

Diversified Resources Announces Letter of Intent with Bayou City Energy for the Development of San Juan Basin Assets

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LITTLETON, Colo. -- September 04, 2015 -- [Diversified Resources, Inc.](#) (OTCQB: DDRI) ("DRI", "Diversified" or the "Company") is pleased to announce the execution of a non-binding letter of intent ("LOI") with Bayou City Energy, L.P. ("BCE") to jointly form an off-balance sheet entity ("DrillCo") for development drilling on the Company's San Juan Basin properties in northwestern New Mexico.

The letter of intent covers BCE's intent to fund a portion of 55 wells located across the Company's existing ~10,000 gross acre leasehold, as well as any future wells drilled during the ensuing three years ("Expansion Phase") across an Area of Mutual Interest ("AMI") in the Four Corner's Uplift region of the San Juan Basin. The terms of the LOI call for the establishment and funding of an off-balance sheet entity formed by Diversified Resources and BCE. This proposed entity will be governed by the terms of a "Drill Partnership Agreement" and other complementary agreements. Through DrillCo, BCE agrees to fund between 50% and 90% of the wells' costs in exchange for a preferred return and reversionary economic interests. The drilling program is delineated into three phases: a "Test Phase", a "Development Phase" and an "Expansion Phase". After a preferred return has been reached for BCE in each Phase, the Company's percentage of net revenues from the wells increases to between 65% and 85%, depending under which Phase the wells are drilled.

Completion of this agreement will depend upon a number of conditions, including, but not limited to: completion of due diligence, approval of the final terms of "Definitive Agreements" by BCE's Investment Committee and DRI, receipt of all necessary regulatory and third-party consents and approvals, regulatory and permitting approval of all "Test Phase" wells and the successful fundraise by DRI of no less than \$1,000,000 of Series A Convertible Preferred Units.

DRI CEO, Paul Laird, commented, "This partnership with Bayou City Energy L.P. is tailor made for us. As a relatively small company, the impact of ending up with a large percentage of so many long-lived wells in this area will really help us with our goals of increased cash flow and reserves."

BCE Founder and Managing Partner, William McMullen, added, "We are delighted to partner with the experienced team at Diversified to develop their Horseshoe Gallup position. The DrillCo structure will afford Diversified enhanced balance sheet flexibility as well as allow them to dramatically accelerate the development of their San Juan Basin assets."

About Diversified Resources:

[Diversified Resources, Inc.](#) is a Colorado-based independent oil and gas exploration and production company with operations in the Denver-Julesburg Basin, the San Juan Basin and the Raton Basin. The company's near-term focus is to identify and develop a balanced portfolio of low-risk, high-return drilling prospects that include both unconventional sites that target various oil shale horizons and low-risk, conventional offsets to existing production. On November 21, 2013, Diversified Resources, Inc. acquired of all the outstanding shares of Natural Resources Group, Inc. (NRG), a privately held oil and gas exploration company. On October 14, 2014 Diversified acquired BIYA Operating Inc., a New Mexico-based private energy company.

About Bayou City Energy:

Bayou City Energy is a private equity firm focused on making investments in the North American upstream oil & gas sector, targeting deal sizes of \$5 to \$50 million. Bayou City targets privately negotiated investments through two complementary strategies: providing buyout and growth equity capital for small operators with current production, and partnering with leading operators to provide dedicated drilling capital in off-balance sheet structures. The BCE team, combined with the firm's highly qualified advisory board and strategic relationship with Intervale Capital, provide small to mid-sized operators access to expertise, capital and quality services typically available only to much larger enterprises. For more information about Bayou City,

please visit www.bayoucityenergy.com or contact Kristin MacKelvey, the firm's CFO, at kristin@bayoucityenergy.com or 713.400.8213.

SAFE HARBOR

This press release contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this press release regarding our financial position, business strategy, and plans and objectives of management for future operations and industry conditions, are forward-looking statements. These forward-looking statements are based on current expectations and assumptions concerning events. While management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control.

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