property and equipment located on the Property (as defined in the Real Property Purchase Agreement attached hereto as Exhibit D), except as set forth on Schedule 3.12(i) attached hereto, free and clear of any and all liabilities, security interests, claims, liens, encumbrances, restrictions, trusts, conditional sale or title retention agreements or any other agreements or burdens of any kind whatsoever other than those created by or through KLT, except as set forth on Schedule 3.12(ii) attached hereto.

3.13 DISCLAIMER OF FURTHER WARRANTIES. WEINSTEIN MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO OR RELATING TO THE ASSETS, LIABILITIES, OPERATIONS OR ANY OTHER MATTER RELATING TO THE COMPANY. FURTHER, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, WEINSTEIN MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO OR RELATING TO THE SHARES, THE COMPANY OR THE ASSETS, LIABILITIES OR OPERATIONS OF THE COMPANY.

4. REPRESENTATIONS AND WARRANTIES OF KLT.

KLT represents to Weinstein that the following representations and warranties are true and correct as of the date hereof and will be true and correct as of the Initial Shares Closing Date.

4.1 COMPANY EXISTENCE. KLT is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri .

4.2 AUTHORIZATION. The execution, delivery and performance of this Agreement have been duly authorized by all appropriate company action on behalf of KLT and do not contravene KLT's charter or by-laws, or any other law or regulation applicable to this transaction or any contractual provision binding upon or affecting KLT, excepting such matters as are conditions precedent to the Initial Shares Closing set forth in Section 2.1.

4.3 BINDING EFFECT. Upon occurrence of the Effective Date, this Agreement will constitute a valid and binding obligation of KLT. Upon occurrence of the Effective Date, this Agreement will be enforceable against KLT in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting the enforceability of creditors' rights generally or general principles of equity, regardless to whether enforceability is considered in a proceeding in equity or at law.

4.4 APPROVALS. The execution and delivery of this Agreement by KLT and the consummation of the agreements and transactions contemplated by this Agreement by KLT will not require any consent, approval, order or authorization of any governmental entity or regulatory authority.

4.5 INVESTMENT REPRESENTATION. KLT is acquiring the Shares for its own account, for investment and without any view to resale or distribution of the Shares or any portion thereof.

4.6 BROKERS AND FINDERS. KLT has not engaged any broker or finder in connection with this Agreement or the transactions contemplated hereby and no payment of any type is due to any broker or finder of KLT with respect thereto.

5. COVENANTS

5.1 COVENANTS OF WEINSTEIN.

(a) GRANT AND DELEGATION OF POWER AND AUTHORITY. Weinstein agrees to cause his representatives on the board of directors of the Company to execute a Statement of Unanimous Consent in the form attached hereto as Exhibit 5.1(a) which will, subject to execution by the other members of the board of directors of the Company, duly adopt resolutions of the board of directors of the Company, immediately upon satisfaction or waiver of the conditions set forth in Sections 2.2(d) and 2.2(e), electing the designees of KLT listed on Exhibit A attached hereto (the "KLT Designees") to the positions as Executive Vice-Presidents listed on Exhibit A, for a period commencing on the

satisfaction or waiver of such conditions and ending at midnight, New York City time, on November 13, 2000 (the "Delegation Period"), which Executive Vice-Presidents shall have, subject to the limitations set forth below in this paragraph, the sole and exclusive power and authority during the Delegation Period to manage, oversee and effectuate the responsibilities and duties of the Company in connection with those matters described on attached Exhibit 5.1(a)(1), which power and authority shall supersede any express or implied power or authority inherent in the office of President or Chief Executive Officer of the Company or otherwise granted by the bylaws or any resolution previously adopted by the board of directors of the Company to the President or Chief Executive Officer of the Company; provided, however, that no major decision shall be made and no major action shall be taken by one or more of the KLT Designees unless (i) Weinstein has been informed in advance of such decision or such action and Weinstein has been given a reasonable opportunity to provide his input with respect to such decision or action, or (ii) exigent circumstances prevail that may be reasonably expected to have a Material Adverse Effect if such decision or such action is delayed to provide information to Weinstein or to seek input from Weinstein, in which event notice of such decision or action shall be provided to Weinstein as soon thereafter as is reasonably practicable. Weinstein further agrees that, between the Effective Date and the commencement of the Delegation Period, no major decision shall be made and no major action shall be taken by Weinstein in connection with the management and oversight of the Company unless (i) KLT's Designees have been informed in advance of such decision or such action and KLT's Designees have been given a reasonable opportunity to provide input with respect to such decision or action, or (ii) exigent circumstances prevail that may be reasonably expected to have a Material Adverse Effect if such decision or such action is delayed to provide information to KLT's Designees or to seek input from KLT's Designees, in which event notice of such decision or action shall be provided to KLT's Designees as soon thereafter as is reasonably practicable. Notwithstanding the delegation provided for in this paragraph, the consent of Weinstein's designees on the Board of Directors of the Company shall be required with respect to the matters contemplated by the first paragraph of Exhibit 5.1(a)(1). The KLT Designees shall tender their resignation from their respective positions as Executive Vice Presidents of the Company immediately upon the expiration of the Delegation Period, and the delegation of authority described in this section and in such Statement of Unanimous Consent shall be of no further force or effect.

(b) ACCESS TO INFORMATION, INSPECTION RIGHTS AND DISCUSSIONS. Weinstein shall cause the Company to permit KLT after the date of execution of this Agreement and until the Initial Shares Closing Date to have reasonable access to and to inspect or cause to be inspected by KLT's representatives and consultants, during regular business hours and upon reasonable advance notice, the assets owned by the Company, to engage in discussions with customers and suppliers of the Company, to furnish to KLT any financial and operating data and other information that is available with respect to the business and assets of the Company, as KLT shall from time to time reasonably request solely for the purposes of (i) verifying the accuracy of the representations and warranties of Weinstein hereunder, (ii) developing a basis for a short-term and long-term business

plan for the Company, (iii) effectuating the power and authority contemplated by Section 5.1(a), (iv) obtaining the Financing Commitments, and (v) purchasing or offering to purchase the Notes and the Warrants. KLT shall at all times prior to the transfer of the Shares, and in the event of termination of this Agreement, cause any information so obtained to be kept confidential and will not use or permit the use by its representatives of such documents, work papers and other materials in its business or in any other manner or for any other purpose except as contemplated hereby. KLT's obligations under this Section 5.1(b) shall survive termination or expiration of this Agreement, but shall terminate on the Initial Shares Closing Date.

5.2 CONFIDENTIALITY AND NON-INTERFERENCE. Each of Weinstein and KLT agrees that, following the date hereof, such Party will not, directly or indirectly, (i) disclose to any third party any information concerning the Company, its securities or the matters contemplated by this Agreement, or (ii) take any action that would impede, prejudice or otherwise interfere with the ability of any of the conditions set forth in Section 2.1 of this Agreement to be satisfied within the time periods contemplated by Section 6.12; provided, however, that the foregoing provisions of this Section shall not be deemed to restrict the ability of either Party to enforce such Party's rights under or in connection with this Agreement. Neither Party will make any public announcement or other disclosure of the matters provided for in this Agreement, except with the prior written consent of the other Party, unless such Party determines, on the basis of the advice of its counsel, that such announcement or disclosure is required by applicable law, in which event the disclosing Party will give prior written notice to the other Party of the proposed disclosure, will consult with the other Party and take into account the other Party's reasonable requests as to the form and content of the disclosure; provided, however, that the foregoing restrictions will not limit the ability of KLT to communicate in any reasonable manner with the Noteholders, the Warrantholders, the lenders under the Loan Agreement, or the Financing Sources in order to attempt to satisfy the conditions set forth in Sections 2.1(a), 2.1(b), 2.1(c) or Section 2.1(g), to perform the investigation permitted by Section 5.1(b) or to perform any of its other obligations under this Agreement.

5.3 COVENANTS OF KLT.

(a) ACCESS TO INFORMATION. KLT shall give Weinstein and his representatives reasonable access during normal business hours to KLT's books and records, and KLT shall furnish to Weinstein all such contracts, documents and information as Weinstein may from time to time reasonably request, solely for the purpose of verifying KLT's compliance with its warranties, representations, covenants and undertakings under this Agreement.

(b) FINANCING COMMITMENTS AND LIMIT ON AGGREGATE PURCHASE PRICE. KLT shall use commercially reasonable efforts to obtain, within 30 days after the Effective Date, from one or more financial institutions, KCPL, or other credible sources of financing, or a combination thereof (collectively, the "Financing Sources"), a commitment letter or letters, or a definitive agreement or agreements, subject to reasonable and customary qualifications, terms and conditions (which shall not include conditions relating to due diligence, financial review or the completion of other financing

or other transactions), evidencing the availability to KLT of the necessary funds sufficient to meet KLT's financial obligations in connection with the transactions contemplated by this Agreement, including the purchase of Notes and Warrants as provided in Section 2.1(b) at an aggregate purchase price of up to $225 million (collectively, the "Financing Commitments"). KLT shall be under no obligation whatsoever to purchase any Notes or Warrants unless (i) the aggregate purchase price for both the Notes and the Warrants does not exceed $225 million, and (ii) all of the conditions set forth in Section 2.1 of the Agreement have been satisfied, or waived by KLT, at the Initial Shares Closing.

(c) OPTION ON NOTES AND WARRANT SHARES. If KLT purchases the Notes and Warrants as contemplated by Section 2.1(b) but does not purchase the Initial Shares pursuant to this Agreement, Weinstein shall be granted an option by KLT to purchase one half of the Notes and Warrants so purchased for consideration equal to the sum of (i) one half of the aggregate purchase price of the Notes and Warrants, (ii) one half of the commitment fee(s) and interest expenses incurred in connection with the funds borrowed to purchase the Notes and Warrants, (iii) one half of the legal, accounting, advisory, printing and other out-of-pocket expenses incurred by KLT in connection with the purchase of the Notes and Warrants, and (iv) interest at the same rate incurred by KLT for the borrowed funds referenced in (ii) above on the equity capital used by KLT to purchase the Notes and Warrants and pay the expenses referenced in (iii) above. The provisions of this paragraph shall become effective on the date of this Agreement, and shall remain in effect for a period of two years following any termination or expiration of the term of this Agreement.

(d) INDEMNIFICATION BY KLT. Subject to the limitations set forth below, KLT agrees to indemnify Weinstein for fifty percent (50%) of any damages suffered by the Company to the extent resulting from any action taken by KLT's Designees during the Delegation Period unless KLT's Designees acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Company. KLT also agrees to indemnify Weinstein for (i) fifty percent (50%) of any damages suffered by the Company, or (ii) any damages suffered by Weinstein, to the extent that they result from any misstatement of any material fact by KLT or its representatives relating to its offer(s) to purchase the Notes and the Warrants or any such misstatement with respect to the business or financial performance of the Company that is inconsistent, in any material respect, with the disclosure made by the Company in (x) any report or filing made by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, or (y) any press release or other public statements made by the Company of which KLT has actual knowledge. Notwithstanding the foregoing, KLT shall have no liability to Weinstein under this paragraph unless and until the aggregate amount of the damages in question exceed $50,000, at which time KLT shall be liable for the full amount of damages as provided above in this paragraph, including the first $50,000.

5.4 OTHER CLAIMS. During the time period between the Effective Date and the later of six months after the Effective Date or, if applicable, after the date of termination of this Agreement, (i) neither Party will institute any legal proceedings or take other formal actions to

assert or pursue any claim against the other Party relating, directly or indirectly, to the Parties' ownership interests in the Company or relating to the management of the business of the Company which is based on the occurrence or continuation of any events or circumstances which have occurred prior to the Effective Date, and (ii) the Parties' designees on the Board of Directors of the Company shall be required to exercise joint decision making authority with respect to each contractual commitment in excess of $1 million and each matter requiring a capital expenditure in excess of $1 million.

6. MISCELLANEOUS

6.1 FURTHER ASSURANCES. Each of the Parties to this Agreement shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby, and each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement.

6.2 SURVIVAL OF CERTAIN REPRESENTATIONS. The representations and warranties made herein by (i) Weinstein in Sections 3.1 (first sentence only), 3.2, 3.3 (first sentence only), 3.4, 3.5, 3.6 and 3.11, and (ii) by KLT in Sections 4.1, 4.2, 4.3 (first sentence only), 4.4 and 4.6, shall survive (x) for a period of one year following the Initial Shares Closing Date in respect of Sections 3.6, 3.11, and 4.6, (y) for a period of six months following the Initial Shares Closing Date in respect of Sections 3.1, 3.2, 3.3, 3.4, 3.5, 4.1, 4.2, 4.3 and 4.4, and (z) all other representations and warranties shall expire on the Initial Shares Closing Date, except that there shall be no time limit on the survival of the representations and warranties contained in Section 3.12 of this Agreement, the Deed, the Lease Assignment, Exhibit B or Appendix I to Exhibit B.

6.3 NOTICES. All notice to any Party hereunder shall be in writing (including facsimile communication) and shall be given to such Party at the following address and facsimile number:

If to Weinstein:

prior to the Initial Shares Closing Date:

Richard D. Weinstein
c/o DTI Holdings, Inc.
8112 Maryland Avenue, Suite 400
St. Louis, MO 63105

after the Initial Shares Closing Date:

Richard D. Weinstein
14222 Kinderhook Drive
Chesterfield, MO 63017
(314) 253-6610
(314) 880-1545 (Fax)

If to KLT:

KLT Telecom Inc.
10740 Nall, Suite 230
Overland Park KS 66211
Attn: President
(913) 967-4302
(913) 967-4340 (Fax)

or in any of the foregoing cases at such other address as such Party may hereafter specify for such purpose by notice to the other Party. All such notices and communications shall be deemed to have been received (a) in case of facsimile transmissions, when delivered with electronic confirmation of receipt, and (b) in the case of personal or air courier delivery, on the date of such receipt.

6.4 ASSIGNMENTS. Without the prior written consent of the other Party, no Party may assign or transfer its rights or obligations hereunder, except that Weinstein may, prior to the Initial Shares Closing Date, transfer the Shares or a portion of the Shares to one or more trusts for the benefit of Weinstein and his immediate family, as long as (i) such transfer is subject to the obligation of Weinstein to transfer the Shares as provided herein or in the Remaining Shares Option, as the case may be, (ii) each such trust agrees to be bound by all of the provisions of this Agreement to the same extent as if it were a party hereto, and (iii) the nature of such trust and any actions in connection with its formation would not preclude recovery hereunder against such trust or the assets held in such trusts. Subject to the foregoing, this Agreement and various rights and obligations arising hereunder shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns.

6.5 ENTIRE AGREEMENT; SEVERABILITY. Except as otherwise contemplated herein, this Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement

among the Parties and supersedes all prior agreements and understandings, both written and oral, among the Parties, with respect to the subject matter hereof, including, without limitation, the Original Agreement. This Agreement is not intended to confer upon any other persons any rights or remedies hereunder. In the event that any court shall determine that any provision, or any portion thereof, contained in this Agreement shall be void or unenforceable in any respect, then such provision shall be deemed limited to the extent that such tribunal determines, it is enforceable, and as so limited this Agreement shall remain in full force and effect. In the event that such tribunal shall determine any such provision, or parts thereof, to be wholly invalid, illegal or unenforceable, then the remaining provisions of this Agreement shall nevertheless remain in full force and effect.

6.6 AMENDMENTS AND MODIFICATIONS. This Agreement may only be amended or modified in writing, signed by each of the Parties hereto.

6.7 EXPENSES. Each of the Parties shall bear their own costs and expense incurred in connection with the preparation, negotiation, execution and delivery of this Agreement including, but not limited to, attorneys' fees.

6.8 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, without regard to the conflict of law principles thereof.

6.9 JURISDICTION; VENUE; SERVICE. Any action or proceeding, seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any Party in any court of competent jurisdiction located in St. Louis County, Missouri, and each of the Parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Each Party agrees that service of process may be made upon it wherever it can be located or by courier delivery or by mail, with receipt of delivery requested, directed to its address for notices under the Agreement. This provision is permissive, not mandatory, and each Party reserves the right to bring any action, proceeding, or other matter arising directly or indirectly hereunder against the other Party wherever such Party might be found or might otherwise be subject to jurisdiction.

6.10 WAIVER OF CONSEQUENTIAL DAMAGES. To the fullest extent allowed by law, no Party shall be liable to any other party for any indirect or consequential damages arising in any way from its performance under this Agreement.

6.11 COUNTERPARTS. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

6.12 TERMINATION. This Agreement may be terminated without further liability or obligation, except for those liabilities and obligations which expressly survive such termination, as follows:

(a) by Weinstein if a material breach of any representation, warranty or covenant in this Agreement has been committed by KLT and such breach has not been waived by Weinstein;

(b) by KLT if a material breach of any representation, warranty or covenant in this Agreement has been committed by Weinstein and such breach has not been waived by KLT;

(c) by mutual consent of the Parties;

(d) by Weinstein if the condition set forth in Section 2.1(g) or Section 2.2(e) is not satisfied within 30 days after the Effective Date;

(e) by Weinstein or KLT if the condition set forth in Section 2.1(b) has not been satisfied by midnight, New York City time, on November 20, 2000;

(f) by any Party if the Initial Shares Closing has not occurred (other than through the failure of the Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before December 1, 2000, or such other later date as the Parties may agree upon.

6.13 TERMINATION OF SHAREHOLDERS AGREEMENT. As of the Initial Shares Closing Date, the Shareholders' Agreement shall terminate and be of no further effect.

IN WITNESS THEREOF, the Parties have executed this Agreement as of the date first above written.

Richard D. Weinstein

/s/Richard D. Weinstein

KLT TELECOM INC.

By: /s/R. G. Wasson
Name: R.G. Wasson
Title: President

PURCHASE AND SALE AGREEMENT

BETWEEN

APACHE CANYON GAS, L.L.C.

AS SELLER

AND

BARRETT RESOURCES CORPORATION

AS BUYER

DATED OCTOBER 13, 2000

EFFECTIVE OCTOBER 1, 2000

CONFIDENTIAL

TABLE OF CONTENTS

EXHIBITS

EXHIBIT	DESCRIPTION	SECTION WHERE DEFINED
A-1	Fee Interests	1.2.a
A-2	Leases	1.2.a
A-3	Term Royalty Interest	1.2.a
B	Wells and Allocated Values	1.2.b, 2.5
C	Material Agreements	1.2.d
D	Claims and Litigation	6.6
E	Form of KLT's Guaranty Agreement	8.2
F	Seller's Officer's Certificate	11.1.b
G	Buyer's Officer's Certificate	11.2.b
H	Form of Assignment, Bill of Sale and Conveyance	13.3.a

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("AGREEMENT"), dated October 13, 2000, is by and between Apache Canyon Gas, L.L.C., a Delaware limited liability company, whose address is 10740 Nall, Suite 230, Overland Park, Kansas 66211 ("SELLER"), KLT Inc., a Missouri corporation, whose address is 10740 Nall, Suite 230, Overland Park, Kansas 66211 ("KLT") and Barrett Resources Corporation, a Delaware corporation, whose address is 1550 Arapahoe Street, Tower 3, Suite 1000, Denver, Colorado 80202 ("BUYER").

RECITALS

A. Seller is the owner of certain real and personal property interests in Las Animas County, Colorado (the "ASSETS").

B. Seller owns and desires to sell the Assets to Buyer upon the terms and conditions set forth in this Agreement, and Buyer desires to purchase the Assets upon the terms and conditions set forth in this Agreement.

C. KLT joins in this Agreement to provide the representations and warranties set forth in Sections 8.1 through 8.4 and guarantee the post-closing obligations undertaken by Seller in Sections 2.4, 5.8 and 15.3.

AGREEMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

ARTICLE 1
PURCHASE AND SALE

1.1 PURCHASE AND SALE. Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase and receive from Seller, the Assets defined below.

1.2 ASSETS. The Assets are all of Seller's right, title and interest in and to the following real and personal property interests located in Las Animas County, Colorado:

a. The lands described in EXHIBIT A-1, including all surface interests and mineral interests (the "FEE INTERESTS"); the oil and gas leases and all leasehold estates created thereby (including working interests, overriding royalty interests, royalty interests and all other interests therein, whether described or not) described in EXHIBIT A-2 (the "LEASES"); the term royalty interest described in Exhibit A-3 (the "TERM ROYALTY INTEREST"); and all oil, gas, coalbed methane, and all other hydrocarbons, whether liquid or gaseous, (the "HYDROCARBONS") in, on or under or that may be produced from the lands covered by the Fee

Interests, Leases and Term Royalty Interest (the "LANDS") after the Effective Time, and all other minerals of whatever nature in, on or under the Fee Interests, Leases and Lands.

b. The oil and gas wells located on the Fee Interests, Leases and Lands, or lands pooled or unitized therewith which include the oil and gas wells described in EXHIBIT B (the "WELLS"), all injection and disposal wells on the Fee Interests, Leases or Lands, and all personal property and equipment associated with the Wells as of the Closing Date.

c. The rights, to the extent transferable, in and to all existing and effective unitization and pooling agreements, declarations, designations and orders, to the extent that they relate to or affect any of the interests described in 1.2.a and 1.2.b or the post-Effective Time production of Hydrocarbons from the Fee Interests, Leases and Lands.

d. The rights, to the extent transferable, in and to Hydrocarbon sales, purchase, gathering, firm and interruptible transportation and processing contracts, including (i) Firm Transportation Service Agreement, designated Contract #33053000, dated July 6, 1994 between Colorado Interstate Gas Company ("CIG") and Meridian Oil Inc., as amended, and (ii) Firm Transportation Service Agreement, designated Contract No. 33257000, dated May 1, 2000 between CIG and Seller ((i) and (ii) collectively referred to as the "CIG CONTRACTS"); the agreements described on EXHIBIT C (the "MATERIAL AGREEMENTS"); operating agreements, partnership agreements, farmout agreements and all other contracts, agreements and instruments appurtenant to or used in connection with the ownership or operation of the Fee Interests, Leases and Lands.

e. All of the personal property, equipment, fixtures, improvements, permits, licenses (including Federal Communication Commission Radio Station License No. 200005R469137 issued May 11, 2000 and associated radio tower), approvals, servitudes, rights-of-way, easements, surface use agreements, surface leases and other surface rights (including, but not limited to, any wells, tanks, injection facilities) to the extent that they are located on the Assets or held by Seller in connection with the operation of the Assets (specifically including, but not limited to, the WESTON EASEMENT AND GATHERING LINE which is described on Exhibit A-4), as of the Closing Date, and all contract rights related thereto, with the exception of the Excluded Properties described in Section 1.3.

f. All gathering lines, compressors, dehydration, metering and all other equipment or facilities related to the gathering lines located on the Lands or used in connection with the gathering, compression, dehydration or metering of Hydrocarbons produced from the Lands, including, but not limited to, such equipment and facilities located on the WESTON TRACT described on Exhibit A-4.

g. All files, records, data and information relating to the items described in Sections 1.2.a through 1.2.f maintained by Seller (the "RECORDS"), including, without limitation, well, lease and land files, abstracts, title opinions, all electronic files, and seismic, geologic and other scientific data related to the Fee Interests, Leases, Term Royalty Interest or Lands, but, as to seismic, geologic or other scientific data, only to the extent such data is

not restricted from disclosure or transfer by confidentiality agreements as of the Effective Time.

1.3 EXCLUDED PROPERTIES. All of Seller's right, title and interest in the following (collectively, the "EXCLUDED PROPERTIES") are excepted and excluded from this Agreement:

a. Seller's hedging, price risk management or similar financial agreements, transactions or arrangements (the "HEDGING CONTRACTS");

b. (i) all trade credits, gathering credits, accounts receivable, notes receivable and other receivables attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time, and (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time;

c. all corporate, financial, tax and legal (other than title) records of Seller, however, Buyer shall be entitled to receive copies of any financial, tax or legal records which directly relate to the Assets; PROVIDED, HOWEVER, that Buyer's said entitlement shall not extend to any records whose disclosure may expose Seller to any possible claim of breach of privilege or confidentiality under any agreement or under federal or state laws;

d. except as otherwise provided in this Agreement, all claims and causes of action of Seller (i) arising from acts, omissions or events, or damage to or destruction of property, occurring prior to the Effective Time, or (ii) with respect to any of the Excluded Properties;

e. with respect to all periods prior to the Effective Time, and to the extent provided in Section 4.5 with respect to periods on and after the Effective Time, all rights, titles, claims and interests of Seller (i) under any policy or agreement of insurance or indemnity, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards;

f. except as provided in Section 2.3.d.i., all (i) Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, and (ii) Hydrocarbons which, at the Effective Time, are owned by Seller or to which Seller has title and are in storage, or in pipelines;

g. Seller's share of any and all claims, as well as Seller's claims, for refund of or loss carry forwards with respect to (i) federal, state and local, sales and use, excise, production, severance, gross receipts, payroll, withholding or other taxes attributable to any period prior to the Effective Time; (ii) ad valorem and property taxes measured by production occurring prior to the Effective Time; and (iii) federal, state and local income or franchise taxes, attributable to any period prior to the Effective Time;

h. all amounts due or payable to Seller as adjustments or refunds under any audit pertaining to periods prior to the Effective Time;

i. all amounts due or payable to Seller as adjustments or refunds under any contracts or agreements respecting periods prior to the Effective Time;

j. all amounts due or payable to Seller as adjustments to insurance premiums with respect to any period prior to the Effective Time;

k. all proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to (i) the Assets prior to the Effective Time or (ii) any Excluded Properties;

l. all vehicles such as trailers, automobiles, tractors and trucks and personal property on such vehicles;

m. any logo, service mark, copyright, trade name or trademark associated with Seller or any business of Seller;

n. all files, information and data expressly excluded from the definition of "Records";

o. all supplies, equipment, pipe, tools, and all other personal property located, as of the Closing Date, at the Apache Canyon Yard located in the E 1/2 Section 35, T.33 S., R.67 W., 6th P.M..;

p. Electric Service Agreement, WO#98-1490, with San Isabell Electric Association, Inc.;

q. Line Extension Contract and Agreement for Permanent Electric System, dated June 10, 1997, with San Isabell Electric Association, Inc.;

r. Antenna site lease between Seller and Shenandoah Energy Inc.;

s. DACCMaster System software license; and

t. Surface Use Agreement between Nancy Rosell and Sally Hurtado, and Seller.

1.4 EFFECTIVE TIME. The purchase and sale of the Assets shall be effective as of October 1, 2000, at 7:00 a.m. Mountain Time (the "EFFECTIVE TIME").

ARTICLE 2
PURCHASE PRICE

2.1 PURCHASE PRICE. The Purchase Price for the Assets shall be $52,900,000.00 (the "PURCHASE PRICE"). At Closing, Buyer shall pay Seller the Purchase Price as adjusted as provided in Sections 2.2 and 2.3 below, by wire transfer of immediately available funds. For purposes of this Agreement, the allocated value of the Assets shall be as set forth in EXHIBIT B.

2.2 DEPOSIT. Buyer will deposit, on or before October 13, 2000, $5,000,000 with Seller as a deposit (the "DEPOSIT"), to be held by Seller and either (i) applied against the Purchase Price (without interest) in the event the Closing is consummated, (ii) returned to Buyer (without interest) if Seller refuses to close after all conditions specified in Section 11.2 have been satisfied or waived and Buyer certifies to Seller in writing that it is ready, willing and able to perform under Section 13.3, or (iii) retained by Seller if all conditions specified in Section 11.1 have been satisfied and Seller certifies to Buyer in writing that Seller is ready, willing and able to perform under Section 13.3.

2.3 ADJUSTMENTS TO PURCHASE PRICE. The Purchase Price shall be adjusted as follows:

a. UPWARD ADJUSTMENTS TO THE PURCHASE PRICE. The Purchase Price shall be adjusted upward by the amount of all actual costs and expenses attributable to the Assets and incurred with respect to an event or activity occurring subsequent to the Effective Time and paid by Seller, including capital expenses, lease rentals, lease maintenance costs, royalties, water disposal charges, surface damages and/or rental expenses, Taxes (as that term is defined in Article 10), drilling expenses, workover expenses, geological, geophysical and other exploration expenditures that are attributable to the maintenance and operation of the Assets, but, as to overhead charges, limited to those overhead charges incurred under the terms of the Contract Operator Agreement between GeoMet Operating Company, Inc. and KLT Gas Inc. dated December 19, 1999, effective May 1, 1999 (the "PROPERTY EXPENSES"). The Purchase Price shall be adjusted upward by the proceeds of production occurring before the Effective Time and received by Buyer, net of royalties and taxes measured by production, plus an amount equal to production from the Assets that occurred before the Effective Time but, because such production is in pipelines or in processing, had not been sold as of the Effective Time, times the price for which production from the Assets was sold immediately prior to the Effective Time. To the extent that there are any pipeline imbalances, if the net of such imbalances is an overdelivery imbalance (that is, at the Effective Time, Seller has delivered more gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted upward by the first-of-the month price of spot gas delivered to pipelines for Colorado Interstate Gas Company (Rocky Mountains) as reported in Inside F.E.R.C.'s GAS MARKET REPORT for the month in which the Effective Time occurs times the net overdelivery imbalance in MMbtus. In the event such publication shall cease to be published, the parties shall select a comparable publication.

b. DOWNWARD ADJUSTMENTS TO THE PURCHASE PRICE. The Purchase Price shall be adjusted downward by the amount of all Property Expenses that remain unpaid by Seller and that have been paid by Buyer, that are incurred with respect to an event or activity occurring prior to the Effective Time, and an amount equal to the sum of all adjustments provided for in this Agreement for Title Defects, Environmental Defects, and Casualty Losses (as those terms are hereinafter defined). The Purchase Price shall be adjusted downward by the proceeds of production occurring on or after the Effective Time and received by Seller, net of royalties and taxes measured by production. To the extent that there are any pipeline imbalances, if the net of such imbalances is an underdelivery imbalance (that is, at the Effective Time, Seller has delivered less gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted downward by the first-of-the-month price of

spot gas delivered to pipelines for Colorado Interstate Gas Company (Rocky Mountains) as reported in Inside F.E.R.C.'s GAS MARKET REPORT for the month in which the Effective Time occurs times the net underdelivery imbalance in MMbtus. In the event such publication shall cease to be published, the parties shall select a comparable publication.

c. PRELIMINARY SETTLEMENT STATEMENT. The Purchase Price shall be adjusted at Closing pursuant to the "PRELIMINARY SETTLEMENT STATEMENT" prepared by Seller and submitted to Buyer three Business Days prior to the Closing Date for Seller's comment and review. "BUSINESS DAY" means a day on which commercial banks located in Denver, Colorado are open for business. The Preliminary Settlement Statement shall set forth all Purchase Price adjustments and associated calculations but only to the extent the adjustments provided for in Sections 2.3.a. and 2.3.b. are known at the time the Preliminary Settlement Statement is prepared, with the resulting amount being called THE "CLOSING AMOUNT."

d. FINAL SETTLEMENT STATEMENT. After Closing, the Purchase Price shall be adjusted pursuant to a "FINAL SETTLEMENT STATEMENT" prepared by Seller and delivered by Seller to Buyer on or before 120 days following the Closing Date, setting forth each adjustment or payment that was not finally determined as of the Closing and showing the calculation of such adjustment and the resulting Purchase Price. On or before 15 Business Days after Buyer's receipt of Seller's proposed Final Settlement Statement, Buyer shall deliver to Seller a "written report" containing Buyer's proposed changes to the Final Settlement Statement. The parties shall agree with respect to the changes proposed by Buyer no later than 15 Business Days after receipt of Buyer's "written report," and the date on which the Final Purchase Price is established shall be called the "FINAL SETTLEMENT DATE." Any payments due from one party to the other as a result of the Final Settlement Statement shall be made within five days of the Final Settlement Date.

i. In addition to the foregoing, the Final Settlement Statement shall provide for the following: (x) the Gross Revenues from sales of natural gas produced from the Assets during the period from 7:00 a.m. on July 1, 2000 through 6:59 a.m. on October 1, 2000 shall be reduced by all royalty payments and other lease burdens in existence on July 1, 2000, and appearing of record in Las Animas County, Colorado, or in the Records made available to Buyer prior to the date of this Agreement, Taxes, gathering charges, lease operating expenses, and capital expenditures related to such production. "GROSS REVENUES" are the actual proceeds from natural gas production from the Assets during such period. (y) If the net amount from (x) exceeds $600,000, the Purchase Price will be adjusted downward by the amount of such excess.

2.4 GAS PRICE ADJUSTMENT TO PURCHASE PRICE.

a. GENERAL. In addition to the Purchase Price adjustments described in Section 2.3, an additional adjustment to the Purchase Price, in accordance with this Section 2.4, shall be made as of January 1, 2003, based on the Benchmark Price (hereinafter defined), as determined in accordance with this Section 2.4. "BENCHMARK PRICE" shall mean the "fixed" natural gas price, expressed in MMbtus, quoted by a Designated Market-Maker

(hereinafter defined), acting in a commercially reasonable manner, for a fixed/floating forward swap for a notional quantity of 10,000 MMbtu per day with monthly settlements and having a term of 5 years that such Designated Market-Maker would be willing to enter into on January 1, 2003 with a creditworthy counterparty and with a floating price based upon Inside F.E.R.C.'S GAS MARKET REPORT for the first of the month delivered to pipeline index for "Colorado Interstate Gas Company -- Rocky Mountains" (the "RELEVANT INDEX"). If the Relevant Index no longer exists on January 1, 2003, then such Index shall be replaced by an index that, in the commercially reasonable opinion of the Designated Market-Maker, most accurately reflects the fair market value of natural gas delivered in the Rocky Mountain region during such 5-year period. "DESIGNATED MARKET-MAKER" shall mean one of the following entities (or the affiliate of such an entity, whose primary business is in the making of markets for swaps and other derivatives or like natural gas price risk management products): Bank One, NA; J. Aron (Goldman Sachs); Enron Corporation; Bankers Trust; and Bank of America.

b. DETERMINATION OF BENCHMARK PRICE. On the last Business Day of 2002, between 2:15 p.m. and 3:00 p.m. Central Standard Time, Buyer and Seller shall each obtain a written quote (which shall indicate the time such quote was given on the face of such writing) from a Designated Market-Maker that will serve as the basis for the Benchmark Price. By not later than the end of such Business Day, each party shall have transmitted a copy of the written quote to the other party. The Benchmark Price shall then be determined by taking the arithmetical average of the Buyer's quote and the Seller's quote. If either party fails timely to obtain such written quote, and/or to timely provide it to the other party, then the Benchmark Price shall be determined solely on the basis of the quote obtained by the party who timely (i) obtained such quote and (ii) provided it to the other party. If both parties fail to timely (i) obtain such quote and (ii) provide such quote to the other party, then Buyer and Seller shall endeavor to obtain such quote and provide such quote to the other party on the first Business Day of 2003, until such quote has been timely obtained and provided to the other party by at least one of the parties.

c. AMOUNT OF GAS PRICE ADJUSTMENT TO PURCHASE PRICE. The following chart sets forth (i) the amount of any post-closing purchase price adjustment payable under this Section 2.4, (ii) the party to whom such payment is to be made and (iii) the relevant Benchmark Price to be used in determining the amount of such payment, and the party to whom such payment shall be due:

BENCHMARK PRICE (PER MMBTU)	PARTY RECEIVING PAYMENT	AMOUNT OF PAYMENT
(less than or equal to) $2.56	Buyer	$5 million
(greater than) $2.56 but (equal to or less than) $2.66	Seller	$1 million
(greater than) $2.66 but (equal to or less than) $2.77	Seller	$2 million
(greater than) $2.77 but (equal to or less than) $2.87	Seller	$3 Million

BENCHMARK PRICE (PER MMBTU)	PARTY RECEIVING PAYMENT	AMOUNT OF PAYMENT
(greater than) $2.87 but (less than) $2.97	Seller	$4 million
(equal to or greater than) $2.97 but (less than) $3.07	Seller	$5 million
$3.07 or higher	Seller	$6 million

d. PAYMENT OF PURCHASE PRICE ADJUSTMENT. The purchase price adjustment calculated in accordance with Section 2.4.c above, shall be paid to the appropriate party, as determined in accordance with Section 2.4.c, in immediately available funds by not later than January 31, 2003. Past due payments shall bear interest until paid at the lesser of (i) the Reference Rate (defined below) or (ii) the highest rate permitted by applicable law. "REFERENCE RATE" shall mean the rate announced by Bank One, NA, as the rate it charges to its most favored commercial customers. It is specifically understood and agreed that all payments under this Section 2.4 shall be determined solely on the basis of the Benchmark Price, without reference to any other factors, including but not limited to any quantities of Hydrocarbons that shall have been produced, or that may be producible from, the Assets.

e. KLT GUARANTY AGREEMENT. KLT agrees to guarantee any and all post-closing purchase price adjustments in favor of Buyer payable under Section 2.4, and execute and deliver to Buyer a Guaranty Agreement substantially in the form of Exhibit E.

2.5 ALLOCATED VALUES. Seller and Buyer agree to allocate the Purchase Price among the Assets as set forth in EXHIBIT B ("ALLOCATED VALUES"). Seller and Buyer agree that the Allocated Values have been made in accordance with the fair market value of the Assets and shall apply for the purpose of Section 1060 of the Internal Revenue Code of 1986 (as amended and together with any regulations promulgated thereunder, the "CODE"). Seller and Buyer agree (and each agrees to cause its affiliates) to report the federal, state and local income and other tax consequences of the transaction contemplated herein, and in particular to report the information required under Section 1060(b) of the Code in a manner consistent with the Allocated Values. Seller and Buyer further agree (and each agrees to cause its affiliates) to not take any tax position inconsistent with the Allocated Values in connection with the examination of tax returns, refund claims or litigation, investigations or other proceedings involving tax returns.

ARTICLE 3
DUE DILIGENCE REVIEW

3.1 ACCESS TO RECORDS. Prior to Closing and subject to Section 9.7, Seller will disclose and make available to Buyer and its representatives at Seller's office and at the offices of Seller's representatives and during Seller's normal business hours, all Records in Seller's possession or control relating to the Assets for the purpose of permitting Buyer to perform its due diligence review including, but not limited to, all well, lease, unit and title files and title opinions. Seller agrees to cooperate with Buyer in Buyer's efforts to obtain, at Buyer's sole expense, such additional

information relating to the Assets as Buyer may reasonably request. Seller is not required to provide records or data which Seller is prevented by contractual obligations with third parties from disclosing.

3.2 NO REPRESENTATION OR WARRANTY. Except as to the Material Agreements, Seller makes no representation or warranty as to the accuracy or completeness of the Records. Buyer agrees that any conclusions drawn from the Records shall be the result of its own independent review and judgment and shall not be based on interpretations or analysis in Seller's files.

ARTICLE 4
TITLE MATTERS

4.1 DEFENSIBLE TITLE. The term "DEFENSIBLE TITLE" means such title of Seller in and to the Assets, as reflected in the real property records of Las Animas County as of the Closing Date, that, subject to and except for the Permitted Encumbrances: (i) entitles Seller to receive not less than the net revenue interest described on EXHIBIT B ("NRI"); (ii) obligates Seller to bear costs and expenses relating to the Assets in an amount not greater than the working interest described on EXHIBIT B ("WI"); and (iii) is free and clear of material liens, taxes, encumbrances, mortgages, claims and production payments and any defects that would create a material impairment of use and enjoyment of or loss of interest in the affected Asset.

4.2 PERMITTED ENCUMBRANCES. The term "PERMITTED ENCUMBRANCES" shall mean:

a. lessors' royalties reflected in Seller's records.

b. all rights to consent by, required notices to, filings with, or other actions by federal, state and local governmental entities in connection with the operation of the Assets if the same are customarily obtained subsequent to such transfer of operations;

c. the provisions of all Material Agreements set out in Exhibit C;

d. materialmen's, mechanics', repairmen's, employees', contractors', operators' or other similar liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the Assets (i) if they have not been filed pursuant to law and the time for filing them has expired, (ii) if filed, they have not yet become due and payable or payment is being withheld as provided by law, or (iii) if their validity is being contested in good faith by appropriate action;

e. rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Assets; and all applicable laws, rules, regulations and orders of general applicability in the area;

f. any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals,

ditches, reservoirs, or the like, or (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over, or in respect of property owned or leased by Seller or over which Seller owns rights-of-way, easements, permits, or licenses that are of record in Las Animas County, Colorado or that are disclosed in Records made available to Buyer prior to the date of this Agreement, to the extent such matters, individually or in the aggregate, do not interfere materially with oil and gas operations on the Assets;

g. all defects and irregularities affecting title to the Assets which individually or in the aggregate do not operate to reduce the net revenue interest, nor increase the working interest (unless Seller's net revenue interest is increased proportionately) of Seller in the Assets as reflected in Exhibit "B" hereto or otherwise interfere materially with the operation, value or use of the Assets; and

h. any encumbrance, title defect or matter (whether or not constituting a Title Defect) waived or deemed waived by Buyer pursuant to Section 4.4.a.

4.3 TITLE DEFECT. The term "TITLE DEFECT" means:

a. Any encumbrance, encroachment, irregularity, defect in or objection to real property title, excluding Permitted Encumbrances, that alone or in combination with other defects renders title to an Asset less than Defensible Title;

b. Surface use restrictions which burden the Fee Interests or contained in any Lease that would be unacceptable to a prudent oil and gas operator, undertaking a coalbed methane or any other oil and gas development project;

c. Rights of third parties (including, but not limited to, rights of the owners of the surface estate or mineral estate other than oil and gas in the Lands) which could interfere with operations for the exploration, development and production of Hydrocarbons within a time that would be acceptable to a prudent operator;

d. Sales contracts or calls on production or options to purchase production or similar rights with respect to the Assets or the production therefrom with the exception of Material Agreements; and

e. Gathering, compression, treating or transportation agreements with respect to the Assets or the production therefrom with the exception of Material Agreements.

4.4 ADJUSTMENTS FOR TITLE DEFECTS.

a. NOTICE OF TITLE DEFECTS. Buyer shall deliver to Seller a written "NOTICE OF TITLE DEFECTS" on or before October 16, 2000, 5:00 p.m. Mountain Time. The Notice of Title Defects shall (i) describe the Title Defect, (ii) describe the basis of the Title Defect along with supporting documents reasonably necessary for Seller to verify the existence of such

Title Defect and (iii) describe Buyer's good faith estimate of the reduction in the Assets' Allocated Value caused by the Title Defect (the "DEFECT VALUE") and associated calculations and documentation. Other than matters which are violative of Seller's special warranty set out in EXHIBIT H, any matters not described in a written Notice of Title Defect as provided above shall conclusively be deemed to have been waived and accepted by Buyer, and shall be deemed Permitted Encumbrances hereunder.

b. DEFECT ADJUSTMENTS AND THRESHOLDS. The parties shall proceed as follows:

i. Seller shall have the option of attempting to cure such Title Defects to the satisfaction of Buyer on or before the Closing Date, which option shall be communicated to Buyer no later than 5:00 p.m. Mountain Time on October 18, 2000;

ii. Seller may contest the Defect Value by so notifying Buyer. If Buyer and Seller are unable to agree on the Defect Value (agreement shall result in the "ACTUAL DEFECT VALUE"), then Seller or Buyer may submit such Defect Value dispute to a mutually agreeable, duly licensed, petroleum engineering, geological, or accounting firm, in accordance with the expertise required to determine the Actual Defect Value, which firm shall determine the Actual Defect Value and such determination shall be final and binding upon Seller and Buyer. The fees charged by said firm for making a determination under this Section 4.4.b.ii. shall be paid one-half by Buyer and one-half by Seller.

iii. If Seller does not elect to cure or is unable to cure such Title Defects to the satisfaction of Buyer on or before the Closing Date or such later date as is mutually agreed to by the parties, Buyer shall have the option to either accept assignment of the Asset affected by such Title Defect, and the Purchase Price shall be adjusted downward by the Defect Value or Actual Defect Value, as applicable, or to exclude such Asset from this Agreement (collectively, the "EXCLUDED ASSETS"). If Buyer elects to exclude such Assets, the Purchase Price shall be adjusted downward by an amount equal to the Allocated Value of the Excluded Assets;

iv. There shall be no reduction to the Purchase Price under Section 4.4.b.iii unless Seller's share of a proposed reduction as to any single incident exceeds $50,000.00; this shall be determined on an incident by incident basis. In addition, if Seller's share of the proposed reduction under Section 4.4.b.iii as to any single incident exceeds $50,000.00, there shall be no reduction to the Purchase Price until such time as the total of these excess amounts (over $50,000.00) exceeds $500,000.00 (the "TITLE THRESHOLD AMOUNT") but, in such event, the Purchase Price reduction shall be inclusive of the Title Threshold Amount. For the purposes of application of the foregoing thresholds, "single incident" shall be applicable on a well by well basis.

4.5 CASUALTY LOSS.

a. DEPLETION AND DEPRECIATION OF PERSONAL PROPERTY. Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the Effective Time until Closing for production of oil, gas and/or other hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property due to ordinary wear and tear.

b. TERMINATION. If after the Effective Time and prior to the Closing any part of the Assets shall be destroyed by fire or other casualty or if any part of the Assets shall be taken in condemnation or under the right of eminent domain or if proceedings for such purposes shall be pending or threatened, Buyer has the option to terminate this Agreement in its entirety. Upon Buyer's termination of this Agreement under this Section 4.5.b., Buyer shall be entitled to a refund of the Deposit. If not terminated by Buyer, this Agreement shall remain in full force and effect notwithstanding any such destruction, taking or proceeding or the threat thereof.

c. PROCEEDS AND AWARDS. In the event of any loss described in Section 4.5.b., Seller shall either (i) at the Closing pay to Buyer all sums paid to Seller by reason of such destruction less any costs and expenses incurred by Seller in collecting same, or (ii) commit, use, or apply such sums (less any costs and expenses incurred by Seller in collecting same) to repair, restore or replace such damaged or taken Assets. To the extent the insurance proceeds, condemnation awards or other payments are not committed, used or applied by Seller prior to the Closing Date to repair, restore or replace such damaged or taken Assets, Seller shall at the Closing pay to Buyer all sums paid to Seller by reason of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. In addition and to the extent such proceeds, awards or payments have not been committed, used or applied by Seller in repair, restoration or replacement as aforesaid, Seller shall assign, transfer and set over unto Buyer, without recourse against Seller, all of the right, title and interest of Seller in and to any claims against third parties with respect to the event or circumstance causing such loss and any unpaid insurance proceeds, condemnation awards or other payments arising out of such destruction or taking, less any costs and expenses incurred by Seller in collecting same. Any such funds which have been committed by Seller for repair, restoration or replacement as aforesaid shall be paid by Seller for such purposes or, at Seller's option, delivered to Buyer upon Seller's receipt from Buyer of adequate assurance and indemnity from Buyer that Seller shall incur no liability or expense as a result of such commitment. Notwithstanding anything to the contrary in this Section 4.5, Seller shall not be obligated to carry or maintain, and shall have no obligation or liability to Buyer for its failure to carry or maintain, any insurance coverage with respect to any of the Assets except as provided in Sections 9.1(iv) and 9.5.

4.6 DISPUTE RESOLUTION. The parties agree to resolve disputes concerning the following matters pursuant to this Section 4.6: (i) the existence of a Title Defect, and (ii) the adequacy of Title Defect curative materials submitted pursuant to Section 4.4.b (collectively, the "DISPUTED TITLE MATTERS"). The parties agree to attempt to initially resolve all disputes through good-faith

negotiations. If the parties cannot resolve such disputes on or before 20 Business Days after Closing, the Disputed Title Matters shall be submitted to binding arbitration in accordance with the procedures set forth in Section 15.4.d.

ARTICLE 5
ENVIRONMENTAL MATTERS

5.1 DEFINITIONS. For the purposes of the Agreement, the following terms shall have the following meanings:

"ENVIRONMENTAL DEFECT" means a condition in, on or under the Assets (including, without limitation, air, land, soil, surface and subsurface strata, surface water, ground water, or sediments) that causes an Asset to be in material violation of an Environmental Law or a condition that can reasonably be expected to give rise to costs or liability under applicable Environmental Laws. NORM contaminated pipe, tubing and wellheads shall not be an Environmental Defect. Notwithstanding any other provision of this Agreement, any matter or condition related to Pit #3414 or to a vent stack or wellbore listed on Exhibit B but which did not commercially produce Hydrocarbons in 2000 prior to the Effective Time, shall not be considered an Environmental Defect. The foregoing exception does not apply to a vent stack or wellbore that is not listed on Exhibit B.

"ENVIRONMENTAL LAW" means any statute, rule, regulation, code or order, issued by any federal, state, or local governmental entity in effect on or before the Effective Time (collectively, "Laws") relating to the protection of the environment or the release or disposal of waste materials.

"REMEDIATION" means actions taken to correct an Environmental Defect and "REMEDIATION COSTS" means the actual, or good faith estimates of the costs to conduct such remediation.

5.2 SPILLS AND NORM. Buyer acknowledges that in the past there may have been spills of wastes, crude oil, produced water, or other materials (including, without limitation, any toxic, hazardous or extremely hazardous substances) onto the Lands. In addition, some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material (hereinafter referred to as "NORM"). In this regard Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale or in other forms, that said wells, materials and equipment located on the Lands or included in the Assets described herein may contain NORM and that NORM-containing material may have been buried or otherwise disposed of on the Lands. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of asbestos or NORM from the Assets and Lands where such material may be found and that Buyer assumes all liability for or in connection with the assessment, containment, removal, remediation, transportation and disposal of any such materials, in accordance with all past, present or future applicable laws, rules, regulations and other requirements of any governmental or judicial entities having jurisdiction and also with the terms and conditions of all applicable leases and other contracts.

5.3 ENVIRONMENTAL ASSESSMENT. Prior to Closing, Buyer may conduct an on-site inspection, environmental assessment and compliance audit of the Assets (an "ENVIRONMENTAL ASSESSMENT"). Seller shall provide Buyer with access to the Assets and to all information in Seller's possession or control pertaining to the environmental condition of the Assets, including, but not limited to, status or any environmental reports, permits, records and assessments in Seller's possession or control, and shall make available to Buyer all past or present personnel who would reasonably be expected to have knowledge or information regarding the environmental status or condition of the Assets. Buyer shall provide Seller prior written notice of any environmental inspections and tests, including sampling activities, and Buyer shall give Seller the opportunity to participate in all such inspections and tests. Buyer shall provide Seller, at no cost to Seller, all reports of environmental inspections and tests, provided that all such reports shall be deemed to be confidential between the parties and subject to Section 9.7. Buyer agrees to release, indemnify, defend, and hold harmless Seller against all Losses (as defined in Section 15.3) arising from or related to the activities of Buyer, its employees, agents, contractors and other representatives in connection with Buyer's Environmental Assessment regardless of the negligence or strict liability of Seller.

5.4 ADJUSTMENTS FOR ENVIRONMENTAL DEFECTS.

a. NOTICE OF ENVIRONMENTAL DEFECTS. Buyer shall provide Seller with written notice of any Environmental Defect which Buyer's Environmental Assessment reveals and will provide evidence thereof. Such notice and evidence shall be given on or before 5:00 p.m., Mountain Time, on October 16, 2000.

b. DEFECT ADJUSTMENTS. The parties shall proceed as follows:

i. Upon receipt of a notice of Environmental Defect, Seller may, at its sole election, either: (x) agree with Buyer on an adjustment to the Purchase Price, which adjustment shall reflect the cost to remediate such Environmental Defect; or (y) in the event of the failure of the parties to come to agreement under (x), remove the affected Asset(s) from the Assets being conveyed and adjust the Purchase Price accordingly. In no event will Seller have any obligation to remediate any Environmental Defect unless Seller expressly agrees in writing to do so.

ii. There shall be no reduction to the Purchase Price under Section 5.4.b.i unless Seller's share of a proposed reduction as to any single incident exceeds $50,000.00; this shall be determined on an incident by incident basis. In addition, if Seller's share of the proposed reduction under Section 5.4.b.i as to any single incident exceeds $50,000.00, there shall be no reduction to the Purchase Price until such time as the total of these excess amounts (over $50,000.00) exceeds $500,000.00 (the "ENVIRONMENTAL THRESHOLD AMOUNT") but, in such event, the Purchase Price reduction shall be inclusive of the Environmental Threshold Amount. For the purposes of application of the foregoing thresholds, "single incident" shall be applicable on a well by well basis.

iii. If Seller and Buyer agree to an adjustment of the Purchase Price, said adjustment shall be made only for the net present value of the most cost effective means to achieve the remediation required by applicable federal, state or local law or other governmental or judicial directive and not for any other cost. In addition, if Seller and Buyer agree to an adjustment of the Purchase Price, Seller's indemnity in Section 5.8 shall not apply to the Assets for which an adjustment is made and Buyer agrees to accept all responsibility and liability for and indemnify Seller against the then-existing and future environmental condition of the Lands and Assets, including but not limited to, all existing and prospective claims, causes of action, fines, losses, costs and expenses, including, but not limited to, costs to cleanup or remediate in accordance with and to the extent required by applicable law or other directive. In the event Seller and Buyer cannot agree on the cost to remediate any Environmental Defect hereunder, the same shall be determined by a mutually acceptable environmental engineering consulting firm.

5.5 "AS IS, WHERE IS" PURCHASE. Subject to Sections 5.4 and 5.8, Buyer shall acquire the Assets (including Assets for which a notice was given under Section 5.4 above) in an "AS IS, WHERE IS" condition and shall assume all risks that the Assets may contain waste materials (whether toxic, hazardous, extremely hazardous or otherwise) or other adverse physical conditions, including, but not limited to, the presence of unknown abandoned oil and gas wells, water wells, sumps, pits, pipelines or other waste or spill sites which may not have been revealed by Buyer's investigation. On and after the Effective Time, all responsibility and liability related to all such conditions, whether known or unknown, fixed or contingent, will be transferred from Seller to Buyer, except as provided in Section 5.8.

5.6 DISPOSAL OF MATERIALS, SUBSTANCES AND WASTES. Buyer shall properly handle, remove, transport and dispose of any material, substance or waste (whether toxic, hazardous, extremely hazardous or otherwise) from the Assets or Lands (including, but not limited to, produced water, drilling fluids and other associated wastes), whether present before or after the Effective Time, in accordance with applicable local, state and federal laws and regulations. To the extent that the Lands are not sold in fee to Buyer, Buyer shall keep records of the types, amounts and location of materials, substances and wastes which are transported, handled, discharged, released or disposed onsite and offsite. When and if any Lease is terminated, Buyer shall take whatever additional testing, assessment, closure, reporting or remedial action with respect to the Assets or Lands as is necessary to meet any local, state or federal requirements directed at protecting human health or the environment in effect at that time.

5.7 BUYER'S INDEMNITY.

a. Subject to Section 5.8, Buyer shall indemnify, hold harmless, release and defend Seller from and against all damages, losses, claims, demands, causes of action, judgments and other costs (including but not limited to any civil fines, penalties, costs of assessment, clean-up, removal and remediation of pollution or contamination, and expenses for the modification, repair or replacement of facilities on the Lands) brought by any and all persons and any agency or other body of federal, state or local government, on account of any

personal injury, illness or death, any damage to, destruction or loss of property, and any contamination or pollution of natural resources (including soil, air, surface water or groundwater) to the extent any of the foregoing directly or indirectly is caused by or otherwise involves any environmental condition of the Assets or Lands, whether created or existing before, on or after the Effective Time, including, but not limited to, the presence, disposal or release of any material (whether hazardous, extremely hazardous, toxic or otherwise) of any kind in, on or under the Assets or the Lands.

b. Subject to Section 5.8, Buyer's indemnification obligations shall extend to and include, but not be limited to (i) the negligence or other fault of Seller, Buyer and third parties, whether such negligence is active or passive, gross, joint, sole or concurrent, (ii) Seller's or Buyer's strict liability, and (iii) Seller's or Buyer's liabilities or obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 ET SEQ.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 ET SEQ.), the Clean Water Act (33 U.S.C. Sections 466 ET SEQ.), the Safe Drinking Water Act (14 U.S.C. Sections 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 ET SEQ.), the Toxic Substances Control Act (15 U.S.C. Sections 2601-2629), the Clean Air Act (42 U.S.C. Section 7401 ET SEQ.) as amended, the Clean Air Act Amendments of 1990 and all state and local laws and any replacement or successor legislation or regulation thereto. This indemnification shall be in addition to any other indemnity provisions contained in this Agreement, and it is expressly understood and agreed that any terms of this article shall control over any conflicting or contradicting terms or provisions contained in this Agreement.

5.8 SELLER'S INDEMNITY.

a. From the Closing Date through December 31, 2001, Seller shall indemnify, hold harmless, release and defend Buyer from and against all damages, losses, claims, demands, causes of action, judgments and other costs (including but not limited to any civil fines, penalties, costs of assessment, clean-up, removal and remediation of pollution or contamination, and expenses for the modification, repair or replacement of facilities on the Lands) brought by any and all persons and any agency or other body of federal, state or local government, on account of any personal injury, illness or death, any damage to, destruction or loss of property, and any contamination or pollution of natural resources (including soil, air, surface water or groundwater) to the extent any of the foregoing directly or indirectly is caused by or otherwise involves an Environmental Defect which was created or was in existence prior to the Effective Time and which constitutes a violation of applicable Environmental Laws in effect as of the Effective Time, including, but not limited to, the presence, disposal or release of any material (whether hazardous, extremely hazardous, toxic or otherwise) of any kind in, on or under the Assets or the Lands. In addition, and without limiting the foregoing, Seller's indemnity under this Section 5.8 shall include any Environmental Defects discovered by Buyer on or before December 31, 2001, provided Buyer shall provide Seller written notice of any such Environmental Defect on or before 5:00 p.m., Mountain Time, on December 31, 2001.

b. Seller's indemnification obligations shall extend to and include, but not be limited to (i) the negligence or other fault of Seller and third parties (other than Buyer), whether such negligence is active or passive, gross, joint, sole or concurrent, (ii) Seller's strict liability, and (iii) Seller's liabilities or obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 ET SEQ.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 ET SEQ.), the Clean Water Act (33 U.S.C. Sections 466 ET SEQ.), the Safe Drinking Water Act (14 U.S.C. Sections 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 ET SEQ.), the Toxic Substances Control Act (15 U.S.C. Sections 2601-2629), the Clean Air Act (42 U.S.C. Section 7401 ET SEQ.) as amended, the Clean Air Act Amendments of 1990 and all state and local laws, as in effect as of the date of this Agreement. This indemnification shall be in addition to any other indemnity provisions contained in this Agreement, and it is expressly understood and agreed that any terms of this article shall control over any conflicting or contradicting terms or provisions contained in this Agreement.

c. Seller's indemnification shall not extend to matters or conditions (i) for which an adjustment of the Purchase Price was made pursuant to Section 5.4.b.i, or (ii) which were disclosed to or known by Buyer on or before Buyer's execution of this Agreement

d. There shall be no indemnification of Buyer by Seller under Section 5.8 unless Buyer's share of any Loss (as defined in Section 15.3) as to any single incident exceeds $100,000.00; this shall be determined on an incident by incident basis. In addition, if Buyer's share of any Loss under Section 5.8 as to any single incident exceeds $100,000.00, there shall be no reduction to the Purchase Price until such time as the total of these excess amounts (over $100,000.00) exceeds $1,000,000.00 (the "INDEMNITY THRESHOLD AMOUNT") but, in such event, Seller's indemnity shall be inclusive of the Indemnity Threshold Amount. For the purposes of application of the foregoing thresholds, "single incident" shall be applicable on a well by well basis.

5.9 DISPUTE RESOLUTION. The parties agree to attempt to resolve disputes concerning Environmental Defects through good-faith negotiations. If the parties cannot resolve such disputes on or before 30 Business Days after Closing or, in the event that notice of an Environmental Defect is given by Buyer to Seller after Closing, 30 Business Days after Seller's receipt of such notice, such disputes shall be submitted to binding arbitration in accordance with the procedures set forth in Section 15.4.d.

5.10 ENVIRONMENTAL PERMITS. Notwithstanding any other provision of this Agreement, Buyer and Seller agree as follows:

a. There are various permits and licenses required by governmental agencies in connection with the operation of the Assets.

b. With respect to all such licenses, permits and similar items, the parties agree that

i. those that can be assigned or transferred without governmental approval will be so assigned or transferred at Closing;

ii. those that can be assigned or transferred, but only with governmental approval, will be requested to be assigned or transferred at or shortly after Closing;

iii. as to those that cannot be assigned or transferred, Buyer will commence its application for such licenses, permits and similar items at or before Closing and Seller will cooperate fully with Buyer in attempting to acquire such items; and

iv. the lack of a necessary permit, license, or similar item will not constitute an unfilled closing condition of either party and will not constitute a breach of either party's representations or warranties.

ARTICLE 6
SELLER'S REPRESENTATIONS AND WARRANTIES

Seller makes the following representations and warranties:

6.1 ORGANIZATION AND STANDING. Seller is a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware, and is duly qualified to carry on its business in the State of Colorado.

6.2 POWER. Seller has all requisite power and authority to carry on its business as presently conducted and to enter into this Agreement and convey the Assets. The execution and delivery of this Agreement, consummation of the transactions contemplated hereby, and the fulfillment of and compliance with the terms and conditions hereof will not violate, or be in conflict with, any material provision of the governing documents of Seller or any material provision of any agreement or instrument to which Seller is a party or by which Seller is bound, or any judgment, decree, order, statute, rule or regulation applicable to Seller.

6.3 AUTHORIZATION AND ENFORCEABILITY. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite action on Seller's part. This Agreement constitutes Seller's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar 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.

6.4 LIABILITY FOR BROKERS' FEES. Seller has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer shall have any responsibility whatsoever.

6.5 NO BANKRUPTCY. There are no bankruptcy proceedings pending, being contemplated by, or to Seller's knowledge, based upon reasonable inquiry and investigation, threatened against Seller.

6.6 LITIGATION. Except as set forth in EXHIBIT D, Seller has not received written notice of any pending proceeding, "Notice of Violation," action, suit, claim or investigation before any federal, state or other governmental court, agency or other instrumentality involving the ownership, operation or environmental condition of the Assets. Seller shall retain all liability with respect to all litigation or claims listed on EXHIBIT D and identified as "Retained Litigation." Except as set forth in Exhibit D, there is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending or, to Seller's knowledge, threatened, against Seller before any governmental authority that impedes or is likely to impede Seller's ability to consummate the transactions contemplated by this Agreement and to assume the liabilities to be assumed by Seller under this Agreement.

6.7 TAXES. All taxes and assessments pertaining to the Assets based on or measured by the ownership of property for all taxable periods prior to the taxable period in which this Agreement is executed have been properly paid. All income taxes and obligations relating thereto that could result in a lien or other claim against any of the Assets have been properly paid, unless contested in good-faith by appropriate proceeding.

6.8 TAX PARTNERSHIPS. The Assets are not subject to any tax partnership agreements requiring a partnership income tax return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code.

6.9 AGREEMENTS. All of the Material Agreements (excluding Leases) pertaining to the Assets are listed on EXHIBIT C.

6.10 PREPAYMENTS. Except as set forth on EXHIBIT C, there are no agreements involving any prepayments for production or any agreements containing a "take or pay" clause or other provision requiring the delivery of oil, gas or other minerals produced from or allocated to any of the Assets at some future time without receiving full payment therefor at the time of delivery.

6.11 HYDROCARBON SALES CONTRACTS. Except as set forth on EXHIBIT C, there are no sales contracts or calls on production or options to purchase production or similar rights with respect to the Assets or to the production therefrom.

6.12 HEDGING ARRANGEMENTS. The Assets are not subject to any gas sales, gathering or transportation contracts which include provisions for hedging, price risk management or other such financial arrangements or transactions, which will affect or burden the Assets from and after the Closing Date.

6.13 PREFERENTIAL RIGHTS TO PURCHASE. There are no preferential rights to purchase the Assets.

6.14 THIRD-PARTY CONSENTS. With the exception of certain of the Material Agreements, no third-party consents are required for Seller's assignment and conveyance of the Assets to Buyer.

6.15 LEASES. For the period of Seller's ownership, all royalty, rentals and other payments under the Leases have been properly and timely paid.

6.16 SURFACE USE AGREEMENTS. For the period of Seller's ownership, all rentals, fees and payments required pursuant to the terms of all recorded and unrecorded surface use and surface damage agreements relating to Seller's operation of the Assets have been paid.

6.17 RESTRICTIONS ON PRODUCTION. To the best of Seller's knowledge, no well is subject to restrictions on production after the Effective Time because of any overproduction or violation of applicable laws, rules, regulations, permits or judgments, orders or decrees of any court or governmental body or agency which would curtail production from such well.

6.18 COMPLIANCE WITH LAWS. With respect to the Assets, and Seller's activities thereon, Seller has not received any notices of material violations of applicable laws. There are no proceedings, pending or threatened, challenging, or seeking revocation or limitation of any permits, licenses, approvals and consents from appropriate governmental bodies, authorities and agencies necessary to conduct operations on the Assets in compliance with all applicable laws, rules, regulations, ordinances and orders. All plans, applications, reports, certificates and other instruments filed with or furnished to any governmental body, authority or agency do not (i) contain any untrue statement of fact or (ii) omit any statement of fact necessary to make the statements therein not misleading.

6.19 OPERATIONS. To the best of Seller's knowledge, the Assets have been operated in material compliance with all Environmental Laws.

6.20 ENVIRONMENTAL. Except for any Colorado Oil and Gas Conservation Commission notice or correspondence relating to mechanical integrity testing, plugging and abandonment of any vent stack or wellbore listed on Exhibit B, Seller has not received notice of a material violation of an Environmental Law with respect to the Assets or Seller's activities thereon and Seller has not used the Assets as a landfill or for waste disposal, other than for such activities associated with normal oil field operations conducted in material compliance with Environmental Laws.

6.21 WELLS. Exhibit B is an accurate and complete identification of all Wells located on or under the Lands.

6.22 RECORDS. To the best of Seller's knowledge, Seller has made available to Buyer all Records required to be made available pursuant to Section 3.1.

6.23 LIENS AND ENCUMBRANCES. Except for (i) the burdens and obligations created by or arising under the Leases and (ii) Permitted Encumbrances, there are no loan agreements, promissory notes, pledges, mortgages, guaranties, liens and similar liabilities (direct and indirect) which were secured by or constitute a lien or encumbrance on the Assets.

6.24 PUBLIC UTILITY HOLDING COMPANY. Seller is not a Public Utility Holding Company as defined in the Public Utility Holding Company Act of 1935, and, to the knowledge of Seller, it is not a partner with any party which is a Public Utility Holding Company.

6.25 NO REPRESENTATION. Seller makes no representations or warranties except (i) as set out in Sections 6.1 through 6.24 above and (ii) Seller's special warranty of title to the Assets by, through and under Seller. Seller makes no representation or warranty that it owns minerals other than oil, gas, coalbed methane and other hydrocarbons except certain coal interests as set out in Exhibit A-1, and, except as set out in Exhibit A-1, owns no surface estate but does own rights to use the surface which rights arise through ownership of mineral or leasehold interests and are not the subject of separate grants.

ARTICLE 7
BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer makes the following representations and warranties:

7.1 ORGANIZATION AND STANDING. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to carry on its business in the State of Colorado.

7.2 POWER. Buyer has all requisite corporate power and authority to carry on its business as presently conducted and to enter into this Agreement and to acquire the Assets. The execution and delivery of this Agreement, consummation of the transactions contemplated hereby, and the fulfillment of and compliance with the terms and conditions hereof will not violate, or be in conflict with, any material provision of Buyer's articles of incorporation or bylaws or any material provision of any agreement or instrument to which Buyer is a party or by which Buyer is bound, or, to its knowledge, any judgment, decree, order, statute, rule or regulation applicable to it.

7.3 AUTHORIZATION AND ENFORCEABILITY. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on Buyer's part. This Agreement constitutes Buyer's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar 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.

7.4 LIABILITY FOR BROKERS' FEES. Buyer has not incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller shall have any responsibility whatsoever.

7.5 NO BANKRUPTCY. There are no bankruptcy proceedings pending, being contemplated by, or to Buyer's knowledge, based upon reasonable inquiry and investigation, threatened against Buyer.

7.6 LITIGATION. There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending or, to Buyer's knowledge, threatened in writing, against Buyer before any governmental authority that impedes or is likely to impede Buyer's ability to consummate the transactions contemplated by this Agreement and to assume the liabilities to be assumed by Buyer under this Agreement.

7.7 PURCHASE PRICE. Buyer has arranged to have available by the Closing sufficient funds to enable Buyer to pay in full the Purchase Price, together with all costs and expenses relative thereto, and otherwise to perform its obligations under this Agreement.

7.8 FINANCIAL STATEMENTS. To the best of Buyer's knowledge, all financial statements and information provided by Buyer to Seller are accurate and complete in all material respects.

ARTICLE 8
KLT'S REPRESENTATIONS AND WARRANTIES

KLT makes the following representations and warranties:

8.1 ORGANIZATION AND STANDING. KLT is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri.

8.2 POWER. KLT has all requisite corporate power and authority to carry on its business as presently conducted and to execute this Agreement for the purposes of providing a guarantee of Seller's post-closing purchase price adjustment obligations under Section 2.4, and Seller's indemnity obligations under Sections 5.8 and 15.3 in form and substance similar to EXHIBIT E. The execution and delivery of this Agreement, consummation of the undertaking of liabilities and indemnities contemplated hereby, and the fulfillment of and compliance with the terms and conditions hereof will not violate, or be in conflict with, any material provision of KLT's articles of incorporation or bylaws or any material provision of any agreement or instrument to which KLT is a party or by which KLT is bound, or, to its knowledge, any judgment, decree, order, statute, rule or regulation applicable to it.

8.3 AUTHORIZATION AND ENFORCEABILITY. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on KLT's part. This Agreement constitutes KLT's legal, valid and binding obligation, enforceable in accordance with its terms, subject, however, to the effects of bankruptcy, insolvency, reorganization, moratorium and similar 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.

8.4 FINANCIAL STATEMENTS. To the best of KLT's knowledge, all financial statements and information respecting KLT provided by KLT to Buyer are accurate and complete in all material respects.

ARTICLE 9
PRE-CLOSING OBLIGATIONS

As to the period of time from the execution hereof until Closing, Seller and Buyer covenant and agree as follows:

9.1 OPERATIONS PRIOR TO CLOSING. Unless Seller obtains the prior written consent of Buyer to act otherwise, Seller will use good-faith efforts within the constraints of all applicable agreements not to (i) abandon any part of the Assets, (ii) except for capital expenditures which are deemed to be approved, approve operations on the properties anticipated to cost the owner of the Assets more than $50,000 collectively (excepting emergency operations, operations required under presently existing contractual obligations, and operations undertaken to avoid a monetary penalty or forfeiture provision of any applicable agreement or order), (iii) convey or dispose of any material part of the Assets (other than replacement of equipment or sale of oil, gas, and other liquid products produced from the Assets in the regular course of business and for a term not to exceed one month) or enter into any farmout, farmin or other similar contract affecting the Assets (iv) let lapse any insurance now in force with respect to the Assets, or (v) materially modify or terminate any contract material to the operation of the Assets.

9.2 LEGAL STATUS. Buyer and Seller shall use all reasonable efforts to maintain their respective legal statuses from the date hereof until the Final Settlement Date and to assure that as of the Closing Date they will not be under any material corporate, legal or contractual restriction that would prohibit or delay the timely consummation of the transactions contemplated hereby.

9.3 NOTICES OF CLAIMS. Seller shall promptly notify Buyer and Buyer shall promptly notify Seller, if, between the date hereof and the Closing Date, Seller or Buyer, as the case may be, receives notice of any claim, suit, action or other proceeding of the type referred to in Sections 6.6 and 7.6.

9.4 COMPLIANCE WITH LAWS. During the period from the date of this Agreement to the Closing Date, Seller shall attempt in good faith to comply in all material respects with all applicable statutes, ordinances, rules, regulations and orders relating to the ownership and operation of the Assets.

9.5 BONDING; INSURANCE. On or before Closing, Buyer shall arrange to have in place, to be effective at Closing and relating to the ownership of the Assets after the Closing (i) all necessary state and local bonds and (ii) insurance as is reasonable and customary in the industry. Upon the execution of this Agreement Seller shall have Buyer added as an additional insured to all of Seller's insurance policies applicable to the Assets.

9.6 GOVERNMENT REVIEWS AND FILINGS. Before and after the Closing, Buyer and Seller shall cooperate to provide requested information, make required filings with, prepare applications to and conduct negotiations with each governmental agency as required to consummate the transaction contemplated hereby. Each party shall make any governmental filings occasioned by its ownership or structure. Buyer shall make all filings after the Closing at its expense with

governmental agencies necessary to comply with laws and shall indemnify and hold harmless Seller from and against all claims, costs, expenses, liabilities and actions arising out of Buyer's holding of title after the Closing and prior to the securing of any necessary governmental approvals of the transfer.

9.7 DATA AND INFORMATION.

a. CONFIDENTIALITY. All data and information obtained from Seller in connection with the transaction contemplated by this Agreement whether before or after the execution of this Agreement, including data and information generated by Buyer in connection with this transaction (collectively, the "INFORMATION") is deemed by the parties to be confidential and proprietary to Seller. Buyer shall take reasonable steps to ensure that Buyer's employees, consultants and agents comply with the provisions of this Section 9.7. Until completion of the Closing, except as required by law, Buyer and its officers, agents and representatives will hold in strict confidence the terms of this Agreement and all Information, except any Information which: (i) at the time of Seller's disclosure to Buyer is in the public domain; (ii) after Seller's disclosure to Buyer becomes part of the public domain by publication or otherwise, except by Buyer's breach of this commitment; (iii) Buyer can establish by competent proof that Buyer was rightfully in its possession at the time of Seller's disclosure to Buyer; (iv) Buyer rightfully receives from third parties free of any obligation of confidence; (v) is disclosed to Buyer's consultants, investors and lenders who similarly agree to protect the confidentiality of such Information and agree to use such Information only for their due diligence evaluation of the Assets; or (vi) is developed independently by Buyer, provided that the person or persons developing the Information shall not have had access to the Information.

b. RETURN OF INFORMATION. If the transaction contemplated by this Agreement does not close on or before the date set forth in Section 13.1, Buyer shall (i) return to Seller all copies of the Information received from Seller and all copies of such information generated by Buyer in the possession of Buyer obtained pursuant to any provision of this Agreement. The terms of this Section 9.7.b shall survive termination of this Agreement.

c. SELLER'S REMEDIES. Buyer agrees that Seller will not have an adequate remedy at law if Buyer violates any of the terms of Section 9.7.a. In such event, Seller will have the right, in addition to any other right they may have, to obtain injunctive relief to restrain any breach or threatened breach of the terms of Section 9.7.a or to obtain specific enforcement of such terms.

d. CONFIDENTIALITY AGREEMENT SUPERSEDED. This Agreement shall supersede the provisions of the Confidentiality Agreement dated May 22, 2000 between Seller and Buyer concerning the Assets.

ARTICLE 10
TAX MATTERS

10.1 TAXES.

a. APPORTIONMENT OF AD VALOREM AND PROPERTY TAXES. A downward adjustment to the Purchase Price in the amount of $44,751.00 (the "PROPERTY TAX ADJUSTMENT") shall be made for Seller's share of all ad valorem, or real property taxes and personal property taxes, including interest and penalties (the "PROPERTY TAXES"), attributable to the Assets with respect to the tax assessment period ("TAX PERIOD") during which the Effective Time occurs. The owner of record on the assessment date shall file or cause to be filed all required reports and returns incident to the Property Taxes and shall pay or cause to be paid to the taxing authorities all Property Taxes relating to the Tax Period during which the Effective Time occurs.

b. SALES TAXES. The Purchase Price excludes, and Buyer shall be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale of the Assets pursuant to this Agreement. To the extent required by applicable law, Seller shall collect and remit any Transfer Taxes that are required to be paid as a result of the transfer of the Assets by Seller to the Buyer. If the transfer of the Assets pursuant to this Agreement is exempt from any Transfer Taxes, Buyer shall, at Closing, provide Seller with properly executed exemption certificates or other documentation acceptable under applicable law. "TRANSFER TAXES" means any sales, use, excise, stock, stamp, document, filing, recording, registration, authorization and similar taxes, fees and charges.

c. OTHER TAXES. With the exception of income and franchise taxes, all other federal, state and local taxes (including interest and penalties attributable thereto) on the ownership or operations of the Assets which are imposed with respect to periods or portions of periods prior to the Effective Time shall be paid by Seller and all such taxes imposed with respect to periods or portions of periods beginning on or after the Effective Time shall be paid by Buyer.

ARTICLE 11
CONDITIONS TO CLOSING

11.1 BUYER'S CONDITIONS. The obligations of Buyer at Closing are subject, at the option of Buyer, to the satisfaction on or prior to the Closing of the following conditions precedent:

a. REPRESENTATIONS AND WARRANTIES. All of Seller's and KLT's representations and warranties contained in Articles 6 and 8 of this Agreement shall be true in all material respects at and as of the Closing in accordance with their terms as if such representations and warranties were remade at and as of the Closing, and Seller shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Seller at or prior to the Closing in all material respects;

b. SELLER'S OFFICER'S CERTIFICATE. Buyer shall have received a certificate from Seller in form and substance similar to EXHIBIT F;

c. NO ACTION. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing, except any order that affects or relates to only a portion of the Assets, which portion of the Assets may, at the option of Buyer, be treated as Excluded Assets for the purpose of reducing the Purchase Price pursuant to Section 2.3; and

d. TITLE AND ENVIRONMENTAL DEFECTS. The aggregate value of all Title Defects and Environmental Defects does not exceed $2,500,000.00.

e. CLOSING DOCUMENTS. Seller shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Section 13.3 hereof prior to or on the Closing Date.

f. CONSENT TO ASSIGNMENT OF THE MATERIAL AGREEMENTS. Seller shall have obtained the necessary consents to Seller's assignment of the Material Agreements to Buyer, unless waived in writing by Buyer.

g. HILL LEASE. A ratification and amendment to Oil and Gas Lease dated September 6, 1989, a memorandum of which is recorded in Book 872, Page 876, from H&H Minerals, Inc., B.F. Hill, Individually, and as Trustee for Amy L. Hill and C & NM Ranch to Meridian Oil Inc. (the "Hill Lease"), satisfactory to Buyer shall have been obtained and recorded.

h. KLT GUARANTY. Buyer shall have received from KLT a Guaranty Agreement, in form and substance similar to EXHIBIT E, at Closing.

i. WYOMING FUEL AND NORTH CENTRAL STOCK SALE AND PURCHASE AGREEMENTS. Seller shall have provided Buyer with complete and fully executed copies of the following agreements: (i) Stock Sale and Purchase Agreement dated April 4, 1991 among KN Energy, Inc., Entech Inc., and Western Oil Corporation, respecting the stock of Wyoming Fuel Company (the "WYOMING FUEL AGREEMENT"), and (ii) Stock Sale and Purchase Agreement dated April 4, 1991 among KN Energy, Inc., Entech Inc., and Western Oil Corporation, respecting the stock of North Central Energy Corporation (the "NORTH CENTRAL AGREEMENT"); and Buyer shall have determined that neither the Wyoming Fuel Agreement nor the North Central Agreement materially affects the value of the transactions contemplated under this Agreement.

11.2 SELLER'S CONDITIONS. The obligations of Seller at the Closing are subject, at the option of Seller, to the satisfaction at or prior to Closing of the following conditions precedent:

a. REPRESENTATIONS AND WARRANTIES. All of Buyer's representations and warranties contained in Article 7 of this Agreement shall be true in all material respects at and as of the Closing in accordance with their terms as if such representations were remade at and as of the Closing and Buyer shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing in all material respects;

b. BUYER'S OFFICER'S CERTIFICATE. Seller shall have received an officer's certificate from Buyer in form and substance similar to EXHIBIT G;

c. NO ACTION. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing, except any order that affects or relates to only a portion of the Assets, which portion of the Assets could be treated as Excluded Assets for the purpose of reducing the Purchase Price of the Assets pursuant to Section 2.3; and

d. TITLE AND ENVIRONMENTAL DEFECTS. The aggregate value of all Title Defects and Environmental Defects does not exceed $2,500,000.00.

e. CLOSING DOCUMENTS. Buyer shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Section 13.3 hereof prior to or on the Closing Date.

ARTICLE 12
RIGHT OF TERMINATION AND ABANDONMENT

12.1 TERMINATION. This Agreement may be terminated in accordance with the following provisions:

a. by Buyer if the conditions set forth in Section 11.1 are not satisfied, through no fault of Buyer, or waived by Buyer in writing, as of the Closing Date or Buyer invokes Section 4.5.b.;

b. by Seller if the conditions set forth in Section 11.2 are not satisfied, through no fault of Seller, or waived by Seller in writing, as of the Closing Date; or

c. by Buyer or Seller if, through no fault of the party claiming termination, the Closing does not occur on or before the date specified in Section 13.1.

12.2 LIABILITIES UPON TERMINATION.

a. BUYER'S DEFAULT. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 13.1 by reason of Buyer's wrongful failure to tender performance at Closing, and if Seller is not in material default under the

terms of this Agreement and is ready, willing and able to Close, and Seller terminates this Agreement, the Deposit shall be retained by Seller. Seller and Buyer agree that Seller's damages in the event Buyer fails to close are difficult to measure and both Seller and Buyer agree that the amount of the Deposit bears a reasonable relationship to and is a reasonable estimation of such damages. Seller and Buyer agree that Seller's sole remedy in the event of Buyer's default is the retention of the Deposit.

b. SELLER'S DEFAULT. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 13.1 by reason of Seller's wrongful failure to tender performance at Closing and if Buyer is not in material default under this Agreement and is ready, willing and able to Close, and Buyer terminates this Agreement, Buyer shall be entitled to a refund of the Deposit or to specific performance, at Buyer's election, as Buyer's sole and exclusive remedies.

c. OTHER TERMINATION. If Seller and Buyer agree to terminate this Agreement, each party shall release the other party from any and all liability for termination of this Agreement. Upon any such termination, Buyer shall be entitled to a refund of the Deposit.

ARTICLE 13
CLOSING

13.1 DATE OF CLOSING. Unless otherwise agreed to in writing and subject to the conditions stated in this Agreement, consummation of the transactions contemplated hereby (the "CLOSING") shall be held on October 23, 2000. The date the Closing actually occurs is called the "CLOSING DATE."

13.2 PLACE OF CLOSING. The Closing shall be held on the Closing Date at Seller's offices in Overland Park, Kansas at 10:00 a.m. or at such other time and place as Seller and Buyer may agree in writing.

13.3 CLOSING OBLIGATIONS. At Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

a. ASSIGNMENT, BILL OF SALE AND CONVEYANCE. Seller and Buyer shall execute, acknowledge and deliver to Buyer an Assignment, Bill of Sale and Conveyance of the Assets to Buyer effective as of the Effective Time (in sufficient counterparts to facilitate filing and recording) substantially in the form of EXHIBIT H conveying the Assets with a special warranty of title by, through and under Seller but not otherwise, and with no warranties, express or implied, as to the personal property, fixtures or condition of the Assets, which are conveyed "as is, where is";

b. PRELIMINARY SETTLEMENT STATEMENT. Buyer and Seller shall execute and deliver the Preliminary Settlement Statement;

c. PURCHASE PRICE. Buyer shall deliver to Seller the Closing Amount by wire transfer in immediately available funds, or by such other method as may be agreed to in writing by the parties hereto;

d. SELLER'S OFFICER'S CERTIFICATE. Seller shall deliver to Buyer Seller's Officer's Certificate referred to in Section 11.1.b;

e. BUYER'S OFFICER'S CERTIFICATE. Buyer shall deliver to Seller Buyer's Officer's Certificate referred to in Section 11.2.b;

f. LETTERS-IN-LIEU. Seller shall deliver letters-in-lieu of transfer orders directing the payment of all proceeds of production attributable to the Assets to Buyer from and after the Effective Time;

g. CHANGE OF OPERATOR. Seller and Buyer shall execute all required change of operator forms and notices;

h. POSSESSION. Seller shall deliver to Buyer possession of the Assets.

ARTICLE 14
POST-CLOSING OBLIGATIONS

14.1 POST-CLOSING ADJUSTMENTS. As soon as practicable after the Closing, but on or before 120 days after Closing, Seller shall prepare and deliver to Buyer the final settlement statement (the "FINAL SETTLEMENT STATEMENT") setting forth each adjustment or payment that was not finally determined as of the Closing and showing the calculation of such adjustment and the resulting final purchase price (the "FINAL PURCHASE PRICE"). As soon as practicable after receipt of Seller's proposed Final Settlement Statement, but on or before 30 days after receipt of Seller's proposed Final Settlement Statement, Buyer shall deliver to Seller a written report containing any changes that Buyer proposes to make to the Final Settlement Statement. Buyer's failure to deliver to Seller a written report detailing changes to the proposed Final Settlement Statement by that date shall be deemed an acceptance by Buyer of the Final Settlement Statement as submitted by Seller. The parties shall agree with respect to the changes proposed by Buyer, if any, no later than 30 days after receipt by Seller of Buyer's comments to the proposed Final Settlement Statement. The date upon which such agreement is reached or upon which the Final Purchase Price is established for a transaction shall be herein called the "FINAL SETTLEMENT DATE." If (1) the Final Purchase Price is more than the Closing Amount, Buyer shall pay Seller the amount of such difference, or (2) the Final Purchase Price is less than the Closing Amount, Seller shall pay to Buyer the amount of such difference, in either event by wire transfer in immediately available funds or, if the amount of such difference is less than $50,000, by check. Any such payment shall be within five days of the Final Settlement Date.

14.2 DISPUTE RESOLUTION. If the parties are unable to resolve a dispute as to the Final Purchase Price by 30 days after Seller's receipt of Buyer's comments to the proposed Final

Settlement Statement, the parties shall submit the dispute to arbitration in accordance with the procedures set forth in Section 15.4.d.

14.3 RECORDS. Within three Business Days following the Closing Date, Seller shall make the Records available for pick up by Buyer. Seller may retain copies of the Records. Buyer agrees not to destroy or otherwise dispose of the Records for a period of six years after the Closing without giving Seller reasonable notice and an opportunity to copy said Records.

14.4 TRANSFER TAXES AND RECORDING FEES. Buyer shall pay all Transfer Taxes occasioned by the sale or transfer of the Assets and all licensing and recording fees required in connection with the processing, filing, licensing or recording of any assignments, titles or bills of sale.

14.5 FURTHER ASSURANCES. From time to time after Closing, Buyer and Seller shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order more effectively to assure to the other the full beneficial use and enjoyment of the Assets and otherwise to accomplish the purposes of the transactions contemplated by this Agreement.

ARTICLE 15
ASSUMPTION AND RETENTION OF OBLIGATIONS AND INDEMNIFICATION

15.1 BUYER'S ASSUMPTION OF LIABILITIES AND OBLIGATIONS. Upon Closing and except as otherwise provided in this Agreement, Buyer shall assume and pay, perform, fulfill and discharge all duties, claims, costs, expenses, liabilities and obligations accruing or relating to (i) the owning, operating or maintaining of the Assets or the producing, transporting and marketing of Hydrocarbons from the Assets including without limitation, environmental obligations and liabilities, offsite liabilities associated with the Assets, the obligation to plug and abandon all Wells and reclaim all Well sites and all obligations arising under agreements covering or relating to the Assets (the "LIABILITIES") to the extent such Liabilities relate to periods on or after the Effective Time, (ii) Liabilities relating to periods before the Effective Time (the "PRE-EFFECTIVE TIME LIABILITIES") to the extent only that Seller does not receive written notice by Buyer or a third party of such Liabilities on or before 5:00 p.m., Mountain Time, on December 31, 2001 or such liability is assumed by Buyer in 15.1(iii), (iii) the obligation to plug and abandon all Wells and vent stacks identified on Exhibit B, (iv) the environmental condition of the Assets but limited to the extent Seller retains liabilities or obligations therefor under Section 5.8, and (v) liabilities for claims made on or after October 2, 2003 for unpaid, incorrectly paid or incorrectly calculated Pre-Effective Time royalties under the terms of the Leases (collectively, the "BUYER'S LIABILITIES").

15.2 SELLER'S RETENTION OF LIABILITIES AND OBLIGATIONS. Seller retains all duties, claims, costs, expenses, liabilities and obligations accruing or relating to: (i) the Excluded Properties and the Excluded Assets, (ii) the environmental condition of the properties or violation of Environmental Laws but only as provided in Section 5.8, for which Seller's liability shall expire December 31, 2001, and (iii) the Pre-Effective Time Liabilities which are not assumed by Buyer in 15.1(iii), as limited in Section 5.8 with respect to the environmental condition of the Assets, and to the extent

only that Seller receives written notice by Buyer or a third party of such Pre-Effective Time Liabilities on or before 5:00 p.m., Mountain Time, on December 31, 2001, (v) liabilities for claims made on or before October 1, 2003 for unpaid, incorrectly paid or incorrectly calculated Pre-Effective Time royalties under the terms of the Leases (the "SELLER'S LIABILITIES").

15.3 INDEMNIFICATION. "LOSSES" shall mean any actual losses, costs, expenses (including court costs, reasonable fees and expenses of attorneys, technical experts and expert witnesses and the cost of investigation), liabilities, damages, demands, suits, claims, and sanctions of every kind and character (including civil fines) arising from, related to or reasonably incident to matters indemnified against; excluding however any special, consequential, punitive or exemplary damages, diminution of value of an Asset, loss of profits incurred by a party hereto or Loss incurred as a result of the indemnified party indemnifying a third party.

After the Closing, Buyer and Seller shall indemnify each other as follows:

a. SELLER'S INDEMNIFICATION OF BUYER. Seller assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Buyer, its officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) Seller's Liabilities, subject to Section 5.8, (ii) any breach of any representation or warranty made by Seller which survives the Closing, (iii) any breach by Seller of their special warranty of title for the Assets contained in any conveyance, (iv) any matter for which Seller has agreed to indemnify Buyer under Section 5.8 of this Agreement, and (v) any breach by Seller of this Agreement (but limited by Section 12.2b.).

b. KLT GUARANTY. KLT shall provide the guaranty in the form of Exhibit E.

c. BUYER'S INDEMNIFICATION OF SELLER. Buyer assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Seller, Seller's partners, employees and agents, from and against all Losses which arise from or in connection with (i) Buyer's Liabilities, (ii) any breach of any representation or warranty made by Buyer, and (iii) any matter for which Buyer has agreed to indemnify Seller under this Agreement.

15.4 PROCEDURE. The indemnifications contained in Section 15.3 shall be implemented as follows:

a. COVERAGE. Such indemnity shall extend to all Losses suffered or incurred by the indemnified party.

b. CLAIM NOTICE. The party seeking indemnification under the terms of this Agreement ("INDEMNIFIED PARTY") shall submit a written "CLAIM NOTICE" to the other party ("INDEMNIFYING PARTY") which, to be effective, must state: (i) the amount of each payment claimed by an Indemnified Party to be owing, (ii) the basis for such claim, with supporting documentation, and (iii) a list identifying to the extent reasonably possible each separate item of Loss for which payment is so claimed. The amount claimed shall be paid by the

Indemnifying Party to the extent required herein within 30 days after receipt of the Claim Notice, or after the amount of such payment has been finally established, whichever last occurs.

c. INFORMATION. Within 20 days after the Indemnified Party receives notice of a claim or legal action that may result in a Loss for which indemnification may be sought under this Article 15 ("CLAIM"), the Indemnified Party shall give written notice of such Claim to the Indemnifying Party. If the Indemnifying Party or its counsel so requests, the Indemnified Party shall furnish the Indemnifying Party with copies of all pleadings and other information with respect to such Claim. At the election of the Indemnifying Party made within 60 days after receipt of such notice, the Indemnified Party shall permit the Indemnifying Party to assume control of such Claim (to the extent only that such Claim, legal action or other matter relates to a Loss for which the Indemnifying Party is liable), including the determination of all appropriate actions, the negotiation of settlements on behalf of the Indemnified Party, and the conduct of litigation through attorneys of the Indemnifying Party's choice; provided, however, that no such settlement can result in any liability or cost to the Indemnified Party for which it is entitled to be indemnified hereunder without its consent. If the Indemnifying Party elects to assume control, (i) any expense incurred by the Indemnified Party thereafter for investigation or defense of the matter shall be borne by the Indemnified Party, and (ii) the Indemnified Party shall give all reasonable information and assistance, other than pecuniary, that the Indemnifying Party shall deem necessary to the proper defense of such Claim, legal action, or other matter. In the absence of such an election, the Indemnified Party will use its best efforts to defend, at the Indemnifying Party's expense, any claim, legal action or other matter to which such other party's indemnification under this Article 15 applies until the Indemnifying Party assumes such defense, and, if the Indemnifying Party fails to assume such defense within the time period provided above, settle the same in the Indemnified Party's reasonable discretion at the Indemnifying Party's expense. If such a Claim requires immediate action, both the Indemnified Party and the Indemnifying Party will cooperate in good faith to take appropriate action so as not to jeopardize defense of such Claim or either party's position with respect to such Claim.

d. DISPUTE. Other than with respect to a Claim based on an issue for which another method of dispute resolution is provided in this Agreement, if the existence of a valid Claim or amount to be paid by an Indemnifying Party is in dispute, the parties agree to submit determination of the existence of a valid Claim or the amount to be paid pursuant to the Claim Notice to binding arbitration in Colorado, such arbitration to be conducted as follows: The arbitration proceeding shall be governed by Colorado law and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), with discovery to be conducted in accordance with the Federal Rules of Civil Procedure, and with any disputes over the scope of discovery to be determined by the arbitrators. The arbitration shall be before a three person panel of neutral arbitrators, consisting of one person from each of the following categories: (1) an attorney who has practiced in the area of oil and gas law for at least ten years; (2) a retired judge at the Colorado or United States District Court or Appellate Court level; and (3) a person with at least ten years of oil and gas industry experience as a petroleum engineer. The AAA shall

submit a list of persons meeting the criteria outlined above for each category of arbitrator, and the parties shall select one person from each category in the manner established by the AAA. If the parties cannot agree, AAA shall select the arbitrator(s) on which the parties cannot agree. The arbitrators will have not authority to award punitive damages or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Agreement. The arbitrators shall conduct a hearing no later than 30 days after submission of the matter to arbitration. At the hearing, the parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required but the arbitration panel shall consider any evidence and testimony that it determines to be relevant, in accordance with procedures that it determines to be appropriate. Any award entered in the arbitration shall be made in writing and any payment due pursuant to the arbitration shall be made within 15 days of the arbitrators' award. The award of the arbitrators need not be accompanied by a reasoned opinion. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees. "Costs and fees" means all reasonable pre-award expenses of an arbitration, including the arbitrators' fees, administrative fees, travel expenses, out-of-pocket expenses such as copying, telephone, court costs, witness fees, and attorneys fees. The award may be filed in a court of competent jurisdiction and may be enforced by any party as a final judgment of such court.

15.5 NO INSURANCE; SUBROGATION. The indemnifications provided in this Article 15 shall not be construed as a form of insurance. Buyer and Seller hereby waive for themselves, their successors or assigns, including, without limitation, any insurers, any rights to subrogation for Losses for which each of them is respectively liable or against which each respectively indemnifies the other, and, if required by applicable policies, Buyer and Seller shall obtain waiver of such subrogation from their respective insurers.

15.6 RESERVATION AS TO NON-PARTIES. Nothing herein is intended to limit or otherwise waive any recourse Buyer or Seller may have against any non-party for any obligations or liabilities that may be incurred with respect to the Assets.

ARTICLE 16
MISCELLANEOUS

16.1 EXHIBITS. The Exhibits referred to in this Agreement are hereby incorporated in this Agreement by reference and constitute a part of this Agreement.

16.2 EXPENSES. Except as otherwise specifically provided, all fees, costs and expenses incurred by Buyer or Seller in negotiating this Agreement or in consummating the transactions contemplated by this Agreement shall be paid by the party incurring same, including, without limitation, legal and accounting fees, costs and expenses.

16.3 NOTICES. All notices and communications required or permitted under this Agreement shall be in writing and addressed as follows:

If to Seller:

Apache Canyon Gas, L.L.C.
10740 Nall, Suite 230
Overland Park, KS 66211
Telephone: (913) 967-4304
Facsimile: (913) 967-4340
Attn: Mark G. English

with a copy post-closing to:

KLT Inc.
10740 Nall, Suite 230
Overland Park, KS 66211
Telephone: (913) 967-4304
Facsimile: (913) 967-4340
Attn: Mark G. English

If to Buyer:

Barrett Resources Corporation
1550 Arapahoe Street, Suite 1000
Denver, Colorado 80202
Telephone: (303) 572-3900
Facsimile: (303) 629-8255
Attn: Eugene A. Lang, Jr.

Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) if personally delivered, when received, (ii) if faxed, when received if receipt is confirmed, (iii) if mailed, certified mail, return receipt requested, on the date set forth on the return receipt or (iv) if sent by overnight courier, one day after sending. Any party may, by written notice so delivered to the other parties, change the address or individual to which delivery shall thereafter be made.

16.4 AMENDMENTS. Except for waivers specifically provided for in this Agreement, 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.

16.5 ASSIGNMENT. Prior to Closing, neither Seller nor Buyer shall assign all or any portion of its respective rights or delegate all or any portion of its respective duties hereunder without the prior written consent of the other party; provided, however, Seller reserves the right to exchange the Assets for property of like kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder. Seller expressly reserves the right to assign its rights, but not its obligations, hereunder to a "qualified intermediary" as provided in Section 1.103(k)-1(g)(4) of the U.S. Treasury Regulations on or before the Closing Date. Buyer agrees to take all actions reasonably required of it, including, but not limited to, executing and delivering documents, to permit Seller to effect the exchange described in this Section.

16.6 RESERVATION OF RIGHT TO QUALIFY UNDER SECTION 29 OF THE CODE. Seller hereby retains, and Buyer consents thereto, the right to seek qualification of certain of the Assets under Section 29 of the Internal Revenue Code of 1986, as amended, as gas produced from coal seams under Section 503 of the Natural Gas Policy Act of 1978 (and including any successor or similar state or federal legislation) before the Federal Energy Regulatory Commission, or its successor agency. This reservation is not intended to reserve any rights to claim Section 29 credits with respect

to production occurring after the Effective Time, but rather is to assure Seller's right to such credits prior to the Effective Time. Buyer agrees to cooperate fully with Seller and to permit access to Buyer's records at all reasonable times to permit Seller to complete this qualification process.

16.7 HART-SCOTT-RODINO ACT. Seller and Buyer agree that no Hart-Scott-Rodino Act filing is necessary with respect to the transaction contemplated by this Agreement.

16.8 ANNOUNCEMENTS. Buyer and Seller agree that prior to making any press releases and other public announcements concerning this Agreement and the transaction contemplated thereby, the party desiring to make such public announcement shall consult with the other party and exercise its best efforts to agree upon the text of any public announcement to be made solely by Buyer or Seller. Seller agrees that the inclusion in Buyer's public announcement of the Purchase Price and estimated reserves attributable to the Assets is not objectionable.

16.9 HEADINGS. 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.

16.10 COUNTERPARTS. This Agreement may be executed by Buyer, Seller, and KLT in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument. Execution can be evidenced by fax signatures with original signature pages to follow in due course.

16.11 REFERENCES. References made in this Agreement, including use of a pronoun, shall be deemed to include, where applicable, masculine, feminine, singular or plural, individuals, partnerships or corporations. As used in this Agreement, "person" shall mean any natural person, corporation, partnership, court, agency, government, board, commission, trust, estate or other entity or authority.

16.12 GOVERNING LAW. This Agreement and the transactions contemplated hereby and any arbitration or dispute resolution conducted pursuant hereto shall be construed in accordance with, and governed by, the laws of the State of Colorado and the parties hereby subject themselves to the sole and exclusive jurisdiction of the Federal or State courts of Colorado for resolution of any dispute related to this Agreement.

16.13 ENTIRE AGREEMENT. This Agreement constitutes the entire understanding among the parties, their respective partners, shareholders, officers, directors and employees with respect to the subject matter hereof, superseding all negotiations, prior discussions, preliminary term sheets and prior agreements, notwithstanding language to the contrary therein.

16.14 BINDING EFFECT. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, and their respective successors and assigns.

16.15 SURVIVAL. The following shall survive the Closing: (i) all post-closing obligations and indemnities of Seller and Buyer, (ii) Seller's representations and warranties under Sections 6.1

through 6.18 and 6.20 through 6.24, Buyer's representations and warranties in Article 7, and (iii) KLT's representations and warranties in Article 8.

16.16 NO THIRD-PARTY BENEFICIARIES. This Agreement is intended only to benefit the parties hereto and their respective permitted successors and assigns.

16.17 LIMITATION ON DAMAGES. Consistent with Articles 12 and 15, the parties hereto expressly waive any and all rights to consequential, special, incidental, punitive or exemplary damages, or loss of profits resulting from breach of this Agreement.

16.18 SEVERABILITY. It is the intent of the parties that the provisions contained in this Agreement shall be severable. Should any provisions, in whole or in part, be held invalid as a matter of law, such holding shall not affect the other portions of this Agreement, and such portions that are not invalid shall be given effect without the invalid portion.

SELLER:

APACHE CANYON GAS, L.L.C.

By: /s/Bruce B. Selkirk
Bruce B. Selkirk, III
Vice President of Apache Canyon Gas, L.L.C. and
Vice President of KLT Gas Inc., Sole Member of Apache Canyon Gas, L.L.C.

BUYER:

BARRETT RESOURCES CORPORATION

By: /s/Eugene A. Lang, Jr.
Eugene A. Lang, Jr.
Executive Vice President

KLT INC.
(Executed solely for the purposes of Sections 2.4, 5.8, 8.1 through 8.4, and 15.3)

By: /s/Gregory J. Orman
Gregory J. Orman
President and Chief Executive Officer

ACKNOWLEDGMENTS

STATE OF MISSOURI)
) ss.
COUNTY OF CLAY)

The foregoing instrument was acknowledged before me this 13th day of October, 2000, by Bruce B. Selkirk, III, as Vice President of Apache Canyon, L.L.C., a Delaware limited liability company, on behalf of the limited liability company, and as Vice President of KLT Gas Inc., a Missouri corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: June 12, 2004

/s/Vickie L. Flores
Notary Public

(notary stamp)
VICKIE L. FLORES
Notary Public - State of Missouri
County of Clay
My Commission Expires Jun 12, 2004

STATE OF MISSOURI)
) ss.
COUNTY OF CLAY)

The foregoing instrument was acknowledged before me this 13th day of October, 2000 by Gregory J. Orman, as President and Chief Executive Officer of KLT Inc., a Missouri corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: June 12, 2004

/s/Vickie L. Flores
Notary Public

(notary stamp)
VICKIE L. FLORES
Notary Public - State of Missouri
County of Clay
My Commission Expires Jun 12, 2004

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 13th day of October, 2000 by Eugene A. Lang, Jr., as Executive Vice President of Barrett Resources Corporation, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: May 28, 2004

/s/Linda C. Beddo
Notary Public

UT
1,000

9-MOS
Dec-31-2000
Sep-30-2000
PER-BOOK
2,480,754
317,508
341,308
221,829
0
3,361,399
449,697
(1,668)
479,702
927,731
62
39,000
926,943
0
0
222,125
73,957
0
0
0
1,171,581
3,361,399
742,737
48,829
574,992
623,821
118,916
46,792
165,708
56,775
139,006
1,236
137,770
77,020
45,544
221,446
2.23
2.23