

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form T-1  
April 2019  
Form must be Typed  
Form must be Signed  
All blanks must be Filled

**REQUEST FOR CHANGE OF OPERATOR  
TRANSFER OF INJECTION OR SURFACE PIT PERMIT**

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act,  
MUST be submitted with this form.

Check applicable boxes:

- Oil Lease: No. of Oil Wells \_\_\_\_\_ \*\*
- Gas Lease: No. of Gas Wells \_\_\_\_\_ \*\*
- Gas Gathering System: \_\_\_\_\_
- Saltwater Disposal Well - Permit No.: \_\_\_\_\_  
Spot Location: \_\_\_\_\_ feet from  N /  S Line  
\_\_\_\_\_ feet from  E /  W Line
- Enhanced Recovery Project Permit No.: \_\_\_\_\_  
Entire Project:  Yes  No  
Number of Injection Wells \_\_\_\_\_ \*\*

Field Name: \_\_\_\_\_

**\*\* Side Two Must Be Completed.**

Effective Date of Transfer: \_\_\_\_\_

KS Dept of Revenue Lease No.: \_\_\_\_\_

Lease Name: \_\_\_\_\_

\_\_\_\_ - \_\_\_\_ - \_\_\_\_ - \_\_\_\_ Sec. \_\_\_\_ Twp. \_\_\_\_ R. \_\_\_\_  E  W

Legal Description of Lease: \_\_\_\_\_

County: \_\_\_\_\_

Production Zone(s): \_\_\_\_\_

Injection Zone(s): \_\_\_\_\_

Surface Pit Permit No.: \_\_\_\_\_  
*(API No. if Drill Pit, WO or Haul)*

\_\_\_\_\_ feet from  N /  S Line of Section

\_\_\_\_\_ feet from  E /  W Line of Section

Type of Pit:  Emergency  Burn  Settling  Haul-Off  Workover  Drilling

Past Operator's License No. \_\_\_\_\_

Contact Person: \_\_\_\_\_

Past Operator's Name & Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

New Operator's License No. \_\_\_\_\_

Contact Person: \_\_\_\_\_

New Operator's Name & Address: \_\_\_\_\_

Phone: \_\_\_\_\_

New Operator's Email: \_\_\_\_\_

Oil / Gas Purchaser: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**Acknowledgment of Transfer:** The above request for transfer of injection authorization, surface pit permit # \_\_\_\_\_ has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

\_\_\_\_\_ is acknowledged as  
the new operator and may continue to inject fluids as authorized by

Permit No.: \_\_\_\_\_ . Recommended action: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signature

\_\_\_\_\_ is acknowledged as  
the new operator of the above named lease containing the surface pit

permitted by No.: \_\_\_\_\_ .

Date: \_\_\_\_\_

Authorized Signature

DISTRICT \_\_\_\_\_ EPR \_\_\_\_\_ PRODUCTION \_\_\_\_\_ UIC \_\_\_\_\_



KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form KSONA-1

July 2021

Form Must Be Typed

Form must be Signed

All blanks must be Filled

**CERTIFICATION OF COMPLIANCE WITH THE  
KANSAS SURFACE OWNER NOTIFICATION ACT**

*This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.*

Select the corresponding form being filed:  C-1 (Intent)  CB-1 (Cathodic Protection Borehole Intent)  T-1 (Transfer)  CP-1 (Plugging Application)

OPERATOR: License # \_\_\_\_\_

Name: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone: ( \_\_\_\_\_ ) \_\_\_\_\_ Fax: ( \_\_\_\_\_ ) \_\_\_\_\_

Email Address: \_\_\_\_\_

Well Location:

\_\_\_\_ - \_\_\_\_ - \_\_\_\_ - \_\_\_\_ Sec. \_\_\_\_ Twp. \_\_\_\_ S. R. \_\_\_\_  East  West

County: \_\_\_\_\_

Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

*If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:*

**Surface Owner Information:**

Name: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

*When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.*

*If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.*

**Select one of the following:**

- I certify that, pursuant to the Kansas Surface Owner Notice Act (see Chapter 55 of the Kansas Statutes Annotated), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

*If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.*

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: \_\_\_\_\_ Signature of Operator or Agent: \_\_\_\_\_ Title: \_\_\_\_\_

**MODEL FORM OPERATING AGREEMENT**

OPERATING AGREEMENT

DATED

MARCH 1, 2024,  
Year

OPERATOR CYCLE OIL & GAS, LTD.

CONTRACT AREA As described in Exhibit A hereto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

COUNTY OR PARISH OF HAMILTON & GREELEY, STATE OF KANSAS

COPYRIGHT 1989 – ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

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**OPERATING AGREEMENT**

THIS AGREEMENT, entered into by and between CYCLE OIL AND GAS LTD., hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

**WITNESSETH:**

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

**ARTICLE I.**

**DEFINITIONS**

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser.

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

O. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

**ARTICLE II.**

**EXHIBITS**

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- x   A. Exhibit "A," shall include the following information:
  - (1) Description of lands subject to this agreement,
  - (3) Parties to agreement with addresses and telephone numbers for notice purposes,
  - (4) Percentages or fractional interests of parties to this agreement,
  - (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
- B. Exhibit "B," Form of Lease.
- C. Exhibit "C," Accounting Procedure.
- D. Exhibit "D," Insurance.
- E. Exhibit "E," Non-Discrimination and Certification of Non-Segregated Facilities.
- F. Form of Memorandum of Agreement, Recording Supplement and Financing Statement
- G. Plan of Development

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

1 If any provision of any exhibit, is inconsistent with any provision contained in  
2 the body of this agreement, the provisions in the body of this agreement shall prevail.

3 **ARTICLE III.**  
4 **INTERESTS OF PARTIES**

5 **A. Oil and Gas Interests:**

6 If any party owns or acquires an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this  
7 agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B,"  
8 and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

9 **B. Interests of Parties in Costs and Production:**

10 Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne  
11 and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their  
12 interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the  
13 Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

14 Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other  
15 burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or  
16 cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of,  
17 the existing burdens of record and shall indemnify, defend and hold the other parties free from any liability therefor.  
18 Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is  
19 burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts  
20 stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend  
21 and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as  
22 the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to  
23 be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s)  
24 which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any  
25 liability therefor.

26 No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's  
27 lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher  
28 price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

29 Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby,  
30 and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in  
31 said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

32 **C. Subsequently Created Interests:**

33 If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security  
34 for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production  
35 payment, net profits interest, assignment of production or other burden payable out of production attributable to its working  
36 interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed  
37 hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden  
38 payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A," such  
39 burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's  
40 Lease or Interest to exceed the amount stipulated in Article III.B. above.

41 The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and  
42 alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other  
43 parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses  
44 chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the  
45 same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required  
46 under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the  
47 production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of  
48 said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or  
49 parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

50 **ARTICLE IV.**  
51 **TITLES**

52 **A. Title Examination:**

53 Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and,  
54 if Operator so elects, title examination shall be made on the entire  
55 Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working  
56 interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing  
57 Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator  
58 all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of  
59 charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the  
60 examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or  
61 by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in  
62 procuring abstracts, fees paid outside attorneys, contract landmen or land and/or lease brokers for title examination (including preliminary,  
63 supplemental, shut-in royalty  
64 opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling  
65 Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such  
66 interests appear in Exhibit "A."

67 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in  
68 connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation  
69 and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings  
70 before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to  
71 the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings.  
72 Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental  
73 agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct  
74 charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C."



A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

1 Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above  
2 functions.

3 No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has  
4 been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by  
5 / .  
Operator

6 **B. Loss or Failure of Title:**

7 Losses: All losses of Leases or Interests committed to this agreement, shall be joint losses and shall be borne by all parties in  
8 proportion to their interests shown on  
9 Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because  
10 express or implied covenants have not been performed (other than performance which requires only the payment of money),  
11 and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no  
12 readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.  
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**ARTICLE V.  
OPERATOR**

**A. Designation and Responsibilities of Operator**

CYCLE OIL AND GAS LTD. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN CONTAINED, OPERATOR SHALL HAVE NO LIABILITY IN CONTRACT, TORT, OR OTHERWISE TO THE OTHER PARTIES FOR LOSSES OR LIABILITIES, WHETHER OR NOT SUCH LOSSES OR LIABILITIES ARE CAUSED BY THE NEGLIGENCE, SOLE OR CONCURRENT, OF OPERATOR INCURRED, ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE OR ADMINISTRATION OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY PAYMENT OF ROYALTY, ACCOUNTING, MARKETING, PURCHASING OR GOVERNMENTAL FILINGS, OR OPERATIONS PERFORMED HEREUNDER OR ON THE CONTRACT AREA, EXCEPT SUCH AS MAY RESULT FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF OPERATOR.

**B. Resignation or Removal of Operator and Selection of Successor:**

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any affiliate or affiliates, subsidiaries, parent or successor entity shall not be the basis for removal of Operator. For the avoidance of doubt, Operator may from time to time engage one or more contract operators to perform some or all of the functions of Operator hereunder, but in such event Operator shall retain its powers, rights and obligations as Operator hereunder. See Article XVI for additional provisions pertaining to resignation, removal and succession of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties (including any successor(s) to the interest of Operator in the Contract Area). The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

**C. Employees and Contractors:**

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

**D. Rights and Duties of Operator:**

1. Competitive Rates and Use of Affiliates: All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C."

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Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from

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1 liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or  
2 materials supplied.

3 4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced  
4 or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the  
5 Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until  
6 used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as  
7 provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator  
8 and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in  
9 this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the  
10 parties otherwise specifically agree.

11 5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each Non-Operator  
12 or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to  
13 all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of  
14 operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access  
15 rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate  
16 Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such  
17 interpretive data was charged to the joint account. Operator will furnish to each Non-Operator upon request copies of any  
18 and all reports and information obtained by Operator in connection with production and related items, including, without  
19 limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding  
20 purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the  
21 information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures  
22 shall be conducted in accordance with the audit protocol specified in Exhibit "C."

23 6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to  
24 each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications  
25 required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder.  
26 Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

27 7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not  
28 limited to the Initial Well:

29 (a) Operator will promptly advise Non-Operators of the date on which the well is spudded, or the date on which  
30 drilling operations are commenced.

31 (b) Operator will send to Non-Operators such reports, test results and notices regarding the progress of operations on the well  
32 as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

33 (c) Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing  
34 Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted  
35 hereunder.

36 8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs  
37 incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement.  
38 Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

39 9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers  
40 compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-  
41 insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall  
42 be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefit of the joint account of the parties  
43 as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on  
44 or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted  
45 and to maintain such other insurance as Operator may require.

46 In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the  
47 parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive  
48 equipment.

49 **ARTICLE VI.**  
50 **DRILLING AND DEVELOPMENT**

51 **A. Initial Well: There is no Initial Well under this operating agreement**

52 **B. Subsequent Operations:**

53 1. Proposed Operations: If any party hereto should desire to drill any well on the Contract Area, or  
54 if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of  
55 producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under  
56 this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written  
57 notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone  
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1 under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be  
2 performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a  
3 notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work  
4 whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to  
5 Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-  
6 eight (48) hours, inclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply  
7 within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.  
8 Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties  
9 within the time and in the manner provided in Article VI.B.6.

10 If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be  
11 contractually committed to participate therein provided such operations are commenced within the time period hereafter set  
12 forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as  
13 promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case  
14 may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of  
15 the parties participating therein; provided, however, said commencement date may be extended upon written notice of same  
16 by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such  
17 additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-  
18 way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or  
19 acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as  
20 specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct  
21 said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior  
22 proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or  
23 Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation,  
24 reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance  
25 with Article VI.B.5. in the event of a Sidetracking operation.

26 Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed operation  
27 before the expiration of the applicable notice period, nor shall the timing of such commencement of operations affect in any way the validity  
28 of the notice or the validity of a party's election or deemed election regarding participation in the applicable operation(s).

29 2. Operations by Less Than All Parties:

30 (a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or  
31 VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this  
32 Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no  
33 later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the  
34 expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the  
35 proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting  
36 Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party,  
37 the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the  
38 account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The  
39 rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party  
40 designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when  
41 conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this  
42 agreement.

43 If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the  
44 applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its  
45 recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party,  
46 within forty-eight (48) hours (inclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the  
47 proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its  
48 proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in  
49 the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of  
50 Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties'  
51 interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a  
52 Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its  
53 proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a  
54 drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a  
55 total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may  
56 withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10)  
57 days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period.  
58 If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties  
59 of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the  
60 period provided in Article VI.B.1., subject to the same extension right as provided therein.

61 (b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be  
62 borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding  
63 paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and  
64 encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results  
65 in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore  
66 the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that  
67 participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate  
68 shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not  
69 increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened,  
70 Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in  
71 paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the  
72 well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the  
73 expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking,  
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1 Sidetracking, ReCompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the  
2 provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the  
3 Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-  
4 Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, Sidetracking,  
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1 Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-  
2 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect  
3 to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or  
4 market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes,  
5 royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production  
6 from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

7 (i) 100 % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment  
8 beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and  
9 piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first  
10 production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other  
11 provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that  
12 interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning  
13 of the operations; and

14 (ii) 300 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening,  
15 Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C.,  
16 and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections),  
17 which would have been chargeable to such Non-Consenting Party if it had participated therein.

18 Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone  
19 described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable  
20 substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each  
21 Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a  
22 shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-  
23 Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the  
24 cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-  
25 Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions  
26 of this Article VI.B.2. (b) shall apply to such party's interest.

27 (c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or  
28 Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in  
29 such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full  
30 recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to  
31 participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking  
32 operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at  
33 any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such  
34 Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the  
35 cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 250 % of  
36 that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to  
37 such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is  
38 proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting  
39 Parties in said well.

40 (d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's  
41 share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem,  
42 production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to  
43 Non-Consenting Party's share of production not excepted by Article III.C.

44 In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening operation, the Consenting  
45 Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all  
46 such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back,  
47 Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each  
48 party receiving its proportionate part in kind or in value, less cost of salvage.

49 Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations  
50 for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to  
51 the well, and an itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing,  
52 Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement  
53 of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the  
54 Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties  
55 shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of  
56 the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from  
57 the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas  
58 produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or  
59 periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with  
60 any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited  
61 against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such  
62 Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-  
63 Consenting Party.

64 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided  
65 for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day  
66 following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall  
67 own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as  
68 such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking,  
69 Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and  
70 shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this  
71 agreement and Exhibit "C" attached hereto.

72 3. Stand-By Costs: When a well which has been drilled or Deepened has reached its authorized depth and all tests have  
73 been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise  
74 terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking,

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1 Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required  
2 under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening  
3 operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted,  
4 whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms  
5 of the second grammatical paragraph of Article VI.B.2. (a), shall be charged to and borne as part of the proposed operation,  
6 but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated  
7 between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total  
8 interest as shown on Exhibit "A" of all Consenting Parties.

9 In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party  
10 may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in  
11 Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended  
12 response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending  
13 the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be  
14 allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's  
15 interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties.

16 4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed  
17 pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article  
18 VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone  
19 of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the  
20 Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate  
21 in the Deepening operation.

22 In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective,  
23 such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-  
24 Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to  
25 participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation  
26 is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation,  
27 such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

28 (a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying  
29 quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs  
30 and expenses incurred in connection with the drilling of said well from the surface to the Initial Objective which Non-  
31 Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting  
32 Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other  
33 provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well  
34 incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the  
35 sole account of Consenting Parties.

36 (b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing  
37 in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or  
38 reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and  
39 equipping said well from the surface to the Initial Objective, calculated in the manner provided in paragraph (a) above, less  
40 those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall  
41 also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based  
42 on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent  
43 Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in  
44 connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the  
45 cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-  
46 Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the  
47 well for Deepening

48 The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior  
49 to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article  
50 VI.F.

51 5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an  
52 interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its  
53 proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore  
54 to be utilized as follows:

55 (a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs  
56 incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is initiated.

57 (b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of  
58 such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth  
59 at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above. Such party's  
60 proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking  
61 operation is initiated shall be determined in accordance with the provisions of Exhibit "C."

62 6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement, if any party desires to  
63 propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such  
64 party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform  
65 an operation on a well where no drilling rig is on location, or twenty-four (24) hours, inclusive of Saturday, Sunday and legal  
66 holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be  
67 conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such  
68 alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such  
69 proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within  
70 twenty-four (24) hours (inclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the  
71 subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required  
72 shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage  
73 interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the

74



1 initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation  
 2 within five (5) days after expiration of the election period (or within twenty-four (24) hours, inclusive of Saturday, Sunday  
 3 and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig  
 4 is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to  
 5 relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within  
 6 such period shall be deemed an election not to participate in the prevailing proposal.

7 7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be  
 8 proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract  
 9 Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone.

10 8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or  
 11 Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except  
 12 with the consent of all parties that have not relinquished interests in the well at the time of such operation.

13 **C. Completion of Wells; Reworking and Plugging Back:**

14 1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well  
 15 drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling,  
 16 Deepening or Sidetracking shall include:

17  Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and  
 18 equipping of the well, including necessary tankage and/or surface facilities.

19  Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When  
 20 such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results  
 21 thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to  
 22 participate in a Completion attempt whether or not Operator recommends attempting to Complete the well,  
 23 together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice  
 24 shall have forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of  
 25 notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an  
 26 accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting  
 27 with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the  
 28 procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all  
 29 necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface  
 30 facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party  
 31 receiving such notice to reply within the period above fixed shall constitute an election by that party not  
 32 to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of  
 33 conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the  
 34 provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging  
 35 Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations  
 36 thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each  
 37 separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting  
 38 Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party  
 39 in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier  
 40 Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any  
 41 recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in  
 42 which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent  
 43 Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable  
 44 materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt,  
 45 insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a  
 46 Completion attempt.

47 2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked,  
 48 Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking,  
 49 Recompleting or Plugging Back of a well shall include all necessary expenditures in conducting such operations and  
 50 Completing and equipping of said well, including necessary tankage and/or surface facilities.

51 **D. Other Operations:**

52 Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of \_\_\_\_\_  
 53 Ten Thousand Dollars (\$ 10,000 ) except in connection with the  
 54 drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously  
 55 authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden  
 56 emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion  
 57 are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the  
 58 emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so  
 59 requesting an information copy thereof for any single project costing in excess of ten thousand Dollars  
 60 (\$ 10,000 ). Any party who has not relinquished its interest in a well shall have the right to propose that  
 61 Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as  
 62 salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but  
 63 not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall  
 64 be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the  
 65 amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under  
 66 Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively by those Articles). Operator shall deliver such  
 67 proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent  
 68 of any party or parties owning at least 51 % of the interests of the parties entitled to participate in such operation,  
 69 each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated  
 70 to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms  
 71 of the proposal.

72 **E. Abandonment of Wells:**

73 1. Abandonment of Dry Holes: Except for any well drilled or Deepened pursuant to Article VI.B.2., any well which has  
 74 been drilled or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be

1 plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any  
 2 party, or should any party fail to reply within forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays) after  
 3 delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the  
 4 proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the  
 5 cost, risk and expense of the parties who participated in the cost of drilling or Deepening such well. Any party who objects to  
 6 plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (inclusive of Saturday,  
 7 Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such  
 8 forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of  
 9 Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct  
 10 such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and  
 11 abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party  
 12 taking over the well shall indemnify Operator (if Operator is an abandoning party, and such indemnification shall be in form and substance  
 13 reasonable acceptable to Operator) and the other abandoning parties against  
 14 liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and  
 15 restoring the surface, for which the abandoning parties shall remain proportionately liable.

16 2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been  
 17 conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has  
 18 been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to  
 19 such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk  
 20 and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed  
 21 abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the  
 22 proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its  
 23 operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the  
 24 applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties  
 25 against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide  
 26 proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well  
 27 within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession  
 28 of such well and plug and abandon the well.

29 Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of  
 30 the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost  
 31 of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event  
 32 the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the  
 33 value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing  
 34 operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning  
 35 parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all  
 36 of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only  
 37 insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the  
 38 interest of the abandoning party is or includes an Oil and Gas Interest, such party shall execute and deliver to the non-  
 39 abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of  
 40 one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form  
 41 attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located.  
 42 The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their  
 43 respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract  
 44 Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

45 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production  
 46 from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon  
 47 request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and  
 48 charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate  
 49 ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor  
 50 shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in  
 51 further operations therein subject to the provisions hereof.

52 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as  
 53 between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided,  
 54 however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further  
 55 operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well  
 56 in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest  
 57 in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as  
 58 provided in Article VI.B.2.(b).

59 **F. Termination of Operations:**

60 Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing,  
 61 Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without  
 62 consent of parties bearing \_\_\_\_\_ 81 \_\_\_\_\_% of the costs of such operation; provided, however, that in the event granite or other  
 63 practically impenetrable substance or condition in the hole is encountered which renders further operations impractical,  
 64 Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the  
 65 provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

66 **G. Taking Production in Kind:**

67  **Option No. 2: No Gas Balancing Agreement:**

68 E Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from  
 69 the Contract Area, exclusive of production which may be used in development and producing operations and in  
 70 preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditures  
 71 incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall  
 72 be borne by such party. Any party taking its share of production in kind shall be required to pay for only its  
 73 proportionate share of such part of Operator's surface facilities which it uses.

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Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) -day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. 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 self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

1 **B. Liens and Security Interests:**

2 Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas  
3 Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any  
4 interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection  
5 therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expense,  
6 interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil  
7 and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest  
8 granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and  
9 overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or  
10 otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or  
11 used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts  
12 (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead),  
13 contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the  
14 foregoing.

15 To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording  
16 supplement and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time  
17 following execution hereof, and Operator is authorized to file this agreement or the recording supplement executed herewith as  
18 a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform  
19 Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate  
20 to perfect the security interest granted hereunder. Any party may file this agreement, the recording supplement executed  
21 herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a  
22 financing statement with the proper officer under the Uniform Commercial Code.

23 Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to  
24 the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security  
25 interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or  
26 under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement,  
27 whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject  
28 to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder  
29 whether or not such obligations arise before or after such interest is acquired.

30 To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the  
31 Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code.  
32 The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an  
33 election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In  
34 addition, upon default by any party in the payment of its share of expenses, interests or fees, or upon the improper use  
35 of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect  
36 from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by  
37 such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount  
38 owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production  
39 may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the  
40 default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in  
41 this paragraph.

42 If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by  
43 Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the  
44 proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so  
45 paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each  
46 paying party may independently pursue any remedy available hereunder or otherwise.

47 If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure  
48 or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting  
49 party waives any available right of redemption from and after the date of judgment, any required valuation or appraisalment  
50 of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets  
51 and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party  
52 hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted  
53 hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable  
54 manner and upon reasonable notice.

55 Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien  
56 law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting  
57 the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or  
58 utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the  
59 payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

60 **C. Advances:**

61 Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other  
62 parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations  
63 hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an  
64 itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice  
65 for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month.  
66 Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and  
67 invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as  
68 provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end  
69 that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

70 **D. Defaults and Remedies:**

71 If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to  
72 make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for  
73 such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the  
74 remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered

1 only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator,  
2 and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator.  
3 Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified  
4 below or otherwise available to a non-defaulting party.

5 1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default,  
6 specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one  
7 or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such  
8 Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the  
9 default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of  
10 the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the  
11 Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area  
12 after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting  
13 party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right  
14 to receive information as to any operation conducted hereunder during the period of such default, the right to elect to  
15 participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being  
16 conducted under this agreement even if the party has previously elected to participate in such operation, and the right to  
17 receive proceeds of production from any well subject to this agreement.

18 2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint  
19 account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default  
20 until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from  
21 suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

22 3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the  
23 defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in  
24 which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a  
25 well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting  
26 party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with  
27 respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party,  
28 notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the  
29 non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

30 Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure  
31 its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such  
32 payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-  
33 defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the  
34 non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership  
35 of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

36 4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or  
37 Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting  
38 party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may  
39 be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of  
40 the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of  
41 drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the  
42 defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided  
43 in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining  
44 when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

45 5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial  
46 obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of  
47 collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

48 **E. Rentals, Shut-in Well Payments and Minimum Royalties:**

49 Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid  
50 by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties  
51 own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to  
52 make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper  
53 evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or  
54 minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which  
55 results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

56 Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to  
57 production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such  
58 action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of  
59 failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make  
60 timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article  
61 IV.B.3.

62 **F. Taxes:**

63 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all  
64 property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed  
65 thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as  
66 to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and  
67 Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being  
68 subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes  
69 resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to  
70 such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part  
71 upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to  
72 the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's  
73 working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner  
74 provided in Exhibit "C."

1 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner  
2 prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final  
3 determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes  
4 and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for  
5 the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be  
6 paid by them, as provided in Exhibit "C."

7 Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect  
8 to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

9 **ARTICLE VIII.**

10 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

11 **A. Surrender of Leases:**

12 The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole  
13 or in part unless all parties consent thereto.

14 However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written  
15 notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after  
16 delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a  
17 party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases  
18 described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or  
19 implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment which may be  
20 located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the  
21 assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not  
22 consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long  
23 thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B."  
24 Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore  
25 accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party  
26 shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained  
27 in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the  
28 reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased  
29 acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less  
30 the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less  
31 than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the  
32 assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the  
33 interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made  
34 varies according to depth, then the interest assigned shall similarly reflect such variances.

35 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering  
36 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage  
37 assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this  
38 agreement but shall be deemed subject to an Operating Agreement in the form of this agreement.

39 **B. Renewal or Extension of Leases:**

40 If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties  
41 shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease,  
42 promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following  
43 delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease  
44 affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost  
45 allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the  
46 parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an  
47 assignment of its proportionate interest therein by the acquiring party.

48 If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned  
49 by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in  
50 the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the  
51 purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto  
52 shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which  
53 less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating  
54 Agreement in the form of this agreement.

55 If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in  
56 renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

57 The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by  
58 the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the  
59 expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the  
60 existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time  
61 the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the  
62 expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this  
63 agreement.

64 The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.

65 **C. Acreage or Cash Contributions: Reserved.**

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1 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder,  
2 such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

3 **D. Assignment; Maintenance of Uniform Interest:**

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5 Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement  
6 and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and  
7 Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of  
8 the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale,  
9 encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the  
10 instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other  
11 disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect  
12 to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation  
13 conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security  
14 interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

15 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion,  
16 may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures,  
17 receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to  
18 bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-  
19 owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of  
20 the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale  
21 proceeds thereof.

22 **E. Waiver of Rights to Partition:**

23 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an  
24 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its  
25 undivided interest therein.

26 **ARTICLE IX.**

27 **INTERNAL REVENUE CODE ELECTION**

28 If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the  
29 parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each  
30 party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle  
31 "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and  
32 the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected  
33 such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal  
34 Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by  
35 Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this  
36 election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal  
37 Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action  
38 inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract  
39 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter  
40 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party  
41 hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each  
42 such party states that the income derived by such party from operations hereunder can be adequately determined without the  
43 computation of partnership taxable income.

44 **ARTICLE X.**

45 **CLAIMS AND LAWSUITS**

46 Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure  
47 does not exceed Ten Thousand Dollars (\$ 10,000 ) and if the payment is in complete settlement  
48 of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over  
49 the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling settling,  
50 or otherwise discharging such claim or suit shall be a the joint expense of the parties participating in the operation from which the  
51 claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations  
52 hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall  
53 immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.  
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**ARTICLE XI.  
FORCE MAJEURE**

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

**ARTICLE XII.  
NOTICES**

All notices authorized or required between the parties 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 such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, telex, telecopy or other facsimile within such period. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice.

**ARTICLE XIII.  
TERM OF AGREEMENT**

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

- Option No. 1:** So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.
- Option No. 2:** In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of 180 days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within 180 days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

**ARTICLE XIV.  
COMPLIANCE WITH LAWS AND REGULATIONS**

**A. Laws, Regulations and Orders:**

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

**B. Governing Law:**

**This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Kansas shall govern.**

**C. Regulatory Agencies:**

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or



1 orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or  
2 production of wells, on tracts offsetting or adjacent to the Contract Area.

3  
4 With respect to the operations hereunder, Non-Operators agree to release Operator from any and all losses, damages,  
5 injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation  
6 or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission  
7 or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not  
8 constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of  
9 production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such  
10 an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such  
11 incorrect interpretation or application.

12 **ARTICLE XV.**  
13 **MISCELLANEOUS**

14 **A. Execution:**

15 This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been  
16 executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of  
17 the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which  
18 own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have  
19 become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no  
20 event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this  
21 agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of  
22 drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease  
23 as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs  
24 hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds  
25 with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a  
26 current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the  
27 Initial Well which would have been charged to such person under this agreement if such person had executed the same and  
28 Operator shall receive all revenues which would have been received by such person under this agreement if such person had  
29 executed the same.

30 **B. Successors and Assigns:**

31 This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs,  
32 devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or  
33 Interests included within the Contract Area.

34 **C. Counterparts:**

35 This instrument may be executed in any number of counterparts, each of which shall be considered an original for all  
36 purposes.

37 **D. Severability:**

38 For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws,  
39 this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any party to  
40 this agreement to comply with all of its financial obligations provided herein shall be a material default.

41 **ARTICLE XVI.**  
42 **OTHER PROVISIONS**

43 **\*\*See attached.**

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

1 IN WITNESS WHEREOF, this agreement shall be effective as of the 1<sup>st</sup> day of March,  
2 2024.

3 This form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form  
4 Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or  
5 modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes, have  
6 been made to the form.

7 **OPERATOR**  
8 CYCLE OIL & GAS LTD

9 By 

10 MIKE MCLAREN, CEO

11 Title CEO

12 Date MARCH 1, 2024

13 Tax ID or S.S. No. 99-1084130

14 **NON-OPERATORS**

15 JULIET ROMEO INVESTMENTS, LLC

16 By 

17 JEFFREY S. ROBINSON

18 Title MANAGER

19 Date MARCH 1, 2024

20 Tax ID or S.S. No. -22249

**Exhibit "A"**  
**to Joint Operating Agreement dated MARCH 1, 2024 by and between**  
**CYCLE OIL & GAS LTD., as Operator, and the other Non-Operator signatory parties**  
**thereto**

I. Description of lands subject to this agreement:

- (i) The wells and lands described in Exhibit A-1 through A-3 hereto (collectively, "***Exhibit A1-2***");
- (ii) The lands covered by the oil, gas and mineral leases identified in Exhibit A1-1 attached hereto; and
- (iii) The wells described within any instrument identified and/or incorporated by reference in Exhibit A1-2 hereto.
- (iv) The interest in each well being conveyed/covered by this agreement.

II. Parties to agreement with addresses and telephone numbers for notice purposes:

OPERATOR:

**CYCLE OIL & GAS, LTD.**

Attention: Mr. MIKE MCLAREN

Telephone:

E-mail: mikem@cyclenrgy.com

NON-OPERATORS:

**JULIET ROMEO**  
**INVESTMENTS, LLC**

Attention: Mr. JEFFREY S.

ROBINSON

Telephone:

E-mail: jeffrob918@gmail.com

III. Percentages or fractional interests of parties to this agreement:

PARTY	CAPEX	LOE	WORKING INTEREST
CYCLE OIL & GAS, LTD. (OPERATOR)	0.0000%	0.0000%	0.0000%
JULIET ROMEO INVESTMENTS, LLC	VARIOUS	VARIOUS	VARIOUS

The percentages set forth above are the undivided fractional ownership share, of each party, respectively, of the parties' collective right, title and interest in and to the oil and gas leases, fee mineral interests, wells and associated equipment, and other property covered by this Operating Agreement within the Contract Area (as such term is defined in the Operating Agreement). In the event the parties determine that there are portions of the Contract Area and/or properties or assets therein where their collective interest is less than 8/8ths of the entire ownership of working interest and other interests in such area, properties and/or assets, in which cases it is understood that the percentages set forth above are proportionately reduced to the collective interest of the parties.

IV. Oil and Gas Leases, Wells, and/or Oil and Gas Interests subject to this agreement:

See lands in which interest is owned as Exhibit A-1 attached hereto, together the interests (leasehold or otherwise) of the parties.

**EXHIBIT A-1**

**ATTACHED HERETO AND MADE A PART HEREOF THAT CERTAIN JOINT OPERATING AGREEMENT, BY AND BETWEEN CYCLE OIL & GAS, LTD. AS OPERATOR AND JULIET ROMEO INVESTMENTS, LLC, AS NON-OPERATOR.**

**DESCRIPTION OF LANDS**  
**GREELEY COUNTY, KANSAS**

<b>ADAMS #1</b>	<b>All of Section 2, T17S, R40W</b>
<b>BARKER #1-10</b>	<b>SE/4 Section 10, T19S, R40W</b>
<b>BARR #1</b> <b>BARR #2-16</b>	<b>All of Section 16, T17S, R40W</b>
<b>BAUGHMAN "W"</b>	<b>E/2 SE/4 &amp; SW/4 SE/4 Section 19, T19S, R39W</b>  <b>NW/4 Section 29, SW/4 Section 29 &amp; NE/4 Section 31, T19S, R39W</b>
<b>BEARD #1</b>	<b>SE/4 Section 36, T20S, R41W</b>
<b>BOUNDS SWD</b>	<b>SW4 Section 13, T20S, R40W</b>
<b>BURSKE 'A' #1</b>	<b>Section 2, T20S, R40W</b>
<b>BURSKE #2</b>	<b>SE/4 Section 2, T20S, R40W</b>
<b>CAMPBELL #2-13</b>	<b>NE/4 Section 13, T19S, R41W</b>
<b>CAMPBELL #3-13</b>	<b>SE/4 Section 13, T19S, R41W</b>
<b>CHESTER #1-RCB</b> <b>CHESTER #2-RCB</b> <b>CHESTER #3-RCB</b> <b>CHESTER #4-RCB</b>	<b>SE/4 Section 19, T17S, R40W</b> <b>W2 E2 NE/4Section 19, T17S, R40W</b> <b>SW/4 Section 19, T17S, R40W</b> <b>NW/4 Section 19, T17S, R40W</b>
<b>CLIFT #1-17-RCB</b> <b>CLIFT #2-17-RCB</b>	<b>SE/4 Section 17, T17S, R40W</b> <b>SW/4 Section 17, T17S, R40W</b>
<b>CLIFT 'A' -1</b>	<b>West Side NW/4 &amp; NE/4 Section 17 &amp; N/2 SE/4 Section 33, T18S, R40W</b>

<b>CLIFT 'B'-1</b>	<b>W/2 &amp; SE/4 Section 34, T18S, R40W</b>
<b>CLIFT #1</b>	<b>Section 9, T19S, R40W</b>
<b>CLIFT 'A' #3-33</b>	<b>Section 33, T18S, R40W</b>
<b>CLIFT 'B' #3-34</b>	<b>SE/4 Section 34, T18S, R40W</b>
<b>DRAKE #1</b>	<b>NE/4 Section 27, T20S, R40W</b>
<b>DRAKE #3-27</b>	<b>NW SW/4 Section 27, T20S, R40W</b>
<b>EDMUN #2-17</b>	<b>E/4 Section 17, T19S, R40W</b>
<b>EDMUN #3-17</b>	<b>SE/4 Section 17, T19S, R40W</b>
<b>EDMUN #4-17</b>	<b>SW/4 Section 17, T19S, R40W</b>
<b>FECHT 'B'</b>	<b>All of Section 10, T19S, R40W</b>
<b>FECHT 'B' #2-10</b>	<b>SW/4 Section 10, T19, R40W</b>
<b>FECHT 'D' #1</b>	<b>NE/4, SW/4 Section 28, T18S, R40W</b>
<b>FERTIG #1-35</b>	<b>SW/4 Section 35, T19S, R40W</b>
<b>FISHMAN #1-RCB</b>	<b>SE/4 Section 8, T17S, R40W</b>
<b>FLOYD #2</b>	<b>E/2 &amp; SW/4 Section 24, T19S, R40W</b>
<b>FLOYD #3</b>	<b>Section 25, T19S, R40W</b>
<b>FLOYD 'A' #1</b>	<b>Section 15, T20S, R40W</b>
<b>FLOYD 'B' #1</b>	<b>All of Section 12, T19S, R41W</b>
<b>FLOYD 'A' #2-25</b>	<b>Section 25, T19S, R40W</b>
<b>FLOYD "A" #3-25</b>	<b>NW SW/4 Section 25, T19S, R40W</b>
<b>FOSTER #1-7</b>	<b>Section 7, T20S, R39W</b>
<b>FOSTER #2-7</b>	
<b>FOSTER #3-7</b>	
<b>GIB #1</b>	<b>NW NW NW/4 Section 28, T17S, R40W</b>

<b>GIBSON #1</b>	<b>E/2 NW/4 &amp; SW/4 Section 26, T17S, R40W</b>
<b>GIBSON #3-26</b>	<b>SW/4 Section 26, T17S, R40W</b>
<b>HARDING #1</b>	<b>Section 10, T20S, R40W</b>
<b>HARRIS 'A' #1</b> <b>HARRIS 'A' #2</b>	<b>Section 15, T20S, R40W</b>
<b>HOFFMAN #1</b> <b>R40W</b>	<b>N/2 &amp; SW/4 &amp; SE/4 Section 24, T18S,</b>
<b>HOFFMAN #32-1</b>	<b>SW/4 Section 30; N/2 Section 31;SE/4</b> <b>Section 31 &amp; SW/4 Section 32, T18S, R40W</b>
<b>HOPPE #1</b> <b>R40W</b>	<b>E/2 Section 10; W/2 Section 11, T17S,</b>
<b>HOUSEHOLDER GAS UNIT</b>	<b>Section 28, T20S, R40W</b>
<b>HOUSEHOLDER #2</b>	<b>Section 28, T20S, R40W</b>
<b>HOUSEHOLDER #1-29</b>	<b>SE/4 Section 29, T20S, R40W</b>
<b>HOUSEHOLDER #2-29</b>	<b>NE/4 Section 29, T20S, R40W</b>
<b>HOUSEHOLDER #3-29</b>	<b>SW/4 Section 29, T20S, R40W</b>
<b>HUNT #1-RCB</b> <b>HUNT #2-RCB</b>	<b>NE/4 Section 20, T17S, R40W</b> <b>SW/4 Section 20, T17S, R40W</b>
<b>JOY #1</b>	<b>Section 6, T20S, R39W</b>
<b>KAEBERLE #1</b>	<b>S/2 Section 36, T16S, R40W</b>
<b>KUDER</b>	<b>All of Section 1, T18S, R40W</b>
<b>KUTTLER 'A'</b>	<b>S/2 Section 28; SE/4 Section 29 &amp; NE/4</b> <b>Section 32, T19S, R39W</b>
<b>KUTTLER 'B'</b>	<b>S/2 Section 33; NE/4 &amp; SW/4 Section 4,</b> <b>T19S, R39W</b>

<b>KUTTLER 'D'</b>	<b>N/2 &amp; SW/4 Section 20; NE/4 Section 19, T19S, R39W</b>
<b>KUTTLER 'E'</b>	<b>SE/4 Section 20; N/2 Section 28; NE/4 Section 29, T19S, R39W</b>
<b>KUTTLER 'F'</b>	<b>N/2 SW/4 &amp; NW/4 SE/4 Section 19 &amp; SW/4 Section 18, T19S, R39W</b>
<b>KUTTLER 'G'</b> <b>26,</b>	<b>NW/4 &amp; SW/4 Section 29 &amp; NE/4 Section T19S, R39W</b>
<b>KUTTLER 'H'</b>	<b>NW/4 Section 29, T19S, R39W</b>
<b>KUTTLER #2-SWD</b> <b>Section 29,</b>	<b>Tract of Land 200' by 200' in the SE/4, T19S, R39W</b>
<b>LEE #1-27</b>	<b>NE/4 and W/2 Section 27, R17S, R40W</b>
<b>LEE #3-27</b>	<b>NE/4 Section 27, T17S, R40W</b>
<b>MARG HUNT #1</b> <b>MARG HUNT #2</b>	<b>NW/4 Section 21, T17S, R40W W2 SW/4 Section 21, T17S, R40W</b>
<b>MARVEL #1-A</b>	<b>NE/4 &amp; SW/4 SECTION 20, T20S, R40W</b>
<b>MILLER # A2-23</b> <b>MILLER # A3-23</b>	<b>NE/4 Section 23, T20S, R40W</b>
<b>MONROE #1-4</b> <b>MONROE #2-4</b>	<b>Section 4, T18S, R40W</b>
<b>NICKELSON #1-4</b>	<b>NE/4 Section 4, T20S, R39W</b>
<b>NICKELSON #2</b>	<b>NE/4 &amp; SW/4 Section 4, T20S, R39W</b>
<b>PONCIN</b>	<b>N2 &amp; SW/4 Section 5, &amp; SE/4 Section 6, T19S, R40W</b>
<b>PRINGLE 'A' #1</b>	<b>S/2 Section 25, T18S, R40W</b>
<b>PRINGLE 'A' #2</b>	<b>NW/4 Section 26, T18S, R40W</b>



<b>PRINGLE 'C' #1</b>	<b>S/2 of N/2 and S/2 Section 30, T18S, R39W</b>
<b>PRINGLE 'A' 4-25</b>	<b>Section 25, T18S, R40W</b>
<b>PRINGLE RANCH</b>	<b>NE/4 Section 26, T18S, R40W &amp; SW/4 Section 2, T19S, R40W</b>
<b>RAUCH</b>	<b>NW/4 NW/4 Section 8, T18S, R39W</b>
<b>RICHARDSON ESTATE #1</b>	<b>Section 13, T19S, R40W</b>
<b>ROE #1-RCB</b>	<b>NW/4 Section 29, T17S, R40W</b>
<b>ROE #2-RCB</b>	<b>SESW/4 Section 29, T17S, R40W</b>
<b>ROE #3-RCB</b>	<b>NE NW NE/4 Section 29, T17S, R40W</b>
<b>ROSS #2</b>	<b>All of Section 5, T18S, R39W</b>
<b>ROSS #3</b>	<b>All of Section 6, T18S, R39W</b>
<b>ROSS #5</b>	<b>SW SW/4 Section 5, T18S, R39W</b>
<b>SANDIFER 'A'</b>	<b>N/2 Section 33, T19S, R39W</b>
<b>SANDIFER 'A' #2</b>	<b>S/2 SEC 34, N/2 SEC 33, T19S-R39W</b>
<b>SELL#1-9</b>	<b>S/2 Section 9, T18S, R40W</b>
<b>SELL 'A' #1</b>	<b>Section 3, T19S, R40W</b>
<b>SELL 'A' #2-3</b>	<b>Section 3, T19S, R40W</b>
<b>SELL 'B' #1</b>	<b>All of Section 3, T17S, R40W</b>
<b>SIBYL #1</b>	<b>S/2 SE/4 SECTION 19, T19S, R39W NE/4 SE/4 SECTION 19, T19S, R39W W/2 SECTION 29, T19S, R39W NW/4 NW/4 SECTION 32, T19S, R39W NE/4 SECTION 31, T19S, R39W</b>
<b>SLEIGH #1-1</b>	<b>NW NW/4 Section 1, T17S, R40W</b>
<b>SLEIGH #2-1</b>	<b>NE/4 Section 1, T17S, R40W</b>
<b>THOMPSON #1</b>	<b>All of Section 32, T20S, R40W</b>
<b>V-HILL #1-11 SWD</b>	<b>SW/4 Section 11, T19S, R40W</b>

<b>VESTER</b>	<b>SW/4 Section 1; E/2 Section 11;SW/4 Section 12, T17S, R40W</b>
<b>WALLACE #3-22</b>	<b>NW/4 Section 22, T20S, R40W</b>
<b>WATSON #1</b>	<b>SW/4 &amp; NW/4 Section 17, T20S, R39W</b>
<b>WATSON FARMS</b>	<b>SW/4 &amp; NE/4 Section 19, T20S, R39W</b>
<b>WATSON FARMS #2</b>	<b>SW/4 Section 19, T20S, R39W</b>
<b>WATSON 'E' #2-H</b> <b>WATSON 'E' #3</b>	<b>Section 12, T20S, R40W</b>
<b>WEAR #1</b>	<b>E/2 SECTION 15, T17S, R40W</b>
<b>WEAR #2</b>	<b>NE/4 SECTION 15, T17S, R40W</b>
<b>WEAR #1-RCB</b>	<b>SW/4 Section 30, T17S, R40W</b>
<b>WEAR #2-RCB</b>	<b>NE/4 Section 30, T17S, R40W</b>
<b>WEAR #3-RCB</b>	<b>SE NW/4 Section 30, T17S, R40W</b>
<b>WEAR #4-RCB</b>	<b>NW NW NW/4 Section 30, T17S, R40W</b>
<b>WEAR 'B' #1</b>	<b>NW/4 &amp; NE/4 &amp; S/2 Section 25, T17S, R40w</b>
<b>WINEINGER #1</b>	<b>NW/4 Section 35, T19S, R40W</b>
<b>WINEINGER #3-35</b>	<b>NE/4 Section 35, T19S, R40W</b>
<b>WOODS #1-RCB</b>	<b>E2 NE SE/4 Section 4, T17S, R40W</b>
<b>WATSON FARMS #1-A</b>	<b>Section 8, T20 S, R39 W;</b>
<b>WATSON FARMS #2,</b>	<b>NW/4, Section 19, T20 S, R39 W, &amp; The SE/4, Section 19, T20 S, R39W, &amp; The SE/4, Section 20, T20S, R39W</b>
<b>ANGELL #2 &amp; ANGELL #2A</b>	<b>Section 5, T20S, R39W</b>
<b>REXFORD #1</b>	<b>E/2 &amp; NW/4, Section 30, T20S, R39W, &amp; SE/4 OF Section 36, T20S, R39W</b>
<b>REXFORD #2</b>	<b>N/2 of Section 29, T20S, R39W, &amp; N/2 Of Section 28, T20S, R39W</b>

<b>KUTTLER #1</b>	<b>Section 4, T20S, R39W</b>
<b>LILJEGREN #1 &amp; STEPHENS #2-15</b>	<b>480 Acres being the N/2 &amp; SW/4 Of Section 15, T19S, R40W</b>
<b>WEST #1</b>	<b>Section 28, T19S, R40W</b>
<b>SPEARS #2</b>	<b>E/2 &amp; NW/4, Section 5, T20S, R40W, &amp; NE/4 Of Section 7, T20S, R40W</b>
<b>WINEINGER #1</b>	<b>Section 34, T19S, R40W</b>
<b>WINEINGER #2</b>	<b>Section 33, T20S, R40W</b>
<b>SPEARS #3</b>	<b>Section 14, T20S, R40W</b>
<b>KEIFER #1</b>	<b>N/2 &amp; SE/4, Section 6, T17S, R39W, &amp; NE/4 Section 7, T17S, R39W</b>
<b>BRUNSWIG #1</b>	<b>NE/4 &amp; SE/4 Of Section 12, T17S, R40W &amp; the S/2 Of Section 7, T17S, R39W</b>
<b>WEAR TRUST #1</b>	<b>E/2 Of Section 10, T17S, R39W, &amp; W/2 Section 14, T17S, R40 W;</b>
<b>BANBURY #1</b>	<b>NW/4 Of Section 7, T17S, R39W, &amp; E/2 Of Section 8, T17S, R39W, &amp; NW/4 Section 10, T17S, R39W</b>

**DESCRIPTION OF LANDS**  
**HAMILTON COUNTY, KANSAS**

<b>BANBURY #2</b>	<b>All of Section 31, T21S, R40W</b>
<b>BOLTZ #1</b>	<b>All of Section 1, T24S, R41W</b>
<b>BOLTZ #2</b>	<b>SE/4 NE/4 Section 1, T24S-R41W</b>

<b>BOLTZ #3</b>	<b>SE NE SW Section 1, T-24S-41W</b>
<b>BOLTZ SWD</b>	<b>SE/4 SE/4 Section 1, T24S, R41W</b>
<b>BRADDOCK #1</b>	<b>Section 34, T22S, R40W</b>
<b>BUCK #1-13</b>	<b>E/2 Section 3, T23S, R40W</b>
<b>BUCK #2-13</b>	<b>E/2 Section 3, T23S, R40W</b>
<b>CLETUS #1</b>	<b>SE/4 Section 20, T21S, R41W</b>
<b>DALENE #1</b>	<b>Section 7, T22S, R41W</b>
<b>DIKEMAN #1</b>	<b>W/2 Section 15, T22S, R40W</b>
<b>DIKEMAN #2</b>	<b>Section 1, T23S, R40W</b>
<b>DOTTS #1</b>	<b>All of Section 28, T23S, R40W</b>
<b>DOYLE #1</b>	<b>W/2 Section 21, T23S, R41W</b>
<b>DOYLE #2</b>	<b>N/2 SW/4 Section 21, T23S, R41W</b>
<b>EARL #1</b>	<b>Section 23, T212S, R40W</b>
<b>ELDON #1</b>	<b>NE/4 Sec. 12, T23S, R41W And SW/4 Section 7, T23S, R40W</b>
<b>ELSIE #1</b>	<b>NW/4 Section 3, T23S, R40W</b>
<b>GEORGE #1</b>	<b>S/2 and NE/4 Section 1, T22S, R42W</b>
<b>GEORGE #2</b>	<b>SE/4 Section 1, T22S, R42W</b>
<b>HATCHER CATTLE CO.</b>	<b>All of Section 22, T22S, R42W</b>
<b>HAZLETT #1</b>	<b>Section 22, T21S, R41W</b>
<b>HAZLETT#2</b>	
<b>HCU 0831-B</b>	<b>Section 8, T23S, R41W</b>
<b>HEGER SWD</b>	<b>SE/4 Section 19, T23S, R41W</b>
<b>HENRY #1</b>	<b>All of Section 15, T23S, R40W</b>
<b>HENRY #2</b>	

<b>HERRMANN #1</b>	<b>E/2 Section 9, T23S, R40W;NW/4 &amp; SW/4 Section 10, T23S, R40W</b>
<b>HERRMANN ‘A’</b>	<b>SW/4 Section 24, T23S, R40W</b>
<b>HILL #1 R40W HILL #2</b>	<b>SE/4 Section 10 &amp;SW/4 Section 11, T22S, Section 5, T23S, R40W</b>
<b>JANTZ #1</b>	<b>Section 5, T23S, R40W</b>
<b>JANTZ PIPELINE</b>	
<b>JOHNSON #1-‘A’</b>	<b>Section 12, T24S, R41W</b>
<b>LESSER #1</b>	<b>All of Section 23, T21S, R41W</b>
<b>LESSER #3-SWD</b>	<b>NE/4 Section 23, T21S, R41W</b>
<b>LEWIS #1</b>	<b>SW/4 Section 7, T20S, R40W</b>
<b>LEWIS #2</b>	<b>SE/4 Section 7, T22S, R41W</b>
<b>LIVINGSTON #1</b>	<b>All of Section 16, T23S, R40W</b>
<b>LIVINGSTON #1-A</b>	<b>NW/4 Section 16, T23S, R40W</b>
<b>LIVINGSTON #2</b>	<b>All of Section 8, T23S, R40W</b>
<b>LIVINGSTON #4</b>	<b>N/2 SE/4 Section 8, T23S, R40W</b>
<b>LIVINGSTON SWD</b>	<b>N/2 Section 16, T23S, R40W</b>
<b>LOIS #1</b>	<b>NE/4 Section 10, T22S, R40W</b>
<b>MAI</b>	<b>Section 8, T23S, R41W</b>
<b>MARIE #1</b>	<b>SE/4 Section 7, T23S, R40W And the NW/4 Section 7, T23S, R40W SE/4 Section 2, T23S, R41W</b>
<b>MUNCIE #1</b>	<b>NW/4 Section 8, T23S, R40W SE/4 Section 33, T23S, R40W</b>
<b>PARSONS #1</b>	<b>All of Section 27, T23S, R41W</b>

**PARSONS #2**

**SIMON #1-12  
SIMON #2-12**

**SW/4 & W/2 SE/4 Section 23, T22S, R40W  
NW/4 & N/2 SW/4 Section 12, T23S,  
R41W**

**SINSABAUGH #1**

**N/2 Section 17, T23S, R41W  
S/2 Section 17, T23S, R41W**

**SINSABAUGH #2**

**SE/4 Section 17, T23S, R41W**

**SUERTE #1**

**Section 20, T23S, R41W**

**SUGAR #1**

**NW/4 Section 18, T23S, R39W  
NW/4 Section 24, T23S, R40W**

**TATE #1**

**Section 27, T24S. R41W**

**VIRGINIA #1**

**SW/2 Section 5 and SE/4 Section 6, T21S,  
R40W**

**WHITE #1**

**E/2 Section 7, T23S, R40W**

**WILCOX #1**

**Section 34, T22S, R40W**

**YODER #1**

**NW/4 Section 34, T22S, R40W &  
W/2 Section 24, T22S, R40W**

**EXHIBIT A-2  
WELL LIST**

**ATTACHED HERETO AND MADE A PART HEREOF THAT CERTAIN JOINT OPERATING AGREEMENT, BY AND BETWEEN AMERICAN STAR ENERGY SERVICES, LLC AS OPERATOR AND JULIET ROMEO INVESTMENTS, LLC AS NON-OPERATOR.**

WELL NAME	COUNTY	STATE	API #
ADAMS #1 1	GREELEY	KS	15-071-20107-0000
BARR 1	GREELEY	KS	15-071-20085-0000
BARR 2-16	GREELEY	KS	15-071-20791-0000
BAUGHMAN W 1	GREELEY	KS	15-071-20225-0000
BEARD 1 1	GREELEY	KS	15-071-20040-0000
BOLTZ 2	HAMILTON	KS	15-075-20612-0000
BOLTZ 3	HAMILTON	KS	15-075-20753-0000
BRADDOCK 1	HAMILTON	KS	15-075-20816-0000
BRUNSWIG 1	GREELEY	KS	15-071-20284-0000
BURSKE 2	GREELEY	KS	15-071-20659-0000
CAMPBELL 3-13	GREELEY	KS	15-071-20836-0000
CHESTER 1	GREELEY	KS	15-071-20087-0000
CHESTER 3	GREELEY	KS	15-071-20833-0000
CHESTER 4	GREELEY	KS	15-071-20846-0000
CLETUS 1	HAMILTON	KS	15-075-20746-0000
CLIFT 2	GREELEY	KS	15-071-20774-0000
CLIFT A 1A	GREELEY	KS	15-071-20098-0000
CLIFT A 3-33	GREELEY	KS	15-071-20796-0000
DALENE 1	HAMILTON	KS	15-075-20695-0000
DIKEMAN 1	HAMILTON	KS	15-075-20668-0000
DIKEMAN 2	HAMILTON	KS	15-075-20668-0000
DRAKE 3-27	GREELEY	KS	15-071-20804-0000
EDMAN 4-17	GREELEY	KS	15-071-20820-0000
ELSIE 1	HAMILTON	KS	15-075-20806-0000
FECHT B #1 1B	GREELEY	KS	15-071-20083-0000
FERTIG 1-35	GREELEY	KS	15-071-20827-0000
FISHMAN #1 1	GREELEY	KS	15-071-20204-0000
FLOYD 2	GREELEY	KS	15-071-20455-0000
FLOYD 3	GREELEY	KS	15-071-20675-0000
FLOYD A 3-25	GREELEY	KS	15-071-20788-0000
FLOYD B 1	GREELEY	KS	15-071-20086-0000
FOSTER #1 1	GREELEY	KS	15-071-20136-0000
FOSTER 3-7	GREELEY	KS	15-071-20805-0000

GEORGE 1	HAMILTON	KS	15-075-20641-0000
GIBSON #1 1	GREELEY	KS	15-071-20106-0000
HARDING #1 1	GREELEY	KS	15-071-20076-0000
HARRIS A #1 1A	GREELEY	KS	15-071-20067-0000
HATCHER CATT #1 1	HAMILTON	KS	15-075-20259-0000
HAZLETT #1 1	HAMILTON	KS	15-075-20568-0000
HAZLETT 2	HAMILTON	KS	15-075-20634-0000
HCU 831 B	HAMILTON	KS	15-075-20682-0000
HERMANN 1	HAMILTON	KS	15-075-20704-0000
HILL 1	HAMILTON	KS	15-075-20699-0000
HILL 2	HAMILTON	KS	15-075-20744-0000
HUNT 2	GREELEY	KS	15-071-20772-0000
JANTZ 1	HAMILTON	KS	15-075-20603-0000
JOHNSON 1A	HAMILTON	KS	15-075-20672-0000
KUTTLER 1	GREELEY	KS	15-071-20299-0000
KUTTLER A 1	GREELEY	KS	15-071-20224-0000
KUTTLER B 1	GREELEY	KS	15-071-20231-0000
KUTTLER E 1	GREELEY	KS	15-071-20240-0000
KUTTLER G 1	GREELEY	KS	15-071-20753-0000
LEWIS 1	HAMILTON	KS	15-075-20669-0000
LEWIS 2	HAMILTON	KS	15-075-20737-0000
LIVINGSTON 1A	HAMILTON	KS	15-075-20646-0000
LIVINGSTON 4	HAMILTON	KS	15-075-20683-0000
MARG HUNT 1	GREELEY	KS	15-071-20081-0000
MARG HUNT 2	GREELEY	KS	15-071-20771-0000
MARIE 1	HAMILTON	KS	15-075-20605-0000
MILLER A 2-23	GREELEY	KS	15-071-20734-0000
MONROE 1	GREELEY	KS	15-071-20185-0000
NICKELSON 1-4	GREELEY	KS	15-071-20617-0000
NICKELSON 2	GREELEY	KS	15-071-20731-0000
PARSONS 01 1	HAMILTON	KS	15-075-20299-0000
PRINGLE A #1 1A	GREELEY	KS	15-071-20137-0000
PRINGLE A2	GREELEY	KS	15-071-20716-0000
PRINGLE C #1 1C	GREELEY	KS	15-071-20147-0000
PRINGLE RANCH 1	GREELEY	KS	15-071-20704-0000
ROE #1 1	GREELEY	KS	15-071-20088-0000
ROE 3	GREELEY	KS	15-071-20773-0000
SANDIFER 2	GREELEY	KS	15-071-20752-0000
SANDIFER A 1	GREELEY	KS	15-071-20379-0000
SELL A 2-3	GREELEY	KS	15-071-20821-0000
SIBYL 1	GREELEY	KS	15-071-20646-0000



SIMON 1-12	HAMILTON	KS	15-075-20714-0000
SINSABAUGH 2	HAMILTON	KS	15-075-20661-0000
SLEIGH 1	GREELEY	KS	15-071-20153-0000
SLEIGH 2-1	GREELEY	KS	15-071-20793-0000
SPEAR 2	GREELEY	KS	15-071-20246-0000
SUERTE 1	HAMILTON	KS	15-075-20665-0000
SUGAR 1	HAMILTON	KS	15-075-20793-0000
TATE 1	HAMILTON	KS	15-075-20671-0000
THOMPSON 1 1	GREELEY	KS	15-071-20036-0000
VIRGINIA 1	HAMILTON	KS	15-075-20743-0000
WATSON FARMS 1	GREELEY	KS	15-071-20358-0000
WATSON FARMS 1-A	GREELEY	KS	15-071-20812-0000
WATSON FARMS 2	GREELEY	KS	15-071-20711-0000
WEAR 1	GREELEY	KS	15-071-20693-0000
WEAR 2	GREELEY	KS	15-071-20730-0000
WEAR 2	GREELEY	KS	15-071-20775-0000
WEAR 3	GREELEY	KS	15-071-20844-0000
WEAR 4	GREELEY	KS	15-071-20845-0000
WEAR B #1 B-1	GREELEY	KS	15-071-20112-0000
WEAR TRUST 1	GREELEY	KS	15-071-20283-0000
WHITE 1	HAMILTON	KS	15-075-20606-0000
WINEINGER 3-35	GREELEY	KS	15-071-20802-0000
WOOD 01 1	HAMILTON	KS	15-075-20147-0000
YODER 1	HAMILTON	KS	15-075-20815-0000
ANGELL 2 NP	GREELEY	KS	15-071-20700-0000
BANBURY 1 NP	GREELEY	KS	15-071-20278-0000
BANBURY 2 NP	HAMILTON	KS	15-075-20792-0000
CAMPBELL 2-13 NP	GREELEY	KS	15-071-20803-0000
CHESTER 2 NP	GREELEY	KS	15-071-20776-0000
CLIFT #1 NP	GREELEY	KS	15-071-20079-0000
CLIFT 1 NP	GREELEY	KS	15-071-20103-0000
EARL 1 NP	HAMILTON	KS	15-075-20745-0000
EDMUN 3-17 NP	GREELEY	KS	15-071-20728-0000
ELDON 1 NP	HAMILTON	KS	15-075-20602-0000
FECHT D #1 D-1 NP	GREELEY	KS	15-071-20109-0000
FOSTER 2-7 NP	GREELEY	KS	15-071-20600-0000
GEORGE 2 NP	HAMILTON	KS	15-075-20735-0000
GIBSON 3-26 NP	GREELEY	KS	15-071-20735-0000
HENRY 1 NP	HAMILTON	KS	15-075-20775-0000
HENRY 2 NP	HAMILTON	KS	15-075-20775-0000
HERMANN A 1 NP	HAMILTON	KS	15-075-20783-0000

HOFFMAN 1-32 NP	GREELEY	KS	15-071-20357-0000
HOUSEHOLDER 2 NP	GREELEY	KS	15-071-20664-0000
KUTTNER H 1 NP	GREELEY	KS	15-071-20755-0000
LEE #1 1 NP	GREELEY	KS	15-071-20150-0000
LEE 3-27 NP	GREELEY	KS	15-071-20790-0000
LESSER 1 NP	HAMILTON	KS	15-075-20652-0000
LILJEGREN 1 NP	GREELEY	KS	15-071-20213-0000
LIVINGSTON 2 NP	HAMILTON	KS	15-075-20150-0000
LOIS 1 NP	HAMILTON	KS	15-075-20733-0000
MAI 1 NP	HAMILTON	KS	15-075-20709-0000
MUNCIE 1 NP	HAMILTON	KS	15-075-20667-0000
PARSONS 2 NP	HAMILTON	KS	15-075-20732-0000
PONCIN NP	GREELEY	KS	15-071-20318-0000
PRINGLE A 4-25 NP	GREELEY	KS	15-071-20799-0000
RAUCH 1 NP	GREELEY	KS	15-071-20212-0000
ROE #2 2 NP	GREELEY	KS	15-071-20269-0000
ROSS 2 NP	GREELEY	KS	15-071-20172-0000
ROSS 5 NP	GREELEY	KS	15-071-20756-0000
SELL A-1 1A NP	GREELEY	KS	15-071-20084-0000
SIMON 2-12 NP	HAMILTON	KS	15-075-20721-0000
SINSABAUGH 1 NP	HAMILTON	KS	15-075-20596-0000
SPEARS 3 NP	GREELEY	KS	15-071-20484-0000
STEPHENS 2-15 NP	GREELEY	KS	15-071-20789-0000
VESTER 1 NP	GREELEY	KS	15-071-20154-0000
WATSON 1 NP	GREELEY	KS	15-071-20656-0000
WEST 1 NP	GREELEY	KS	15-071-20180-0000
WINEGARD 2 NP	GREELEY	KS	15-071-20216-0000
WINEINGER 1 NP	GREELEY	KS	15-071-20032-0000
ANGELL 2-A	GREELEY	KS	15-071-20811-0000
BARKER 1-10	GREELEY	KS	15-071-20840-0000
BOLTZ 1	HAMILTON	KS	15-075-20031-0000
BUCK 1-3	HAMILTON	KS	15-075-20727-0000
BUCK 2-3	HAMILTON	KS	15-075-20747-0000
BURSKE 1	GREELEY	KS	15-071-20141-0000
CLIFT B 1B	GREELEY	KS	15-071-20102-0000
CLIFT B 3-34	GREELEY	KS	15-071-20822-0000
DOTTS 1	HAMILTON	KS	15-075-20098-0000
DOYLE 2	HAMILTON	KS	15-075-20620-0000
EDMUN 2-17	GREELEY	KS	15-071-20715-0000
FECHT B 2-10	GREELEY	KS	15-071-20597-0000
FLOYD 2-25	GREELEY	KS	15-071-20598-0000

FLOYD A 1A	GREELEY	KS	15-071-20047-0000
GIBB 1	GREELEY	KS	15-071-20151-0000
HOFFMAN 1	GREELEY	KS	15-071-20177-0000
HOPPE #1 1	GREELEY	KS	15-071-20145-0000
HOUSEHOLDER 3-29	GREELEY	KS	15-071-20807-0000
JOY 1	GREELEY	KS	15-071-20733-0000
KAEBERLE 1	GREELEY	KS	15-071-20749-0000
KIEFER 1	GREELEY	KS	15-071-20277-0000
KUDER 1	GREELEY	KS	15-071-20116-0000
KUTTNER D 1	GREELEY	KS	15-071-20238-0000
KUTTNER F1	GREELEY	KS	15-071-20378-0000
LIVINGSTON 1	HAMILTON	KS	15-075-20146-0000
MONROE 2-4H	GREELEY	KS	15-071-20706-0000
REXFORD 1	GREELEY	KS	15-071-20350-0000
REXFORD 2	GREELEY	KS	15-071-20352-0000
RICHARD EST 1	GREELEY	KS	15-071-20065-0000
ROSS 3	GREELEY	KS	15-071-20205-0000
SELL 1-9 A1	GREELEY	KS	15-071-20176-0000
SELL B-1 B-1	GREELEY	KS	15-071-20110-0000
WALLACE 3-22	GREELEY	KS	15-071-20777-0000
WEAR #1 1	GREELEY	KS	15-071-20093-0000
WILCOX 1	HAMILTON	KS	15-075-20705-0000
BOUNDS 2 SWD	GREELEY	KS	15-071-20217-0000
BRUNSWIG 18 SWD	GREELEY	KS	15-071-20217-0000
COAKES #7 1 SWD	GREELEY	KS	15-071-20217-0000
HEGER 1 SWD	GREELEY	KS	15-071-20217-0000
HOFFMAN 2-H SWD	GREELEY	KS	15-071-20217-0000
KUTTNER A2D SWD	GREELEY	KS	15-071-20217-0000
LESSER 1 SWD	GREELEY	KS	15-071-20217-0000
LIVINGSTON 3 SWD	GREELEY	KS	15-071-20217-0000
V HILL 1 SWD	GREELEY	KS	15-071-20217-0000

## EXHIBIT "B"

### FORM OF LEASE

Attached to and made part of that certain Operating Agreement between CYCLE OIL & GAS LTD., as Operator, and JULIET ROMEO INVESMENTS, LLC., as Non-Operators.

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

### OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between \_\_\_\_\_

Lessor (whether one or more), whose address is:

and  
Lessee, WITNESSETH:

1. Lessor, in consideration of \_\_\_\_\_ Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, employee houses and other structures on said land, necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land," is located in the County of \_\_\_\_\_, State of \_\_\_\_\_, and is described as follows:

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain \_\_\_\_\_ acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of \_\_\_\_\_ three (3) years from the date hereof, hereinafter called "primary term," and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, one-eighth of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay Lessor on all other minerals mined and marketed or utilized by Lessee from said land, one-tenth either in kind or value at the well or mine at Lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, Lessee shall pay or tender, by check or draft of Lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in the

Bank at \_\_\_\_\_, or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that Lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this lease with any other land covered by this lease, and/ or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 80 surface acres, plus 10% acreage tolerance; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 640 surface acres plus 10% acreage tolerance, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by Lessee at any time and from time to time while this lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted upon said land under this lease. There shall be allocated to the land covered by this lease within each such unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including, without limitation, any shut-in royalty which may become payable under this lease) between parties owning interests in land covered

by this lease and parties owning interests in land not covered by this lease. Neither shall it impair the right of Lessee to release as provided in paragraph 5 hereof, except that Lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph 4 with consequent allocation of production as herein provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

5. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations, as to the released acreage or interest.

6. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from Lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the Lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to Lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by Lessor or Lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may, nevertheless pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but Lessor agrees that Lessee shall have the right at any time to pay or reduce same for Lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to Lessor and/or assigns under this lease. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. Lessee is hereby given the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term hereof. This option may be exercised by Lessee at any time during the original primary term by paying the sum of

Dollars (\$) per acre to Lessor or to the credit of Lessor in the depository named above (which bank and its successors are Lessor's agents and shall continue as the depository regardless of changes in ownership of said land). This payment shall be based upon the number of net mineral acres then covered by this lease and not at such time being maintained by other provisions hereof. This payment may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank at any time during the original primary term hereof. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment until thirty (30) days after Lessor's delivery to Lessee of a proper recordable instrument naming another bank as agent to receive such payment. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of years.

\_\_\_\_\_  
\_\_\_\_\_  
LESSOR SS. OR TAX I.D. NO.

\_\_\_\_\_  
\_\_\_\_\_  
LESSOR SS. OR TAX I.D. NO.

**ACKNOWLEDGEMENT**

STATE OF  
COUNTY OF

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_,

\_\_\_\_\_  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

STATE OF  
COUNTY OF

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by \_\_\_\_\_,

\_\_\_\_\_  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

## EXHIBIT "C" ACCOUNTING PROCEDURE JOINT OPERATIONS

1 Attached to and made part of that certain Operating Agreement by and between CYCLE OIL & GAS LTD. as Operator, and JULIET ROMEO  
2 INVESTMENTS, LLC as Non-Operator  
3  
4  
5

### I. GENERAL PROVISIONS

6  
7  
8 **IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING "ALTERNATIVE" PROVISIONS, OR SELECT ALL THE**  
9 **COMPETING "ALTERNATIVE" PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE**  
10 **BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.**

11  
12 **IN THE EVENT THAT ANY "OPTIONAL" PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE**  
13 **PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT**  
14 **FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT**  
15 **OF THE PARTIES IN SUCH EVENT.**

#### 1. DEFINITIONS

16  
17  
18 All terms used in this Accounting Procedure shall have the following meaning, unless otherwise expressly defined in the Agreement:

19  
20  
21 **"Affiliate"** means for a person, another person that controls, is controlled by, or is under common control with that person. In this  
22 definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities  
23 of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) "person" means an  
24 individual, corporation, partnership, trust, estate, unincorporated organization, association, or other legal entity.

25  
26 **"Agreement"** means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting  
27 Procedure is attached.

28  
29 **"Controllable Material"** means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified  
30 in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

31  
32 **"Equalized Freight"** means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest  
33 Railway Receiving Point to the property.

34  
35 **"Excluded Amount"** means a specified excluded trucking amount most recently recommended by COPAS.

36  
37 **"Field Office"** means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is  
38 to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable  
39 field personnel.

40  
41 **"First Level Supervision"** means those employees whose primary function in Joint Operations is the direct oversight of the Operator's  
42 field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may  
43 include, but are not limited to:

- 44  
45 • Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance,  
46 construction, well remedial work, equipment movement and drilling
- 47 • Responsibility for day-to-day direct oversight of rig operations
- 48 • Responsibility for day-to-day direct oversight of construction operations
- 49 • Coordination of job priorities and approval of work procedures
- 50 • Responsibility for optimal resource utilization (equipment, Materials, personnel)
- 51 • Responsibility for meeting production and field operating expense targets
- 52 • Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental  
53 part of the supervisor's operating responsibilities
- 54 • Responsibility for all emergency responses with field staff
- 55 • Responsibility for implementing safety and environmental practices
- 56 • Responsibility for field adherence to company policy
- 57 • Responsibility for employment decisions and performance appraisals for field personnel
- 58 • Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group  
59 or team leaders.

60  
61 **"Joint Account"** means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be  
62 shared by the Parties, but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

63  
64 **"Joint Operations"** means all operations necessary or proper for the exploration, appraisal, development, production, protection,  
65 maintenance, repair, abandonment, and restoration of the Joint Property.  
66

1       **“Joint Property”** means the real and personal property subject to the Agreement.

2  
3       **“Laws”** means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other  
4 governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions  
5 contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted,  
6 promulgated or issued.

7  
8       **“Material”** means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

9  
10       **“Non-Operators”** means the Parties to the Agreement other than the Operator.

11  
12       **“Offshore Facilities”** means platforms, surface and subsea development and production systems, and other support systems such as oil and  
13 gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping,  
14 heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of  
15 offshore operations, all of which are located offshore.

16  
17       **“Off-site”** means any location that is not considered On-site as defined in this Accounting Procedure.

18  
19       **“On-site”** means on the Joint Property when in direct conduct of Joint Operations. The term “On-site” shall also include that portion of  
20 Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other  
21 facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

22  
23       **“Operator”** means the Party designated pursuant to the Agreement to conduct the Joint Operations.

24  
25       **“Parties”** means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as  
26 “Party.”

27  
28       **“Participating Interest”** means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees,  
29 or is otherwise obligated, to pay and bear.

30  
31       **“Participating Party”** means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of  
32 the costs and risks of conducting an operation under the Agreement.

33  
34       **“Personal Expenses”** means reimbursed costs for travel and temporary living expenses.

35  
36       **“Railway Receiving Point”** means the railhead nearest the Joint Property for which freight rates are published, even though an actual  
37 railhead may not exist.

38  
39       **“Shore Base Facilities”** means onshore support facilities that during Joint Operations provide such services to the Joint Property as a  
40 receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication,  
41 scheduling and dispatching center; and other associated functions serving the Joint Property.

42  
43       **“Supply Store”** means a recognized source or common stock point for a given Material item.

44  
45       **“Technical Services”** means services providing specific engineering, geoscience, or other professional skills, such as those performed by  
46 engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint  
47 Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second  
48 paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator’s Affiliate, Non-  
49 Operator, Non-Operator Affiliates, and/or third parties.

## 50 51 **2. STATEMENTS AND BILLINGS**

52  
53       The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the  
54 preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all  
55 charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified  
56 and fully described in detail, or at the Operator’s option, Controllable Material may be summarized by major Material classifications.  
57 Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

58  
59       The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances*  
60 *and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper  
61 copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and  
62 bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of  
63 weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via  
64 email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings  
65 electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written  
66 notice to the Operator.

1   **3.   ADVANCES AND PAYMENTS BY THE PARTIES**

2  
3  
4  
5    B.   Except as provided below, each Party shall pay its proportionate share of all bills in full within fifteen (15) days of receipt date. If  
6    payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the  
7    *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum  
8    contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court  
9    costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or  
10   discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the  
11   Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment  
12   was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed.  
13   Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the  
14   Operator at the time payment is made, to the extent such reduction is caused by:

- 15  
16    (1)   being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working  
17    interest or Participating Interest, as applicable; or  
18    (2)   being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved  
19    or is not otherwise obligated to pay under the Agreement; or  
20    (3)   being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has  
21    furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator  
22    shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty  
23    (30) day period following the Operator's receipt of such written notice; or  
24    (4)   charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

25  
26   **4.   ADJUSTMENTS**

27  
28    A.   Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills  
29    and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct,  
30    with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said  
31    period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response  
32    to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure*  
33    *Audits*).

34  
35    B.   All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the  
36    twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared  
37    on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month  
38    period are limited to adjustments resulting from the following:

- 39  
40    (1)   a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or  
41    (2)   an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the  
42    Operator relating to another property, or  
43    (3)   a government/regulatory audit, or  
44    (4)   a working interest ownership or Participating Interest adjustment.

45  
46   **5.   EXPENDITURE AUDITS**

47  
48    A.   A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's  
49    accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in  
50    which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the  
51    adjustment of accounts as provided for in Section I.4 (*Adjustments*). Any Party that is subject to payout accounting under the  
52    Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of  
53    the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the  
54    volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting  
55    required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the  
56    twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

57  
58    Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a  
59    manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators'  
60    audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year  
61    without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of



1 those Non-Operators approving such audit.  
2

3 The Non-Operator leading the audit (hereinafter “lead audit company”) shall issue the audit report within ninety (90) days after  
4 completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month  
5 requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be  
6 supported with sufficient documentation.  
7

8 A timely filed written exception or audit report containing written exceptions (hereinafter “written exceptions”) shall, with respect to  
9 the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator  
10 hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to  
11 comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with  
12 the additional deadlines in Section I.5.B or I.5.C, the Operator’s waiver of its rights to assert a statute of limitations defense against  
13 the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations,  
14 provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or  
15 I.5.C.  
16

17 B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator  
18 receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive  
19 response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion  
20 thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section  
21 I.3.B (*Advances and Payments by the Parties*).  
22

23 C. The lead audit company shall reply to the Operator’s response to an audit report within ninety (90) days of receipt, and the Operator  
24 shall reply to the lead audit company’s follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator  
25 shall have the right to represent itself if it disagrees with the lead audit company’s position or believes the lead audit company is not  
26 adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response  
27 to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately  
28 granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and  
29 Payments by the Parties*).  
30

31 D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after  
32 Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution  
33 meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable.  
34 The meeting will require one month’s written notice to the Operator and all Non-Operators participating in the audit. The meeting  
35 shall be held at the Operator’s office or mutually agreed location, and shall be attended by representatives of the Parties with  
36 authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution  
37 reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the  
38 Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself.  
39 Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information  
40 supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may  
41 be discussed at subsequent meetings until each such issue is resolved.  
42

43 If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall  
44 be submitted to mediation. In such event, promptly following one Party’s written request for mediation, the Parties to the dispute  
45 shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present  
46 at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to  
47 ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any  
48 Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60)  
49 days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other  
50 provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or  
51 to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.  
52  
53

## 54 **6. APPROVAL BY PARTIES**

### 55 **A. GENERAL MATTERS**

56  
57  
58 Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting  
59 Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the  
60  
61  
62  
63  
64  
65  
66

1 Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the  
2 Non-Operators shall be controlling on all Non-Operators.

3  
4 This Section I.6.A applies to specific situations of limited duration where a Party proposes to change the accounting for charges from  
5 that prescribed in this Accounting Procedure. This provision does not apply to amendments to this Accounting Procedure, which are  
6 covered by Section I.6.B.

7  
8 **B. AMENDMENTS**

9  
10 If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting  
11 Procedure can be amended by an affirmative vote of two (2) or more Parties, one of which is the Operator,  
12 having a combined working interest of at least eighty-one percent (81%), which approval shall be binding on all Parties,  
13 provided, however, approval of at least one (1) Non-Operator shall be required.

14  
15 **C. AFFILIATES**

16  
17 For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each  
18 other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating  
19 Interest of such Affiliates.

20  
21 For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes  
22 under Section I.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's  
23 Affiliate.

24  
25 **II. DIRECT CHARGES**

26  
27 The Operator shall charge the Joint Account with the following items:

28  
29 **1. RENTALS AND ROYALTIES**

30  
31 Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations.

32  
33 **2. LABOR**

34  
35 A. Salaries and wages, including incentive compensation programs as set forth in COPAS MFI-37 ("Chargeability of Incentive  
36 Compensation Programs"), for:

- 37  
38 (1) Operator's field employees directly employed On-site in the conduct of Joint Operations,  
39  
40 (2) Operator's employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities serving the Joint  
41 Property if such costs are not charged under Section II.6 (*Equipment and Facilities Furnished by Operator*) or are not a  
42 function covered under Section III (*Overhead*),  
43  
44 (3) Operator's employees providing First Level Supervision,  
45  
46 (4) Operator's employees providing On-site Technical Services for the Joint Property if such charges are excluded from the  
47 overhead rates in Section III (*Overhead*),  
48  
49 (5) Operator's employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the  
50 overhead rates in Section III (*Overhead*).

51  
52 Charges for the Operator's employees identified in Section II.2.A may be made based on the employee's actual salaries and wages,  
53 or in lieu thereof, a day rate representing the Operator's average salaries and wages of the employee's specific job category.

54  
55 Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid  
56 to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by the Parties pursuant to Section  
57 I.6.A (*General Matters*).

58  
59 B. Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose  
60 salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination  
61 allowances. Such costs under this Section II.2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the  
62 amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall  
63 be based on the Operator's cost experience.

64  
65 C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs  
66 chargeable to the Joint Account under Sections II.2.A and B.

1 D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the  
2 expenses are incurred in connection with directly chargeable activities.

3  
4 E. Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the  
5 Joint Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a  
6 Party, or that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation  
7 costs, such as those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the  
8 Joint Account unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

9  
10 F. Training costs as specified in COPAS MFI-35 (“Charging of Training Costs to the Joint Account”) for personnel whose salaries and  
11 wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal  
12 Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly  
13 benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are  
14 available.

15  
16 G. Operator’s current cost of established plans for employee benefits, as described in COPAS MFI-27 (“Employee Benefits Chargeable  
17 to Joint Operations and Subject to Percentage Limitation”), applicable to the Operator’s labor costs chargeable to the Joint Account  
18 under Sections II.2.A and B based on the Operator’s actual cost not to exceed the employee benefits limitation percentage most  
19 recently recommended by COPAS.

20  
21 H. Award payments to employees, in accordance with COPAS MFI-49 (“Awards to Employees and Contractors”) for personnel whose  
22 salaries and wages are chargeable under Section II.2.A.

### 23 24 **3. MATERIAL**

25  
26 Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section  
27 IV (*Material Purchases, Transfers, and Dispositions*). Only such Material shall be purchased for or transferred to the Joint Property as  
28 may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation  
29 of surplus stocks shall be avoided.

### 30 31 **4. TRANSPORTATION**

32  
33 A. Transportation of the Operator’s, Operator’s Affiliate’s, or contractor’s personnel necessary for Joint Operations.

34  
35 B. Transportation of Material between the Joint Property and another property, or from the Operator’s warehouse or other storage point  
36 to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material  
37 from the Joint Property to the Operator’s warehouse or other storage point shall be paid for by the Joint Property using one of the  
38 methods listed below:

39  
40 (1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a  
41 theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per  
42 hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall  
43 consistently apply the selected alternative.

44  
45 (2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial  
46 charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged  
47 directly to the Joint Property and shall not be included when calculating the Equalized Freight.

### 48 49 **5. SERVICES**

50  
51 The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and  
52 utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to  
53 contractors shall be chargeable pursuant to COPAS MFI-49 (“Awards to Employees and Contractors”).

54  
55 The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

### 56 57 **6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR**

58  
59 In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

60  
61 A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to  
62 production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership  
63 and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who  
64 are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense,  
65 insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation  
66 not to exceed \_\_\_\_\_ twelve \_\_\_\_\_ percent ( \_\_\_\_\_ 12 \_\_\_\_\_ %) per annum; provided, however, depreciation shall not be charged when the

1 equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for  
2 abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the  
3 immediate area of the Joint Property.  
4

- 5 B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area  
6 of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall  
7 adequately document and support commercial rates and shall periodically review and update the rate and the supporting  
8 documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport  
9 Association (PMTA) or such other organization recognized by COPAS as the official source of rates.  
10

## 11 7. AFFILIATES

12

- 13 A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators  
14 may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are  
15 specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed  
16 to such individual project do not exceed \$ 10,000.00. If the total costs for an Affiliate's goods and services charged to such  
17 individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such  
18 Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).  
19

- 20 B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators,  
21 charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the  
22 charges exceed \$ 10,000 in a given calendar year.  
23

- 24 C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property,  
25 unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support  
26 commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however,  
27 documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or  
28 charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for  
29 Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).  
30

31 If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a  
32 result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement  
33 does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be  
34 zero dollars (\$ 0.00).  
35

## 36 8. DAMAGES AND LOSSES TO JOINT PROPERTY

37

38 All costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the  
39 extent such damages or losses result from a Party's or Parties' gross negligence or willful misconduct, in which case such Party or Parties  
40 shall be solely liable.  
41

42 The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been  
43 received by the Operator.  
44

## 45 9. LEGAL EXPENSE

46

47 Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from  
48 operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs  
49 of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the  
50 Parties pursuant to Section I.6.A (*General Matters*) or otherwise provided for in the Agreement.  
51

52 Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including  
53 preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent  
54 permitted as a direct charge in the Agreement.  
55

## 57 10. TAXES AND PERMITS

58

59 All taxes and permitting fees of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production  
60 therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the  
61 penalties and interest result from the Operator's gross negligence or willful misconduct.  
62

63 If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then  
64 notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's  
65 working interest.  
66

1 Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other  
2 tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

3  
4 Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted,  
5 provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for  
6 tax charges and to determine that the correct amount of taxes were charged to the Joint Account. If the Non-Operator is not permitted to  
7 review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the  
8 amount owed by the Joint Account.

#### 9 10 **11. INSURANCE**

11  
12 Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are  
13 conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance  
14 obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the  
15 jurisdiction governing the Joint Property. In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be  
16 used for personnel performing work On-site, and such rates shall be adjusted for offshore operations by the U.S. Longshoreman and  
17 Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

#### 18 19 **12. COMMUNICATIONS**

20  
21 Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio  
22 and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance  
23 with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems  
24 serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and*  
25 *Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's  
26 Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator  
27 shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting  
28 documentation.

#### 29 30 **13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY**

31  
32 Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by  
33 Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for  
34 ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2  
35 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.

36  
37 Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting  
38 responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution  
39 containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

#### 40 41 **14. ABANDONMENT AND RECLAMATION**

42  
43 Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

#### 44 45 **15. OTHER EXPENDITURES**

46  
47 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III  
48 (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the  
49 Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

### 50 51 **III. OVERHEAD**

52  
53 As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator  
54 shall charge the Joint Account in accordance with this Section III.

55  
56 Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless  
57 of location, shall include, but not be limited to, costs and expenses of:

- 58  
59
- 60 • warehousing, other than for warehouses that are jointly owned under this Agreement
  - 61 • design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
  - 62 • inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
  - 63 • procurement
  - 64 • administration
  - 65 • accounting and auditing
  - 66 • gas dispatching and gas chart integration

- 1 • human resources
- 2 • management
- 3 • supervision not directly charged under Section II.2 (*Labor*)
- 4 • legal services not directly chargeable under Section II.9 (*Legal Expense*)
- 5 • taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- 6 • preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with
- 7 governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing,
- 8 interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.

9  
10 Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing  
11 overhead functions, as well as office and other related expenses of overhead functions.

12  
13 **1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS**

14  
15 As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this  
16 Section III, the Operator shall charge on either:

- 17  (**Alternative 1**) Fixed Rate Basis, Section III.1.B.
- 18  (**Alternative 2**) Percentage Basis, Section III.1.C.

19  
20  
21 **A. TECHNICAL SERVICES**

22  
23 (i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major*  
24 *Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages,  
25 related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical  
26 Services:

27  (**Alternative 1 – Direct**) shall be charged direct to the Joint Account.

28  (**Alternative 2 – Overhead**) shall be covered by the overhead rates.

29  
30  
31 (ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major*  
32 *Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages,  
33 related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical  
34 Services:

35  (**Alternative 1 – All Overhead**) shall be covered by the overhead rates.

36  (**Alternative 2 – All Direct**) shall be charged direct to the Joint Account.

37  (**Alternative 3 – Drilling Direct**) shall be charged direct to the Joint Account, only to the extent such Technical Services  
38 are directly attributable to drilling, re-drilling, deepening, or sidetracking operations, through completion, temporary  
39 abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover,  
40 recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section  
41 III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

42  
43 Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations  
44 set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section  
45 III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

46  
47  
48  
49  
50  
51 **B. OVERHEAD—FIXED RATE BASIS**

52  
53 (1) The Operator shall charge the Joint Account at the following rates per well per month:

54 Drilling Well Rate per month \$ \$7500.00 (prorated for less than a full month)

55 Producing/Non-Producing Well Rate per month: \$250.00, (prorated for less than a full month).

56  
57 (2) Application of Overhead—Drilling Well Rate shall be as follows:

58  
59 (a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion  
60 equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall  
61 begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion  
62 equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling  
63 and/or completion operations for fifteen (15) or more consecutive calendar days.



1 (b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more  
2 consecutive work-days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date  
3 operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges  
4 shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

5  
6 (3) Application of Overhead—Producing Well Rate shall be as follows:

7  
8 (a) An active well that is produced injected into for recovery or disposal, or used to obtain water supply to support operations for  
9 any portion of the month shall be considered as a one-well charge for each well for the entire month. The parties acknowledge  
10 that in some instances, portions of the Contract Area, properties, assets, and/or wells therein where their collective interest is less  
11 than 8/8ths of the entire ownership of working interest. Nevertheless, Non-Operator herein agrees to be solely responsible for  
12 the one-well charge for each well for each month as though it owned one-hundred (100) percent, regardless of the actual interest  
13 owned in each individual well, Contract Area, properties, and/or assets.

14 (b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is  
15 considered a separate well by the governing regulatory authority.

16 (c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well,  
17 unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether  
18 or not the well has produced.

19  
20 (d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall  
21 be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

22  
23 (e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead  
24 charge.

25  
26 (4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided,  
27 however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the  
28 rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment  
29 shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or  
30 amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the  
31 effective date of such rates, in accordance with COPAS MFI-47 (“Adjustment of Overhead Rates”).

32  
33  
34 **2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE**

35  
36 To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator  
37 shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following  
38 rates for any Major Construction project in excess of the Operator’s expenditure limit under the Agreement, or for any Catastrophe  
39 regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major  
40 Construction Overhead shall be assessed for any single Major Construction project costing in excess of \$100,000 gross.  
41  
42  
43  
44  
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66

1 Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly  
2 discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment,  
3 removal, and restoration of platforms, production equipment, and other operating facilities.  
4

5 Catastrophe is defined as a sudden calamitous event bringing damage, loss, or destruction to property or the environment, such as an oil  
6 spill, blowout, explosion, fire, storm, hurricane, or other disaster. The overhead rate shall be applied to those costs necessary to restore the  
7 Joint Property to the equivalent condition that existed prior to the event.  
8

9 A. If the Operator absorbs the engineering, design and drafting costs related to the project:  
10

11 (1) 5% of total costs if such costs are less than \$100,000; plus  
12

13 (2) 3% of total costs in excess of \$100,000 but less than \$1,000,000; plus  
14

15 (3) 2% of total costs in excess of \$1,000,000.  
16

17 B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:  
18

19 (1) 5% of total costs if such costs are less than \$100,000; plus  
20

21 (2) 3% of total costs in excess of \$100,000 but less than \$1,000,000; plus  
22

23 (3) 2% of total costs in excess of \$1,000,000.  
24

25 Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major  
26 Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping  
27 units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each  
28 single occurrence or event.  
29

30 On each project, the Operator shall advise the Non-Operator(s) in advance which of the above options shall apply.  
31

32 For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations  
33 directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or  
34 insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any  
35 other overhead provisions.  
36

37 In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7  
38 (*Affiliates*), the provisions of this Section III.2 shall govern.  
39

### 40 3. AMENDMENT OF OVERHEAD RATES 41

42 The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient  
43 or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).  
44

## 45 IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS 46

47 The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and  
48 dispositions. The Operator shall provide all Material for use in the conduct of Joint Operations; however, Material may be supplied by the Non-  
49 Operators, at the Operator's option. Material furnished by any Party shall be furnished without any express or implied warranties as to quality,  
50 fitness for use, or any other matter.  
51

### 52 1. DIRECT PURCHASES 53

54 Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The  
55 Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to  
56 the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur  
57 when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location.  
58 Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material  
59 does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective  
60 or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60)  
61 days after the Operator has received adjustment from the manufacturer, distributor, or agent.  
62  
63  
64  
65  
66



1   **2. TRANSFERS**

2  
3   A transfer is determined to occur when the Operator (i) furnishes Material from a storage facility or from another operated property, (ii) has  
4   assumed liability for the storage costs and changes in value, and (iii) has previously secured and held title to the transferred Material.  
5   Similarly, the removal of Material from the Joint Property to a storage facility or to another operated property is also considered a transfer;  
6   provided, however, Material that is moved from the Joint Property to a storage location for safe-keeping pending disposition may remain  
7   charged to the Joint Account and is not considered a transfer. Material shall be disposed of in accordance with Section IV.3 (*Disposition of*  
8   *Surplus*) and the Agreement to which this Accounting Procedure is attached.

9  
10   **A. PRICING**

11  
12   The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer.  
13   Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the  
14   Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator  
15   shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or  
16   sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced  
17   using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate  
18   between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

- 19  
20   (1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM)  
21   or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).  
22  
23       (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston,  
24       Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).  
25  
26       (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply  
27       Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation  
28       costs as defined in Section IV.2.B (*Freight*).  
29  
30   (2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.  
31  
32   (3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12)  
33   months from the date of physical transfer.  
34  
35   (4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the  
36   Material for Material being transferred from the Joint Property.

37  
38   **B. FREIGHT**

39  
40   Transportation costs shall be added to the Material transfer price using the method prescribed by the COPAS Computerized  
41   Equipment Pricing System (CEPS). If not using CEPS, transportation costs shall be calculated as follows:

- 42  
43   (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the  
44   Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing  
45   Manual") and other COPAS MFIs in effect at the time of the transfer.  
46  
47   (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point.  
48   For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs  
49   for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway  
50   Receiving Point.  
51  
52   (3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the  
53   Railway Receiving Point.  
54  
55   (4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the  
56   Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point

57  
58   Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point  
59   to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All  
60   transportation costs are subject to Equalized Freight as provided in Section II.4 (*Transportation*) of this Accounting Procedure.

61  
62   **C. TAXES**

63  
64   Sales and use taxes shall be added to the Material transfer price using either the method contained in the COPAS Computerized  
65   Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either  
66   case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.

1 D. CONDITION  
2

3 (1) Condition "A" – New and unused Material in sound and serviceable condition shall be charged at one hundred percent (100%)  
4 of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). Material transferred from the  
5 Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused  
6 Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original  
7 cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be  
8 credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties  
9 owning such Material, pursuant to Section 1.6.A (*General Matters*). All refurbishing costs required or necessary to return the  
10 Material to original condition or to correct handling, transportation, or other damages will be borne by the divesting property.  
11 The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material  
12 charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal  
13 or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material  
14 for the receiving property.

15  
16 (2) Condition "B" – Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced  
17 by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by seventy-five percent  
18 (75%).

19  
20 Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct  
21 handling, transportation or other damages will be borne by the divesting property.

22  
23 If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the  
24 Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied  
25 by sixty-five percent (65%).

26  
27 Unless otherwise agreed to by the Parties that paid for such Material, used Material transferred from the Joint Property that was  
28 not placed in service on the property shall be credited as charged without gain or loss.

29  
30 (3) Condition "C" – Material that is not in sound and serviceable condition and not suitable for its original function until after  
31 reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C  
32 (*Taxes*) by fifty percent (50%).

33  
34 The cost of reconditioning may be charged to the receiving property to the extent Condition "C" value, plus cost of  
35 reconditioning, does not exceed Condition "B" value.

36  
37 (4) Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is  
38 obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for  
39 items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be  
40 priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line  
41 pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher pressure service lines than standard line  
42 pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods  
43 shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited  
44 with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General*  
45 *Matters*).

46  
47 (5) Condition "E" – Junk shall be priced at prevailing scrap value prices.  
48

49 E. OTHER PRICING PROVISIONS  
5051 (1) Preparation Costs  
52

53 Subject to Section II (*Direct Charges*) and Section III (*Overhead*) of this Accounting Procedure, costs incurred by the Operator  
54 in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged  
55 to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be provided to the  
56 Non-Operators upon request to support the cost of service. New coating and/or wrapping shall be considered a component of  
57 the Materials and priced in accordance with Sections IV.1 (*Direct Purchases*) or IV.2.A (*Pricing*), as applicable. No charges or  
58 credits shall be made for used coating or wrapping. Charges and credits for inspections shall be made in accordance with  
59 COPAS MFI-38 ("Material Pricing Manual").

60 (2) Loading and Unloading Costs  
61

62  
63 Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged in accordance with  
64 the methods specified in COPAS MFI-38 ("Material Pricing Manual").  
65  
66

1 **3. DISPOSITION OF SURPLUS**

2  
3 Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but  
4 shall be under no obligation to purchase, the interest of the Non-Operators in surplus Material.

5  
6 Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to  
7 either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good  
8 faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or  
9 other dispositions as agreed to by the Parties.

10  
11 Disposal of surplus Materials shall be made in accordance with the terms of the Agreement to which this Accounting Procedure is  
12 attached. If the Agreement contains no provisions governing disposal of surplus Material, the following terms shall apply:

- 13  
14 • The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that  
15 is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is  
16 attached without the prior approval of the Parties owning such Material.
- 17  
18 • If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such  
19 Material.
- 20  
21 • Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on  
22 the pricing methods set forth in Section IV.2 (*Transfers*).
- 23  
24 • Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the  
25 Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure  
26 limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as  
27 Condition C.
- 28  
29 • Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval  
30 of the Parties owning such Material.

31  
32 **4. SPECIAL PRICING PROVISIONS**

33  
34 **A. PREMIUM PRICING**

35  
36 Whenever Material is available only at inflated prices due to national emergencies, strikes, government imposed foreign trade  
37 restrictions, or other unusual causes over which the Operator has no control, for direct purchase the Operator may charge the Joint  
38 Account for the required Material at the Operator's actual cost incurred in providing such Material, making it suitable for use, and  
39 moving it to the Joint Property. Material transferred or disposed of during premium pricing situations shall be valued in accordance  
40 with Section IV.2 (*Transfers*) or Section IV.3 (*Disposition of Surplus*), as applicable.

41  
42 **B. SHOP-MADE ITEMS**

43  
44 Items fabricated by the Operator's employees, or by contract laborers under the direction of the Operator, shall be priced using the  
45 value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's  
46 scrap or junk account, the Material shall be priced at either twenty-five percent (25%) of the current price as determined in Section  
47 IV.2.A (*Pricing*) or scrap value, whichever is higher. In no event shall the amount charged exceed the value of the item  
48 commensurate with its use.

49  
50 **C. MILL REJECTS**

51  
52 Mill rejects purchased as "limited service" casing or tubing shall be priced at eighty percent (80%) of K-55/J-55 price as determined in  
53 Section IV.2 (*Transfers*). Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-  
54 55 casing or tubing at the nearest size and weight.

55  
56  
57 **V. INVENTORIES OF CONTROLLABLE MATERIAL**

58  
59  
60 The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

61  
62 Adjustments to the Joint Account by the Operator resulting from a physical inventory of Controllable Material shall be made within twelve (12)  
63 months following the taking of the inventory or receipt of Non-Operator inventory report. Charges and credits for overages or shortages will be  
64 valued for the Joint Account in accordance with Section IV.2 (*Transfers*) and shall be based on the Condition "B" prices in effect on the date of  
65 physical inventory unless the inventorying Parties can provide sufficient evidence another Material condition applies.

1   **1. DIRECTED INVENTORIES**

2  
3   Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators  
4   (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently  
5   than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives  
6   written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of  
7   any directed inventory.  
8

9   Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up  
10   work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping  
11   expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to  
12   commencement of the inventory. Expenses of directed inventories may include the following:  
13

- 14   A.   A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel  
15        performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also  
16        be applied to a reasonable number of days for pre-inventory work and report preparation.  
17  
18   B.   Actual transportation costs and Personal Expenses for the inventory team.  
19  
20   C.   Reasonable charges for report preparation and distribution to the Non-Operators.  
21

22   **2. NON-DIRECTED INVENTORIES**

23  
24   A.   OPERATOR INVENTORIES  
25

26        Physical inventories that are not requested by the Non-Operators may be performed by the Operator, at the Operator's discretion. The  
27        expenses of conducting such Operator-initiated inventories shall not be charged to the Joint Account.  
28

29   B.   NON-OPERATOR INVENTORIES  
30

31        Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical  
32        inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The  
33        Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory  
34        fieldwork.  
35

36   C.   SPECIAL INVENTORIES  
37

38        The expense of conducting inventories other than those described in Sections V.1 (*Directed Inventories*), V.2.A (*Operator*  
39        *Inventories*), or V.2.B (*Non-Operator Inventories*), shall be charged to the Party requesting such inventory; provided, however,  
40        inventories required due to a change of Operator shall be charged to the Joint Account in the same manner as described in Section  
41        V.1 (*Directed Inventories*).  
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## EXHIBIT "D"

### INSURANCE

**Attached to and made part of that certain Operating Agreement between CYCLE OIL & GAS LTD., as Operator, and JULIET ROMEO INVESTMENTS, LLC, as Non-Operators**

1. Operator shall, at all times while conducting operations under this agreement, carry the following insurance for the benefit of all parties hereto:

General Liability:

- a. Workmen's Compensation Insurance sufficient to comply with the Workmen's Compensation law for the state in which the properties covered hereby are located;
  - b. Employer's Liability Insurance with limits of not less than \$1,000,000 each accident, \$1,000,000 each employee/disease, and \$1,000,000 policy limit;
  - c. Comprehensive General Liability Insurance with bodily injury and property damage limits of not less than One Million Dollars (\$1,000,000) per occurrence in excess of the deductible;
  - d. Comprehensive Automobile Liability Insurance with bodily injury and property damage limits of not less than One Million Dollars (\$1,000,000) per occurrence;
  - e. Umbrella liability in excess of retention, if applicable, in excess of a. through d. above with limits of not less than (\$2,000,000); and,
2. The insurance carried under this exhibit shall be primary for the Joint Operations. Any insurance obtained by Operator to insure any property of the Non-Operators or any specific operations undertaken by Operator for the Non-Operators shall be charged to the joint account. The liability of the parties hereto in damages for claims growing out of personal injury to or death of third persons (not including Operator's employee's) or damage to or destruction of property of third parties resulting from the operations conducted hereunder shall be borne by the parties hereto in the proportions of their respective obligations to bear such costs. Operator shall not be liable to Non-Operators for loss, damages or destruction to jointly-owned property from operations hereunder except to the extent such loss, damages or destruction arise out of willful misconduct or gross negligence of Operator.
  3. Each party individually may acquire, at its own cost and expense, such insurance as it deems proper to protect itself from third party claims or damages to joint property and such insurance shall inure solely for the benefit of such party procuring same; provided, however, that each such insurance policy shall contain a waiver on the part of the insurance carrier of all rights, by subrogation or otherwise, against all of the other parties hereto.
  4. Operator may, in its sole discretion, obtain well control insurance for any well covered by this agreement. Non-Operators shall elect to be covered under Operator's Well Control Insurance on a well-by-well basis by delivering written notice of such election to Operator by November 15th of each calendar year following the effective date of this agreement. If any Non-Operator has not delivered such election by November 15th, they will be deemed to have elected to be covered by any well control insurance which Operator may obtain for the following calendar year. Any well control insurance coverage purchased by Operator shall be charged to the joint account, unless otherwise agreed in writing by Operator and Non-Operators.
  5. Operator shall promptly notify the Non-Operator in writing of all losses involving damage to jointly owned property in excess of \$50,000. In the event of an incident for which a loss adjuster may be appointed by one or more of the parties to this Agreement, the Parties agree that the Acting Operator shall coordinate the appointment of such adjuster(s).

6. Acting Operator shall require all contractors engaged in operations under this Agreement to comply with the applicable Worker's Compensation laws and to maintain such other insurance and in such amounts as Operator deems necessary.

## EXHIBIT "F"

### NON-DISCRIMINATION AND CERTIFICATION OF NON-SEGREGATED FACILITIES

**Attached to and made part of that certain Operating Agreement between CYCLE OIL & GAS, LTD. as Operator, and JULIET ROMEO INVESTMENTS, L.LC as Non-Operator**

Unless exempted by Federal law, regulation or order, the following terms and conditions shall apply during the performance of this contract:

A. Equal Opportunity Clause (41 CFR 60-1.4). (Applicable only to contracts or purchase orders for more than \$10,000.00).

During the performance of this contract, Operator agrees as follows:

- (1) Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, including apprenticeship. Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
- (2) Operator will, in all solicitations or advertisements for employees placed by or on behalf of Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- (3) Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or worker's representative of Operator's commitments under section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- (5) Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of Operator's noncompliance with the nondiscrimination clauses of this contract or with any such rules, regulations and orders, this contract may be canceled, terminated or suspended in whole or in part and Operator may be declared ineligible for further government contracts in accordance with procedures authorized by Executive Order 11246 of September 24, 1965, and such other sanctions as may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- (7) Operator will include the provisions of paragraph (1) through (6) in every subcontract or purchase order unless exempted by rules, regulations and orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon such subcontractor or vendor. Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, Operator may request the United States to enter into such litigation to protect the interest of the United States.

B. Certification of Nonsegregated Facilities (41 CFR 60-1.8). (Applicable only to contracts or purchase orders which are not exempt from the provisions of the Equal Opportunity Clause set out above).

Operator certifies that it does not, and will not, maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not, and will not, permit its employees to perform such services at any location under its control, where segregated facilities are maintained. Operator agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this contract or purchase order. As used in this certification, the term "segregated facilities" means any waiting room, work areas, rest rooms and wash rooms, restaurant and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment area, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color or national origin, because of habit, local custom or otherwise. Operator further agrees that (except where it has obtained identical certification from proposed subcontractors or specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000.00 which are exempt from the provisions of the Equal Opportunity Clause; that will retain such certifications in its files; and that it will forward the following notice to such proposed subcontracts (except where the proposed subcontractors have submitted identical certifications for specific time periods): **NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATION OF NONSEGREGATED FACILITIES.** A Certification of Nonsegregated Facilities as required by the May 9, 1967, order on Elimination of Segregated Facilities, by the Secretary of Labor (32 F.R. 7439, May 19, 1967), and as required by the regulations of the Secretary of Labor set out in 41 CFR Chapter 60, and as they may be amended, must be submitted prior to the award of a subcontract exceeding \$10,000.00 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or all subcontracts during a period (i.e., quarterly, semiannually, or annually).

C. Affirmative Action Compliance Program (41 CFR 60-1.40). (Applicable) only if (a) Operator has 50 or more employees and (b) the contract or purchase order is for \$50,000.00 or more.)

Operator shall develop a written affirmative action program for each of its establishments, and, within 120 days from the effectiveness of this contract or purchase order, shall maintain a copy of separate programs for each establishment, including evaluation of utilization of minority group personnel and the job classification tables, at each local office responsible for the personnel matters of such establishment.

D. Employer Information Report (41 CFR 60-1.7). (Applicable only if (a) Operator has 50 or more employees, (b) Operator is not exempt (pursuant to Section 60-1.5 of Title 41 of the Code of Federal Regulations) from the requirements of filing Employer Information Report EEO-1 and (c) the contract or purchase order is for \$50,000.00 or more.)

Operator agrees to file with the appropriate Federal agency annually, on or before the 31st day of March, complete and accurate reports on Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Opportunity Commission and Plans for Progress of such from as may hereafter be promulgated in its place.

E. Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (41 CFR 60-250). (Applicable only to contracts or purchase orders for \$10,000.00 or more.)

The affirmative action clause prescribed in Sections 60-250.4 of Title 41 of the Code of Federal Regulations is incorporated herein by reference (as permitted by section 60-250.22 of said Regulations) as if set out in full at this point. If Operator (a) has 50 or more employees and (b) this contract or purchase order is for \$50,000.00 or more, then, within 120 days from the effectiveness of this contract or purchase order, Operator shall prepare and maintain an affirmative action program at each establishment, which program shall set forth Operator's policies, practices and procedures in accordance with section 60-250.6 of said Regulations.

F. Affirmative Action for Handicapped Workers (41 CFR 60-741.4). (Applicable only to contracts or purchase orders for \$2,500.00 or more.)

The affirmative action clause prescribed in Sections 60-741.4 of Title 41 of the Code of Federal Regulations is incorporated herein by reference (as permitted by section 60-741.22 of said Regulation) as if set out in full at this point. If Operator (a) has 50 or more employees and (b) this contract or purchase order is for \$50,000.00 or more, then, within 120 days of the effective date of this contract or purchase order, Operator shall prepare and maintain an affirmative action program at each establishment, which program shall set forth Operator's policies, practices and procedures in accordance with section 60-741.6 of said Regulations.



**MODEL FORM RECORDING SUPPLEMENT TO  
OPERATING AGREEMENT AND FINANCING STATEMENT**

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § KNOW ALL MEN BY THESE PRESENTS:  
§

THIS AGREEMENT, is entered into by and between \_\_\_\_\_, LLC, a Texas limited liability company, hereinafter referred to as "Operator", and the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator", and collectively as "Non-Operators".

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on Exhibit "A";

WHEREAS, the parties hereto have executed an Operating Agreement dated April 1, 2019 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.

2. The parties do hereby agree that:

A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do hereby commit such Leases and Interests to the performance thereof.

B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this agreement.

C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.

D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on Exhibit "A", all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.

E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.

F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.

G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of nonparticipation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.

I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.

J. Each party's interest under this agreement and under the Operating Agreement shall be subject to adjustment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.

K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of the Operating Agreement.

3. The parties hereby grant reciprocal liens and security interests as follows:

A. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement and the Operating Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this agreement and the Operating Agreement, and the proper performance of operations under this agreement and the Operating Agreement. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement and the Operating Agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or

used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from the sale of production at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

B. Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement and the Operating Agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement and the Operating Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by the Operating Agreement and this instrument as to all obligations attributable to such interest under this agreement and the Operating Agreement whether or not such obligations arise before or after such interest is acquired.

C. To the extent that the parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interest or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest, has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

D. If any party fails to pay its share of expense within thirty days (30) days after rendition of a statement therefor by Operator the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this paragraph 3 and in the Operating Agreement, and each paying party may independently pursue any remedy available under the Operating Agreement or otherwise.

E. If any party does not perform all of its obligations under this agreement or the Operating Agreement, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement or the Operating Agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder or under the Operating Agreement, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

F. The lien and security interest granted by this paragraph 3 supplements identical rights granted under the Operating Agreement.

G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum

due under this agreement and the Operating Agreement for services performed or materials supplied by Operator.

H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.

4. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon the request of Operator, if Operator has complied with all of its financial obligations.

5. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns. No sale, encumbrance, transfer or other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to the interest assigned from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party under this agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.

6. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.

7. This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.

8. Other provisions. NONE

*Signature pages follow.*

IN WITNESS WHEREOF, this agreement shall be effective as of the 1<sup>st</sup> day of March, 2024.

**OPERATOR:**

CYCLE OIL & GAS LTD.

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By:

**NON-OPERATOR:**

JULIET ROMEO INVESTMENTS, LLC

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By: JEFFREY S. ROBINSON  
Title: MANAGER



EXHIBIT "A"

## **ARTICLE XVI.**

### **OTHER PROVISIONS**

#### **A. CONFLICT OF TERMS:**

If any provisions of this Article XVI are at variance or conflict with the main body of this Operating Agreement, the provisions of this Article XVI shall prevail for all purposes.

#### **B. DEFINITIONS:**

1. "Percentage Interest" shall mean a party's percentage interest in the Contract Area as set forth on Exhibit "A".
2. The term "lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to total depth.
3. The term "horizontal well" shall mean a well drilled, completed, or recompleted in a manner in which the horizontal component of the completion interval in the objective formation(s) exceeds the vertical component thereof and which horizontal component exceeds a minimum of one hundred feet (100') in the objective formation(s).
4. The term "total depth", applied to all horizontal wells drilled pursuant to this Operating Agreement, shall mean the distance from the surface of the ground to the terminus of the wellbore. Each lateral taken together with the common vertical well bore shall be considered a single well bore and shall have a corresponding total depth. When the proposed operation(s) is the drilling of, or operations on, a well containing a lateral component, the term "depth" wherever used in this Operating Agreement shall be deemed to read "total measured depth" insofar as it applies to such well.
5. The term "deepen" when used in conjunction with horizontal well shall mean an operation whereby a lateral is drilled to a distance greater than the distance set out in the well proposal approved by the participating parties.
6. For the purposes of this agreement, as to a horizontal well, the term "plug back" shall mean an operation to test or complete the well at a stratigraphically shallower geological horizon in which the operation has been or is being completed and which is not within an existing lateral.
7. When applied to any horizontal well drilled hereunder, the term "Rework" shall include, in addition to the other meanings specified in this agreement, "re-frac" operations, being any hydraulic fracturing or other stimulation operation conducted in the wellbore of such well in order to improve production in a Zone which is then open to production in such wellbore.
8. The terms "initial objective" or "objective zone" as used in conjunction with horizontal drilling, shall also mean the proposed horizontal targeted total measured distance.

#### **C. REMOVAL OF OPERATOR FOR CAUSE**

Notwithstanding anything in Article V to the contrary, if Operator disputes in good faith that "good cause" (as defined in Article V.B.1) exists for the removal of Operator, no attempted removal of Operator for such alleged good cause shall be effective until (i) a final and nonappealable judgment has been issued by a court of competent jurisdiction that such alleged good cause exists, and (ii) Operator has failed to cure the matters constituting such good cause to the reasonable satisfaction of Non-Operators within thirty (30) days of such judgment.

#### **D. PRIORITY OF OPERATIONS:**



At that point in time when a well achieves its initial objective depth pursuant to Article VI.B.1., and in the event the parties hereto fail to agree as to the conduct of operations hereunder, the following shall control the order in which the proposed operations shall be considered:

- 1) Proposals to do additional logging, coring, or testing; provided that, in the event a disagreement exists as to the logging, coring, or testing to be performed on the well at any depth, logging, coring, or testing shall be performed as follows:
  - i) Any logging, coring, or other testing provided in a prognosis or AFE approved by the participating parties shall be given first priority;
  - ii) Any logging, coring, or other testing not approved by all parties shall be performed by the Operator at the sole cost, risk, expense and liability, including indemnification against loss of hole, of the parties electing to participate in such additional logging, coring, or other testing, and such participating parties shall be exclusively entitled to the information obtained therefrom; provided, however, no such logging, coring, or other testing shall be performed on a well then producing in paying quantities unless all working interest owners in such well consent to such testing;
- 2) Proposals to attempt a completion of the well at either the objective depth or in the objective zone;
- 3) Proposals to plug back and attempt completions in shallower zones in ascending order;
- 4) Proposals to deepen the well;
- 5) Proposals to sidetrack the well;
- 6) Proposals to rework the well;
- 7) Proposals to plug and abandon the well.

If a well drilled pursuant hereto is in such a condition that, at the time the participating parties are considering any of the above proposals, in the opinion of the Operator, a reasonable, prudent operator would not conduct the operations contemplated by a particular proposal for fear of placing the hole, life, or property in jeopardy of losing same prior to completing such well at its objective depth, such election shall not be given the priority hereinabove set forth.

#### **E. METERING OF PRODUCTION:**

If a diversity of the working interest ownership in production from a lease subject to this Operating Agreement occurs as a result of operations by less than all parties pursuant to the provisions of this Operating Agreement, it is agreed that the oil, gas or other hydrocarbons produced from the well or wells completed by the consenting party or parties shall be separately measured by standard metering equipment to be properly tested periodically for accuracy, and that the setting of a separate tank battery will not be required unless the purchaser of the production or a governmental regulatory body having jurisdiction will not approve metering for separately measuring the production. The costs associated with such separate metering shall be borne by the participating parties in proportion to their participation ownership.

#### **F. BILLING OF ADDITIONAL INTEREST:**

Notwithstanding the provisions of this Operating Agreement and of the Accounting Procedure attached as Exhibit "C" ("Accounting Procedure"), the parties to this Operating Agreement specifically agree that in no event during the term of this contract shall Operator be required to make more than one billing for the entire interest credited to each party on Exhibit "A". If any original party to this Operating Agreement (hereinafter referred to as "Selling Party") disposes of all or a part of the interest credited to it on Exhibit "A", the Selling Party shall be solely responsible for billing its assignee or assignees, and shall make prompt payment to Operator for the entire amount of statements and billings rendered to it.

However, the Selling Party shall furnish to Operator written notice of the conveyance including recorded or certified copies of the assignment by which the transfer was made. If Selling Party disposes of all its interest as set out on Exhibit "A", whether to one or several assignees, Operator shall continue to issue statements and billings to the Selling Party for the interest conveyed until such time as Selling Party has designated and qualified one assignee to receive the billings for the entire interest. In order to qualify one assignee to receive the billing for the entire interest credited to Selling Party on Exhibit "A", Selling Party shall furnish to Operator the following:

1. Written notice of the conveyance and a copy of the recorded assignment (s) by which the transfer was made.
2. The name of the assignee to be billed and a written statement signed by the assignee to be billed in which it consents to receive statements and billings for the entire interest credited to Selling Party on Exhibit "A" hereof; and, further, consents to handle any necessary sub-billings in the event it does not own the entire interest credited to Selling Party on Exhibit "A".

#### **G. BANKRUPTCY:**

If, following the granting of relief under the Bankruptcy Code to any party hereto as debtor hereunder, this Operating Agreement should be held to be an executory contract within the meaning of 11 U.S.C. Section 365, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by debtor or any trustee or debtor within thirty (30) days from the date an order for relief is entered under the Bankruptcy Code as to the rejection or assumption of this Operating Agreement. In the event of an assumption, Operator or said other party shall be entitled to adequate assurances as to future performance of debtor's obligations hereunder and the protection of the interest of all other parties.

#### **H. NON PAYMENT OF RENTALS:**

In the event any party fails and/or is unable to pay its share of the delay rentals or lease extension payments on any of the lands in the Contract Area within sixty (60) days after receipt of a statement by Operator, Operator shall notify the defaulting party, in writing, of its unpaid account. The defaulting party shall thereafter have thirty (30) days from receipt of such statement in which to remedy the default, plus any interest penalty that has been assessed to the unpaid account pursuant to Paragraph 3, Article I, of the Accounting Procedure, attached hereto. In the event the defaulting party fails to pay within the thirty (30) day time period specified hereinabove, the defaulting party shall promptly assign to the non-defaulting parties all of such defaulting party's right, title and interest in and to the lease or leases in question. Such assignment shall be due promptly upon receipt of a written request from the consenting parties and said assignment shall be free and clear of all overriding royalties, production payments, mortgages, liens and other burdens and encumbrances placed thereon by the assigning party or resulting from its ownership or operation of such lease or interest which is not a joint obligation of the parties. During the total ninety (90) day time period specified herein, an interest penalty shall be assessed to the unpaid balance pursuant to Paragraph 3, Article I, of the Accounting Procedure.

#### **I. DEFAULT ON PAYMENTS:**

If any party (including the Operator) fails to pay its share of any cost, including any advance which it is obligated to make under Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. the Operator (or any Non-Operator if the Operator is the party in default) may pursue any of the following remedies:

1. Suspension of Rights: Operator (or the Non-Operators if Operator is the party in default) may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify the failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, Operator (or the Non-Operator if Operator is the party in default) may suspend any or all of the rights of the defaulting party granted by this Operating Agreement until the default is cured,

without prejudice to the right of the non-defaulting party to continue to enforce the obligations of the defaulting party theretofore accrued or thereafter accruing under this Operating Agreement.

2. Suit for Damages: Operator (or the Non-Operators if Operator is the party in default) may sue to collect the amounts in default together with all consequential damages suffered by the non-defaulting parties as a result of the default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Section I.3. of the Accounting Procedure attached hereto.
3. Good-Faith Disputes: In the event a party disputes in good faith the existence of a default on his party that is the subject of a Notice of Default, such party may avoid the imposition of the remedies for such default contained in this Operating Agreement by paying the disputed amount into an account at a bank requiring the signatures of both such party and the Operator (or, if the Operator is the party in default, a Non-Operator designed by the Non-Operators) in order to release such refunds. Such funds shall be released to the party entitled thereto upon the resolution of the issue raised by the objecting party.
4. Costs and Attorneys' Fees: In the event any party shall ever be required to bring legal proceedings in order to collect any sums due from any other party or to enforce any other right under this Operating Agreement, then the prevailing party in such action shall also be entitled to recover all court costs, costs of collection, and reasonable attorneys' fees, which the lien provided for herein shall also secure.

**J. CONFIDENTIALITY:**

Except as otherwise provided herein, the parties hereto agree that no party shall divulge to any third party or parties any geophysical data acquired, obtained or developed by the parties hereto involving the Contract Area subsequent to the effective date of this Operating Agreement, or any drilling information relative to any well or wells drilled as a result hereof, other than depth and information customarily publicized, without first obtaining the written consent of the other parties to release any such information, which consent shall not be unreasonably withheld; provided, however, that such consent shall not be necessary for any party to divulge such information to any party or parties from whom they may receive a contribution for the drilling of a well hereunder, or to any party or parties who is the record owner of an interest in such a well, but only if such party or parties to whom the information is to be disclosed agrees in writing to be subject to this provision prior to disclosure. All such information and data shall be treated as strictly confidential. Nothing contained herein shall be deemed to prevent disclosure of any such information or data if applicable laws or rules and regulations of any administrative or governmental agency or entity require such disclosure.

**K. MULTIPLE COUNTERPARTS:**

This Operating Agreement may be executed in counterparts and, if so executed, shall be valid, binding, and have the same effect as if all parties hereto actually joined and executed one and the same document.

**L. MEMORANDUM OF JOINT OPERATING AGREEMENT:**

The parties agree that upon execution of this Operating Agreement, the parties will also execute a Memorandum of Operating Agreement, Mortgage and Financing Statement for recordation in each County in which any portion of the Contract Area is located.

**M. MUTUALITY**

The parties hereto acknowledge and declare that this Operating Agreement is the result of extensive negotiations between themselves. Accordingly, in the event of any ambiguity in this Operating Agreement, there shall be no presumption that this instrument was prepared solely by either party hereto.

**O. HEADINGS:**

All headings in this Operating Agreement are for reference purposes only and have no binding effect on the terms, conditions or provisions of this Operating Agreement.

**P. OFFSET WELL ACCOUNTING:**

Operator may offset revenue from one well against expenses of another within or without the Contract Area (or AMI, if applicable).

**Q. ADVANCE PAYMENTS:**

Notwithstanding the other provisions of this Operating Agreement and without limitation of Operator's right under Article VII.C. hereof, if Operator desires or is requested by any Non-Operator to do so, Operator shall advance bill each Non-Operator who elects to participate in any operation hereunder, one hundred percent (100%) of Non-Operator's proportionate share of the estimated costs attributable to the entire proposed operation. Non-Operators who have elected to participate in any such operations shall remit to Operator within thirty (30) days of receipt of invoice therefor, or within forty-eight (48) hours prior to the commencement of the proposed operation, whichever occurs first, one hundred percent (100%) of the estimated amount so invoiced. The invoice may be included with the notice of a proposed operation and the thirty (30) day (48 hour) period in which to pay may run simultaneously with the period in which to make an election in a proposed operation. If advance payment is not received by Operator within said thirty (30) days, or forty-eight (48) hours, as the case may be, Operator shall notify Non-Operator in writing that it has not received payment and grant Non-Operator an additional period of ten (10) days in which to pay. If not received by Operator within the prescribed time, Operator may, without prejudice to other existing remedies, at its option, consider such non-payment to constitute an election not to participate under this Operating Agreement and in the same manner, to the same extent and with the same force and effect that failure to reply within the prescribed period constitutes an election not to participate. However, anything to the contrary contained herein notwithstanding, in no event shall a Non-Operator be required to pre-pay its share of costs of an operation more than thirty (30) days prior to the expected commencement of the operation. If Operator has underestimated the costs of any operation, Operator may make subsequent advance billings regarding prepayment of any deficiency. In no event shall the failure to correctly estimate the cost of any operation, be deemed a waiver of Operator's right to receive one hundred (100%) of each Non-Operator's proportionate share of the actual cost of any Operation in which such Non-Operator participates. If Operator reasonably estimates that the operation will takes more than 30 days to complete, then the Operator will deposit the amount paid in advance in an interest bearing account and credit the interest earned to the Joint Account.

In addition to other direct charges to the Joint Account under Article II of the Accounting Procedure, Operator may make a direct charge for fees for outside legal services (including, but not limited to title opinions, negotiations of contracts, negotiations with surface or mineral owners, and matters of taxation), title costs, expenses in connection with preparation and presentation of evidence at regulatory hearings, and preparation and handling of applications to and hearings before the Federal Regulatory Commission and any other governmental authorities.

**R. FILINGS WITH GOVERNMENTAL AGENCIES:**

The parties hereto authorize the Operator to prepare and submit to any governmental authority such filings, applications, reports or other documents as the Operator may deem necessary in connection with the Contract Area. Notwithstanding anything to the contrary in the Accounting Procedure or the other provisions of this Operating Agreement, all costs and expenses, including without limitation legal and attorney expenses, associated with the gathering, submitting and presenting of such filings, applications, reports or other documents shall be a direct charge to the joint account, regardless of whether the services are performed by outside parties or by the Operator's own personnel.

**S. DISBURSEMENTS OF ROYALTIES:**

If a purchaser of any oil, gas or other hydrocarbons produced from the Contract Area declines to make disbursements of all royalties, overriding royalties and other payments out of, or with respect to production which are payable on the Contract Area, Operator may, if any Non-Operator so desires, make such disbursements on behalf of said Non-Operator at such Non-Operator's direction, provided, Non-Operator shall execute such documents as may be necessary in the opinion of Operator to enable Operator to receive all payment for oil, gas or other hydrocarbons directly from said purchaser. In that event, Operator will use commercially reasonable efforts to make disbursements correctly.

**T. SUCCESSORS AND ASSIGNS:**

Each party hereto covenants and agrees for itself, its successors and assigns, that any sale, assignment sublease, mortgage, pledge or other instrument affecting the leases and lands subject to this instrument (whether of an operating or non-operating interest or a mortgage, pledge or other security interest) will be made and accepted subject to this instrument. The party acquiring the interest or security shall be furnished a copy of this agreement and any amendments thereto, and shall expressly agree to be bound by all of its terms and provisions. It is provided, however, that a mortgagee, pledgee or person holding only a security interest shall not incur any obligations under this Operating Agreement although its rights may be affected or limited hereby. In the event of the foreclosure of the mortgage or security interest, any sale will be expressly made and accepted subject to all of the terms and provisions of this Operating Agreement. Any party hereto (and any successor of a party hereto) who executed any instrument in favor of any party without complying with the provisions of this paragraph shall indemnify, defend and hold the other parties hereto harmless for and against any and all claims or causes of action by any person whomsoever or for any losses sustained as a result of the failure of such party to comply with these provisions. This indemnity shall also include reimbursement for reasonable attorney's fees incurred in connection with the assertion of the rights herein granted such parties.

**U. RELATIONSHIP OF PARTIES:**

IF OPERATOR SELLS ANY OIL OR GAS OF A NON-OPERATOR PURSUANT TO ARTICLE VI.G., OPERATOR SHALL CONCLUSIVELY BE DEEMED TO HAVE SATISFIED ALL ITS OBLIGATIONS WITH RESPECT TO ANY OIL OR GAS SOLD BY OPERATOR FOR A NON-OPERATOR, IF (1) THE NET PRICE RECEIVED BY THE NON-OPERATOR FOR THE SALE OF SUCH OIL OR GAS IS NOT LESS THAN THE PRICE RECEIVED BY OPERATOR FOR OIL OR GAS PRODUCED FROM THE SAME WELL, AND (2) ANY CHARGES, COSTS OR FEES PAID BY OPERATOR TO AN AFFILIATE FOR SERVICES IN CONNECTION WITH THE SALE OF SUCH OIL OR GAS AND DEDUCTED FROM PRICE RECEIVED BY THE NON-OPERATOR ARE NOT GREATER THAN THOSE CHARGED BY SUCH AFFILIATE TO OTHERS IN ARM'S-LENGTH TRANSACTIONS.

THE FAILURE OF OPERATOR TO OBTAIN SUCH NET PRICE OR THE INCURRENCE OF AFFILIATED CHARGES GREATER THAN THOSE SPECIFIED ABOVE SHALL NOT BE DEEMED TO PROVE ANY BREACH OF OPERATOR'S OBLIGATIONS.

**V. THIRD-PARTY JOAs**

In the event that all or a portion of the Contract Area, or the parties' interests therein, on the date of execution hereof, is subject to any other existing operating agreement with a person who is not a party to this Operating Agreement (a "Third Party JOA"), such Third Party JOA will control as between each other party and the Parties to this Agreement (as to the overlapping leases, lands, assets, properties, or other rights, title and interests), provided, however, that this Operating Agreement shall control as between the parties hereto to the maximum extent possible. If the remainder of the interest covered by an existing Third Party JOA is subsequently acquired by a party (or parties) hereto, then

such Third Party JOA shall be superseded and replaced in its entirety by this Operating Agreement, and terminated as to any leases, lands, assets, properties, or other rights, title and interests within the contract Area. While any Third Party JOA remains in effect, all parties hereto shall vote for and otherwise support the nomination and selection of Operator (hereunder) as operator under all Third Party JOAs.

Notwithstanding anything herein to the contrary, if no Party hereto is designated as the "operator" under any Third Party JOA, then the obligations of "Operator" hereunder shall be subject to such Third Party JOA and, to the extent that such Third Party JOA requires or obligates the "operator" thereunder to perform any such obligations with respect to that portion of the Contract Area subject to such Third Party JOA, then Operator shall not be required to perform such obligations to the extent such third party "operator" is required or obligated to perform the same.

**MODEL FORM RECORDING SUPPLEMENT TO  
OPERATING AGREEMENT AND FINANCING STATEMENT**

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § KNOW ALL MEN BY THESE PRESENTS:  
§

THIS AGREEMENT, is entered into by and between \_\_\_\_\_, LLC, a Texas limited liability company, hereinafter referred to as "Operator", and the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator", and collectively as "Non-Operators".

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on Exhibit "A";

WHEREAS, the parties hereto have executed an Operating Agreement dated April 1, 2019 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.

2. The parties do hereby agree that:

A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do hereby commit such Leases and Interests to the performance thereof.

B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this agreement.

C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.

D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on Exhibit "A", all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.

E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.

F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.

G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of nonparticipation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.

I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.

J. Each party's interest under this agreement and under the Operating Agreement shall be subject to adjustment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.

K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of the Operating Agreement.

3. The parties hereby grant reciprocal liens and security interests as follows:

A. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement and the Operating Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this agreement and the Operating Agreement, and the proper performance of operations under this agreement and the Operating Agreement. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement and the Operating Agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or



used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from the sale of production at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

B. Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement and the Operating Agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement and the Operating Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by the Operating Agreement and this instrument as to all obligations attributable to such interest under this agreement and the Operating Agreement whether or not such obligations arise before or after such interest is acquired.

C. To the extent that the parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interest or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest, has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

D. If any party fails to pay its share of expense within thirty days (30) days after rendition of a statement therefor by Operator the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this paragraph 3 and in the Operating Agreement, and each paying party may independently pursue any remedy available under the Operating Agreement or otherwise.

E. If any party does not perform all of its obligations under this agreement or the Operating Agreement, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement or the Operating Agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder or under the Operating Agreement, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

F. The lien and security interest granted by this paragraph 3 supplements identical rights granted under the Operating Agreement.

G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum

due under this agreement and the Operating Agreement for services performed or materials supplied by Operator.

H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.

4. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon the request of Operator, if Operator has complied with all of its financial obligations.

5. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns. No sale, encumbrance, transfer or other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to the interest assigned from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party under this agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.

6. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.

7. This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.

8. Other provisions. NONE

*Signature pages follow.*

IN WITNESS WHEREOF, this agreement shall be effective as of the 1<sup>st</sup> day of March, 2024.

**OPERATOR:**

CYCLE OIL & GAS LTD.

---

By:

**NON-OPERATOR:**

JULIET ROMEO INVESTMENTS, LLC

---

By: JEFFREY S. ROBINSON  
Title: MANAGER



EXHIBIT "A"

ASSIGNMENT, BILL OF SALE AND CONVEYANCE

State of Kansas, Greeley County, ss



This instrument was filed for Record on the 4th day of July A.D. 2020 at 12:30 o'clock P.M. and duly recorded in Book 193 on page 330-351 fees \$ 378.00

Lisa K. Robertson Register of Deeds

STATE OF KANSAS §
COUNTY OF GREELEY & §
HAMILTON §

KNOW ALL MEN BY THESE PRESENTS:

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "Assignment"), effective as of the Effective Date (as hereinafter defined) is made from PRAIRIE GAS COMPANY, L.L.C. ("Assignor"), 114 E 5th ST, Tulsa, OK 74103, to JULIET ROMEO INVESTMENTS, L.L.C. an Oklahoma limited liability company (the "Assignee").

ARTICLE I

Grant and Habendum

Section 1.01 The Grant. For One Hundred Dollars (\$100.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN and DELIVER the Assets unto Assignee, its respective successors and assigns, and subject to the matters set forth herein. The term "Assets" shall mean the specific undivided interest in and to each well more particularly described in Exhibit "B" Wells and Interest, and being of equal portion of the lands described in Exhibit "A" Description of Lands, , in and to:

- a. An undivided right, title and interest in and to the Assets covering oil and gas leases on the lands described in Exhibit A, together with any and all other right title and interest of the Assignor in and to the Assets covering leasehold estates created thereby subject to the terms, conditions, covenants and obligations set forth in such leases and/or Exhibit A, and all other interests of the Assignor of any kind or character in such Assets covering leases, including all Assets covering working interests, overriding royalty interests, net profits interests, carried interests or similar rights or interest in such leases, and together with all rights, privileges, benefits and powers conferred upon the holder of the leases with respect to the use and occupation of the surface of the lands covered thereby that may be necessary, convenient or incidental to the possession and enjoyment of such leases (the "Leases");
b. An undivided right, title and interest in and to all Assets covering rights and interests in, under or derived from all unitization and pooling agreements in effect with respect to any of the Leases or Wells and the units created thereby (the "O&G Units");
c. An undivided right, title and interest in and to all Assets covering oil and gas wells located on any of the Leases or the O&G Units, and all fresh water wells, injection wells, salt water disposal wells and other wells of every nature and kind located on the Leases or the O&G Units (such interest in such wells, including the interest as more specifically defined in each well as set forth in Exhibit B, the "Wells and Interests");



STATE OF KANSAS }
HAMILTON COUNTY }
This instrument was filed for record on the 2nd day of September A.D. 2020 at 12:06 o'clock P.M. and duly recorded in book 195 Page 74 fee \$ 378.00 Pam Hook, Deputy Register of Deeds

Copy PH
Numerical PH
Computer PH
Indirect
Direct

- d. An undivided right, title and interest in and to all Assets pertaining to Hydrocarbons produced from or allocated to the Leases, Wells, or O&G Units from and after the Effective Date;
- e. An undivided right, title and interest in and to all Assets covering contracts to which the Assignor is a party or is bound relating to any of the Assets and (in each case) that will be binding on Assignee following the consummation of the Assignment, including: confidentiality agreements; farmin and farmout agreements; participation agreements; exploration agreements; development agreements; joint operating agreements; unit agreements; bottom hole agreements; crude oil, condensate and natural gas purchase and sale, gathering, transportation and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; water disposal agreements; facilities or equipment leases; crossing agreements; letters of no objection; production handling agreements; and other similar contracts and agreements (the "Applicable Contracts"), and all rights thereunder;
- f. An undivided right, title and interest in and to all Assets covering government or regulatory license, authorization, permit, franchise, certificates of occupancy, consent and approval issued and held by or on behalf of Assignor or required to be so issued and held, and all easements and rights-of-way, surface use agreements, water access and water use agreements and other similar surface use or water rights, in each case, to the extent used in connection with the ownership or operation of any of the Leases, Wells, O&G Units or other Assets;
- g. An undivided right, title and interest in and to all Assets as it pertains to equipment, machinery, fixtures and other personal, moveable and mixed property, operational and nonoperational, known or unknown, located on any of the Leases, Wells, O&G Units or other Assets or used in connection therewith, including pipelines, gathering systems, manifolds, well equipment, casing, tubing, pumps, motors, fixtures, machinery, compression equipment, flow lines, processing and separation facilities, structures, materials and other items used in the operation thereof;
- h. An undivided right, title and interest in and to all Assets pertaining to Imbalances (as hereinafter defined) relating to the Assets;
- i. An undivided right, title and interest in and to all Assets as it pertains to the files, records, information and data, whether written or electronically stored, relating to the Assets in the Assignor's or its Affiliates' possession, including: (i) land and title records (including abstracts of title, title opinions and title curative documents); (ii) Applicable Contract files; (iii) correspondence; (iv) operations, environmental, production and accounting records, (v) facility and well records and (vi) all geophysical and other seismic and related technical data and information relating to the Assets; and
- j. to the extent that they may be assigned, all insurance policies relating to the Assets.

For purposes of this Section 1.01, "Imbalance" shall mean (i) any marketing imbalance between the quantity of Hydrocarbons attributable to the Assets required to be delivered by the Assignor under

any Applicable Contract relating to the purchase and sale, gathering, transportation, storage, processing (including any production handling and processing at a separation facility) or marketing of Hydrocarbons and the quantity of Hydrocarbons attributable to the Assets actually delivered by the Assignor pursuant to the relevant Applicable Contract, together with any appurtenant rights and obligations concerning production balancing at the delivery point into the relevant sale, gathering, transportation, storage or processing facility and (ii) any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well and allocable to the interests of the Assignor therein and the shares of production from the relevant Well to which the Assignor is entitled, together with any appurtenant rights and obligations concerning future in kind and/or cash balancing at the wellhead.

It is the intention of Assignor and Assignee that this Assignment cover only those certain working interest and net revenue interest of Assignor's described on Exhibit A and Exhibit B in and to the Assets, instrument, contract, conveyance or agreement.

**Section 1.02 Habendum Clause.** TO HAVE AND TO HOLD the Assets, unto Assignee and to their respective successors and assigns, forever, subject to the other matters set forth herein.

## ARTICLE II

### General

**Section 2.01 Special Warranty of Title.** Assignor does hereby bind itself and its successors and assigns to warrant and forever defend Defensible Title to the Assets unto Assignee, and its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part of the same by, through or under Assignor, but not otherwise.

Assignor hereby assigns to Assignee all rights, claims and causes of action under title and warranties given or made by Assignor's predecessors in interest with respect to the Assets, and Assignee is specifically subrogated to all rights which Assignor may have against such predecessors in interest with respect to the Assets, to the extent Assignor may legally transfer such rights and grant such subrogation.

**EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED HEREIN THIS ASSIGNMENT IS MADE WITHOUT ANY WARRANTY WHATSOEVER, EITHER EXPRESS OR IMPLIED, AND ASSIGNOR HEREBY EXPRESSLY DISCLAIMS ALL AND ANY OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. WITHOUT LIMITATION OF THE FOREGOING, EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED HEREIN, THE ASSETS ARE CONVEYED PURSUANT HERETO WITHOUT ANY WARRANTY OR REPRESENTATION WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, RELATING TO THE PROPERTIES OR RELATING TO THE CONDITION, QUANTITY, QUALITY, FITNESS FOR A PARTICULAR PURPOSE, CONFORMITY TO THE MODELS OR SAMPLES OF MATERIALS OR MERCHANTABILITY OF ANY EQUIPMENT OR ITS FITNESS FOR ANY PURPOSE, OR QUALITY OR QUANTITY OF RESERVES, AND, EXCEPT AS PROVIDED OTHERWISE IN THE FIRST SENTENCE OF THIS PARAGRAPH, WITHOUT ANY OTHER EXPRESS, IMPLIED, STATUTORY OR OTHER WARRANTY OR REPRESENTATION WHATSOEVER.**



**Section 2.02 Subject to.** This Assignment is made subject to (i) that certain Joint Operating Agreement, Letter Agreement, and the associated Exhibits, dated May 1, 2020.

**Section 2.03 Construction.** The captions in this Assignment are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Assignment. Assignor and Assignee acknowledge that they have participated jointly in the negotiation and drafting of this Assignment and as such they agree that if an ambiguity or question of intent or interpretation arises hereunder, this Assignment shall not be construed more strictly against one party than another on the grounds of authorship.

**Section 2.04 Assignment.** This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**Section 2.05 Recording.** In addition to filing this Assignment, the parties hereto shall execute and file with the appropriate authorities, whether federal, state or local, all forms or instruments required by applicable law to effectuate the conveyance contemplated hereby. Said instruments shall be deemed to contain all of the exceptions, reservations, rights, titles and privileges set forth herein as fully as though the same were set forth in each such instrument. The interests conveyed by such separate assignments are the same, and not in addition to the Assets conveyed herein.

**Section 2.06 Exhibits.** Exhibits referred to herein are hereby incorporated and made a part of this Assignment for all purposes by such reference.

**Section 2.07 First Right of Refusal.** And for the same consideration, during the term of the Assignment, before Assignee may sell all, or a portion of its interest described on Exhibit "A" to a third party, Assignee shall first offer the property to Assignor on the same terms and conditions as are offered by the third party. Assignor shall have 30 days during which to accept said offer. If Assignor does not accept said offer within said period, Assignee shall be free to accept the third-party offer. If Assignee does not enter into an agreement with the third party on said terms and conditions and close the transaction within 45 days, Assignee's right to sell the property to the third party shall expire and the procedure described in this Section shall again be applicable.

**Section 2.08 Reservations.** Notwithstanding anything contained in this Assignment to the contrary, it is understood and agreed that the properties herein conveyed shall not include and there is specifically EXCEPTED, RESERVED and EXCLUDED from the transfer contemplated by this Assignment, all of Assignors' right, title and interest in and to (A) all fee mineral, royalty, overriding royalty and other similar non-cost bearing interests in the lands described on Exhibit A attached hereto or in the lands otherwise covered by any oil, gas and/or mineral leases herein conveyed, and (B) any interest to any real property or surface estate interest in the lands described on Exhibit A attached hereto or in lands otherwise covered by any oil, gas and/or mineral leases herein conveyed.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF Assignor and Assignee have executed this Assignment on the dates set forth in their respective acknowledgements hereto to be effective as of May 1, 2020 (the "Effective Date").

**ASSIGNOR:**

**PRAIRIE GAS COMPANY, L.L.C.**

By:   
Name: IAN B. ACREY, MANAGER

**ASIGNEE:**

**JULIET ROMEO INVESTMENTS, LLC**

  
By: JEFFREY S. ROBINSON  
Title: MANAGER

ACKNOWLEDGMENT

STATE OF OKLAHOMA )  
 )  
COUNTY OF TULSA )

This instrument was acknowledged before me on this the 1<sup>st</sup> day of May, 2020, by Jan B. Acery, on behalf of Prarie Gas Company, L.L.C. in the capacity stated therein, on behalf of said company.



Susan K Mothershed  
Notary Public, State of Oklahoma

ACKNOWLEDGMENT

STATE OF Oklahoma )  
 )  
COUNTY OF Tulsa )

This instrument was acknowledged before me on this the 26<sup>th</sup> day of June, 2020, by Jeffrey S. Robinson Manager of Juliet Romeo Investments, LLC a ~~Texas~~ Oklahoma LLC, on behalf of said company.



Susan K Mothershed  
Notary Public, State of Oklahoma

**EXHIBIT "A"**

**ATTACHED HERETO AND MADE A PART HEREOF THAT CERTAIN ASSIGNMENT AND BILL OF SALE, BY AND BETWEEN PRAIRIE GAS COMPANY, LLC AS ASSIGNOR AND JULIET ROMEO INVESTMENTS, LLC, AS ASSIGNEE.**

**DESCRIPTION OF LANDS**  
**GREELEY COUNTY, KANSAS**

**The extent of ownership interest conveyed to Assignee in the following is limited to the percentage interest as set forth in Exhibit "B".**

<b>ADAMS #1</b>	<b>All of Section 2, T17S, R40W</b>
<b>BARKER #1-10</b>	<b>SE/4 Section 10, T19S, R40W</b>
<b>BARR #1</b>	<b>All of Section 16, T17S, R40W</b>
<b>BARR #2-16</b>	
<b>BAUGHMAN "W"</b>	<b>E/2 SE/4 &amp; SW/4 SE/4 Section 19, T19S, R39W</b>
	<b>NW/4 Section 29, SW/4 Section 29 &amp; NE/4 Section 31, T19S, R39W</b>
<b>BEARD #1</b>	<b>SE/4 Section 36, T20S, R41W</b>
<b>BOUNDS SWD</b>	<b>SW4 Section 13, T20S, R40W</b>
<b>BURKE 'A' #1</b>	<b>Section 2, T20S, R40W</b>
<b>BURKE #2</b>	<b>SE/4 Section 2, T20S, R40W</b>
<b>CAMPBELL #2-13</b>	<b>NE/4 Section 13, T19S, R41W</b>
<b>CAMPBELL #3-13</b>	<b>SE/4 Section 13, T19S, R41W</b>
<b>CHESTER #1-RCB</b>	<b>SE/4 Section 19, T17S, R40W</b>
<b>CHESTER #2-RCB</b>	<b>W2 E2 NE/4Section 19, T17S, R40W</b>
<b>CHESTER #3-RCB</b>	<b>SW/4 Section 19, T17S, R40W</b>
<b>CHESTER #4-RCB</b>	<b>NW/4 Section 19, T17S, R40W</b>
<b>CLIFT #1-17-RCB</b>	<b>SE/4 Section 17, T17S, R40W</b>
<b>CLIFT #2-17-RCB</b>	<b>SW/4 Section 17, T17S, R40W</b>
<b>CLIFT 'A' -1</b>	<b>West Side NW/4 &amp; NE/4 Section 17 &amp; N/2 SE/4 Section 33, T18S, R40W</b>

CLIFT 'B'-1	W/2 & SE/4 Section 34, T18S, R40W
CLIFT #1	Section 9, T19S, R40W
CLIFT 'A' #3-33	Section 33, T18S, R40W
CLIFT 'B' #3-34	SE/4 Section 34, T18S, R40W
DRAKE #1	NE/4 Section 27, T20S, R40W
DRAKE #3-27	NW SW/4 Section 27, T20S, R40W
EDMUN #2-17	E/4 Section 17, T19S, R40W
EDMUN #3-17	SE/4 Section 17, T19S, R40W
EDMUN #4-17	SW/4 Section 17, T19S, R40W
FECHT 'B'	All of Section 10, T19S, R40W
FECHT 'B' #2-10	SW/4 Section 10, T19, R40W
FECHT 'D' #1	NE/4, SW/4 Section 28, T18S, R40W
FERTIG #1-35	SW/4 Section 35, T19S, R40W
FISHMAN #1-RCB	SE/4 Section 8, T17S, R40W
FLOYD #2	E/2 & SW/4 Section 24, T19S, R40W
FLOYD #3	Section 25, T19S, R40W
FLOYD 'A' #1	Section 15, T20S, R40W
FLOYD 'B' #1	All of Section 12, T19S, R41W
FLOYD 'A' #2-25	Section 25, T19S, R40W
FLOYD "A" #3-25	NW SW/4 Section 25, T19S, R40W
FOSTER #1-7	Section 7, T20S, R39W
FOSTER #2-7	
FOSTER #3-7	
GIB #1	NW NW NW/4 Section 28, T17S, R40W

GIBSON #1	E/2 NW/4 & SW/4 Section 26, T17S, R40W
GIBSON #3-26	SW/4 Section 26, T17S, R40W
HARDING #1	Section 10, T20S, R40W
HARRIS 'A' #1	Section 15, T20S, R40W
HARRIS 'A' #2 (P&A)	
HOFFMAN #1	N/2 & SW/4 & SE/4 Section 24, T18S, R40W
HOFFMAN #32-1	SW/4 Section 30; N/2 Section 31; SE/4 Section 31 & SW/4 Section 32, T18S, R40W
HOPPE #1	E/2 Section 10; W/2 Section 11, T17S, R40W
HOUSEHOLDER GAS UNIT (P&A)	Section 28, T20S, R40W
HOUSEHOLDER #2	Section 28, T20S, R40W
HOUSEHOLDER #1-29 (P&A)	SE/4 Section 29, T20S, R40W
HOUSEHOLDER #2-29 (P&A)	NE/4 Section 29, T20S, R40W
HOUSEHOLDER #3-29	SW/4 Section 29, T20S, R40W
HUNT #1-RCB	NE/4 Section 20, T17S, R40W
HUNT #2-RCB	SW/4 Section 20, T17S, R40W
JOY #1	Section 6, T20S, R39W
KAEBERLE #1	S/2 Section 36, T16S, R40W
KUDER	All of Section 1, T18S, R40W
KUTTLER 'A'	S/2 Section 28; SE/4 Section 29 & NE/4 Section 32, T19S, R39W
KUTTLER 'B'	S/2 Section 33; NE/4 & SW/4 Section 4, T19S, R39W

KUTTLER 'D'	N/2 & SW/4 Section 20; NE/4 Section 19, T19S, R39W
KUTTLER 'E'	SE/4 Section 20; N/2 Section 28; NE/4 Section 29, T19S, R39W
KUTTLER 'F'	N/2 SW/4 & NW/4 SE/4 Section 19 & SW/4 Section 18, T19S, R39W
KUTTLER 'G'	NW/4 & SW/4 Section 29 & NE/4 Section 26, T19S, R39W
KUTTLER 'H'	NW/4 Section 29, T19S, R39W
KUTTLER #2-SWD	Tract of Land 200' by 200' in the SE/4, Section 29, T19S, R39W
LEE #1-27	NE/4 and W/2 Section 27, R17S, R40W
LEE #3-27	NE/4 Section 27, T17S, R40W
MARG HUNT #1	NW/4 Section 21, T17S, R40W
MARG HUNT #2	W2 SW/4 Section 21, T17S, R40W
MARVEL #1-A (P&A)	NE/4 & SW/4 SECTION 20, T20S, R40W
MILLER # A2-23	NE/4 Section 23, T20S, R40W
MILLER # A3-23 (P&A)	
MONROE #1-4	Section 4, T18S, R40W
MONROE #2-4	
NICKELSON #1-4	NE/4 Section 4, T20S, R39W
NICKELSON #2	NE/4 & SW/4 Section 4, T20S, R39W
PONCIN	N2 & SW/4 Section 5, & SE/4 Section 6, T19S, R40W
PRINGLE 'A' #1	S/2 Section 25, T18S, R40W
PRINGLE 'A' #2	NW/4 Section 26, T18S, R40W
PRINGLE 'C' #1	S/2 of N/2 and S/2 Section 30, T18S, R39W

PRINGLE 'A' 4-25	Section 25, T18S, R40W
PRINGLE RANCH	NE/4 Section 26, T18S, R40W & SW/4 Section 2, T19S, R40W
RAUCH	NW/4 NW/4 Section 8, T18S, R39W
RICHARDSON ESTATE #1	Section 13, T19S, R40W
ROE #1-RCB	NW/4 Section 29, T17S, R40W
ROE #2-RCB	SESW/4 Section 29, T17S, R40W
ROE #3-RCB	NE NW NE/4 Section 29, T17S, R40W
ROSS #2	All of Section 5, T18S, R39W
ROSS #3	All of Section 6, T18S, R39W
ROSS #5	SW SW/4 Section 5, T18S, R39W
SANDIFER 'A'	N/2 Section 33, T19S, R39W
SANDIFER 'A' #2	S/2 SEC 34, N/2 SEC 33, T19S-R39W
SELL#1-9	S/2 Section 9, T18S, R40W
SELL 'A' #1	Section 3, T19S, R40W
SELL 'A' #2-3	Section 3, T19S, R40W
SELL 'B' #1	All of Section 3, T17S, R40W
SIBYL #1	S/2 SE/4 SECTION 19, T19S, R39W NE/4 SE/4 SECTION 19, T19S, R39W W/2 SECTION 29, T19S, R39W NW/4 NW/4 SECTION 32, T19S, R39W NE/4 SECTION 31, T19S, R39W
SLEIGH #1-1	NW NW/4 Section 1, T17S, R40W
SLEIGH #2-1	NE/4 Section 1, T17S, R40W
THOMPSON #1	All of Section 32, T20S, R40W
V-HILL #1-11 SWD	SW/4 Section 11, T19S, R40W
VESTER	SW/4 Section 1; E/2 Section 11;SW/4 Section 12, T17S, R40W



WALLACE #3-22	NW/4 Section 22, T20S, R40W
WATSON #1	SW/4 & NW/4 Section 17, T20S, R39W
WATSON FARMS	SW/4 & NE/4 Section 19, T20S, R39W
WATSON FARMS #2	SW/4 Section 19, T20S, R39W
WATSON 'E' #2-H (P&A)	Section 12, T20S, R40W
WATSON 'E' #3 (P&A)	
WEAR #1	E/2 SECTION 15, T17S, R40W
WEAR #2	NE/4 SECTION 15, T17S, R40W
WEAR #1-RCB	SW/4 Section 30, T17S, R40W
WEAR #2-RCB	NE/4 Section 30, T17S, R40W
WEAR #3-RCB	SE NW/4 Section 30, T17S, R40W
WEAR #4-RCB	NW NW NW/4 Section 30, T17S, R40W
WEAR 'B' #1	NW/4 & NE/4 & S/2 Section 25, T17S, R40w
WINEINGER #1	NW/4 Section 35, T19S, R40W
WINEINGER #3-35	NE/4 Section 35, T19S, R40W
WOODS #1-RCB	E2 NE SE/4 Section 4, T17S, R40W
WATSON FARMS #1-A	Section 8, T20 S, R39 W;
WATSON FARMS #2,	NW/4, Section 19, T20 S, R39 W, & The SE/4, Section 19, T20 S, R39W, & The SE/4, Section 20, T20S, R39W
ANGELL #2 & ANGELL #2A	Section 5, T20S, R39W
REXFORD #1	E/2 & NW/4, Section 30, T20S, R39W, & SE/4 OF Section 36, T20S, R39W
REXFORD #2	N/2 of Section 29, T20S, R39W, & N/2 Of Section 28, T20S, R39W
KUTTLER #1	Section 4, T20S, R39W
LILJEGREN #1 & STEPHENS #2-15	480 Acres being the N/2 & SW/4 Of Section 15,

	T19S, R40W
WEST #1	Section 28, T19S, R40W
SPEARS #2	E/2 & NW/4, Section 5, T20S, R40W, & NE/4 Of Section 7, T20S, R40W
WINEINGER #1	Section 34, T19S, R40W
WINEINGER #2	Section 33, T20S, R40W
SPEARS #3	Section 14, T20S, R40W
KEIFER #1	N/2 & SE/4, Section 6, T17S, R39W, & NE/4 Section 7, T17S, R39W
BRUNSWIG #1	NE/4 & SE/4 Of Section 12, T17S, R40W & the S/2 Of Section 7, T17S, R39W
WEAR TRUST #1	E/2 Of Section 10, T17S, R39W, & W/2 Section 14, T17S, R40 W;
BANBURY #1	NW/4 Of Section 7, T17S, R39W, & E/2 Of Section 8, T17S, R39W, & NW/4 Section 10, T17S, R39W

**DESCRIPTION OF LANDS**  
**HAMILTON COUNTY, KANSAS**

The extent of ownership interest conveyed to Assignee in the following is limited to the percentage interest as set forth in Exhibit "B".

BANBURY #2	All of Section 31, T21S, R40W
BOLTZ #1	All of Section 1, T24S, R41W
BOLTZ #2	SE/4 NE/4 Section 1, T24S-R41W
BOLTZ #3	SE NE SW Section 1, T-24S-41W
BOLTZ SWD	SE/4 SE/4 Section 1, T24S, R41W
BRADDOCK #1	Section 34, T22S, R40W

BUCK #1-13	E/2 Section 3, T23S, R40W
BUCK #2-13	E/2 Section 3, T23S, R40W
CLETUS #1	SE/4 Section 20, T21S, R41W
DALENE #1	Section 7, T22S, R41W
DIKEMAN #1	W/2 Section 15, T22S, R40W
DIKEMAN #2	Section 1, T23S, R40W
DOTTS #1	All of Section 28, T23S, R40W
DOYLE #1 (P&A)	W/2 Section 21, T23S, R41W
DOYLE #2	N/2 SW/4 Section 21, T23S, R41W
EARL #1	Section 23, T22S, R40W
ELDON #1	NE/4 Sec. 12, T23S, R41W And SW/4 Section 7, T23S, R40W
ELSIE #1	NW/4 Section 3, T23S, R40W
GEORGE #1	S/2 and NE/4 Section 1, T22S, R42W
GEORGE #2	SE/4 Section 1, T22S, R42W
HATCHER CATTLE CO.	All of Section 22, T22S, R42W
HAZLETT #1	Section 22, T21S, R41W
HAZLETT#2	
HCU 0831-B	Section 8, T23S, R41W
HEGER SWD	SE/4 Section 19, T23S, R41W
HENRY #1	All of Section 15, T23S, R40W
HENRY #2	
HERRMANN #1	E/2 Section 9, T23S, R40W;NW/4 & SW/4 Section 10, T23S, R40W
HERRMANN 'A'	SW/4 Section 24, T23S, R40W

HILL #1	SE/4 Section 10 & SW/4 Section 11, T22S, R40W
HILL #2	
JANTZ #1	Section 5, T23S, R40W
JANTZ PIPELINE	
JOHNSON #1-'A'	Section 12, T24S, R41W
LESSER #1	All of Section 23, T21S, R41W
LESSER #3-SWD	NE/4 Section 23, T21S, R41W
LEWIS #1	SW/4 Section 7, T22S, R41W
LEWIS #2	SE/4 Section 7, T22S, R41W
LIVINGSTON #1	All of Section 16, T23S, R40W
LIVINGSTON #1-A	NW/4 Section 16, T23S, R40W
LIVINGSTON #2	All of Section 8, T23S, R40W
LIVINGSTON #4	N/2 SE/4 Section 8, T23S, R40W
LIVINGSTON SWD	N/2 Section 16, T23S, R40W
LOIS #1	NE/4 Section 10, T22S, R40W
MAI	Section 8, T23S, R41W
MARIE #1	SE/4 Section 7, T23S, R40W And the NW/4 Section 7, T23S, R40W SE/4 Section 2, T23S, R41W
MUNCIE #1	NW/4 Section 8, T23S, R40W SE/4 Section 33, T23S, R40W
PARSONS #1	All of Section 27, T23S, R41W
PARSONS #2	
SIMON #1-12	SW/4 & W/2 SE/4 Section 23, T22S, R40W
SIMON #2-12	NW/4 & N/2 SW/4 Section 12, T23S, R41W

SINSABAUGH #1

N/2 Section 17, T23S, R41W  
S/2 Section 17, T23S, R41W

SINSABAUGH #2

SE/4 Section 17, T23S, R41W

SUERTE #1

Section 20, T23S, R41W

SUGAR #1

NW/4 Section 18, T23S, R39W  
NW/4 Section 24, T23S, R40W

TATE #1

Section 27, T24S, R41W

VIRGINIA #1

S/2 Section 5 and SE/4 Section 6, T21S, R40W

WHITE #1

E/2 Section 7, T23S, R40W

WILCOX #1

Section 34, T22S, R40W

YODER #1

NW/4 Section 34, T22S, R40W &  
W/2 Section 24, T22S, R40W

**EXHIBIT "B"**  
**WELLS AND INTEREST**

ATTACHED HERETO AND MADE A PART HEREOF THAT CERTAIN ASSIGNMENT AND BILL OF SALE, BY AND BETWEEN PRAIRIE GAS COMPANY, LLC AS ASSIGNOR AND JULIET ROMEO, LLC AS ASSIGNEE.

WELL NAME	API	COUNTY	JULIET WI (ASSIGNMENT 1)	JULIET NRI (ASSIGNMENT 1)
ADAMS 1	15071201070000	GREELEY	0.10158138	0.08618528
ANGELL 2	15071207000000	GREELEY	0.11398758	0.08570070
ANGELL 2 A	15071208110000	GREELEY	0.13863354	0.10423059
BANBURY 1	15071202780000	GREELEY	0.15000000	0.11332500
BARKER 1-10	15071208400000	GREELEY	0.14425027	0.12186524
BARR 1	15071200850000	GREELEY	0.13872309	0.11941828
BARR 2-16	15071207910000	GREELEY	0.13872309	0.11941828
BAUGHMAN W	15071202250000	GREELEY	0.15000000	0.13125000
BEARD 1	15071200400000	GREELEY	0.15000000	0.11887500
BOUNDS 2 SWD	15071202170000	GREELEY	0.15000000	0.15000000
BRUNSWIG 1	15071202840000	GREELEY	0.15000000	0.11251990
BRUNSWIG 18 SWD	15071202170000	GREELEY	0.15000000	0.15000000
BURSKA A 1	15071201410000	GREELEY	0.15000000	0.12656250
BURSKA 2	15071206590000	GREELEY	0.09375000	0.07031250
CAMPBELL 2-13	15071208030000	GREELEY	0.13872309	0.11720460
CAMPBELL 3-13	15071208360000	GREELEY	0.13872309	0.11720460
CHESTER 1 RCB	15071200870000	GREELEY	0.08685874	0.07216059
CHESTER 2 RCB	15071207760000	GREELEY	0.08685874	0.07216059
CHESTER 3 RCB	15071208330000	GREELEY	0.08685874	0.07216059
CHESTER 4 RCB	15071208460000	GREELEY	0.08590869	0.07216059
CLIFT 1	15071200790000	GREELEY	0.09862500	0.08193578
CLIFT 1-9	15071201030000	GREELEY	0.11804174	0.09740084
CLIFT 2 RCB	15071207740000	GREELEY	0.09810050	0.08193578
CLIFT A 1	15071200980000	GREELEY	0.12226155	0.09955026
CLIFT A 3-33	15071207960000	GREELEY	0.12226155	0.09955026
CLIFT B 1	15071201020000	GREELEY	0.13893382	0.11986399
CLIFT B 3-34	15071208220000	GREELEY	0.13893382	0.11986399
COAKES 1 SWD	15071202170000	GREELEY	0.14583333	0.14583333
DRAKE 3-27	15071208040000	GREELEY	0.15000000	0.12210938
EDMAN 2-17	15071207150000	GREELEY	0.14401713	0.11486940

EDMAN 3-17	15071207280000	GREELEY	0.13872309	0.11056800
EDMAN 4-17	15071208200000	GREELEY	0.13872309	0.11056800
FECHT B 1	15071200830000	GREELEY	0.14425027	0.12186524
FECHT B 2-10	15071205970000	GREELEY	0.14470596	0.11872094
FECHT D 1	15071201090000	GREELEY	0.12475525	0.10209230
FERTIG 1-35	15071208270000	GREELEY	0.14704015	0.11625100
FISHMAN 1 RCB	15071202040000	GREELEY	0.05239455	0.04352836
FLOYD 2	15071204550000	GREELEY	0.08826125	0.07652491
FLOYD A 2-25	15071205980000	GREELEY	0.15000000	0.11780625
FLOYD 3	15071206750000	GREELEY	0.11883536	0.10016855
FLOYD A 1	15071200470000	GREELEY	0.15000000	0.11690625
FLOYD A 3-25	15071207880000	GREELEY	0.15000000	0.11780625
FLOYD B 1	15071200860000	GREELEY	0.13872309	0.11729848
FOSTER 1-7	15071201360000	GREELEY	0.14687713	0.12200630
FOSTER 2-7	15071206000000	GREELEY	0.15000000	0.11989829
FOSTER 3-7	15071208050000	GREELEY	0.15000000	0.11989829
GIBB 1	15071201510000	GREELEY	0.14850000	0.12738696
GIBSON 1	15071201060000	GREELEY	0.11851161	0.10054950
GIBSON 3-26	15071207350000	GREELEY	0.12138270	0.10288226
HARDING 1	15071200760000	GREELEY	0.09014625	0.07753437
HARRIS A 1	15071200670000	GREELEY	0.14985938	0.11403750
HOFFMAN 1	15071201770000	GREELEY	0.14850000	0.11881500
HOFFMAN 1-32	15071203570000	GREELEY	0.14850000	0.11258190
HOFFMAN 2 SWD	15071202170000	GREELEY	0.15000000	0.15000000
HOFFMAN G 32-1	15071203570000	GREELEY	0.12656250	0.09781657
HOPPE 1	15071201450000	GREELEY	0.15000000	0.12479396
HOUSEHOLDER 2	15071206640000	GREELEY	0.12319549	0.10391364
HOUSEHOLDER 3- 29	15071208070000	GREELEY	0.15000000	0.11634375
HUNT 2 RCB	15071207720000	GREELEY	0.09862500	0.08193578
JOY 1	15071207330000	GREELEY	0.15000000	0.12030000
KAEBERLE 1	15071207490000	GREELEY	0.15000000	0.12510000
KIEFER 1	15071202770000	GREELEY	0.15000000	0.08334749
KUDER	15071201160000	GREELEY	0.14531250	0.11579590
KUTTLER 1	15071202990000	GREELEY	0.15000000	0.11250001
KUTTLER A	15071202240000	GREELEY	0.15000000	0.13125000
KUTLER A 2 SWD	15071202170000	GREELEY	0.15000000	0.15000000
KUTTLER B	15071202310000	GREELEY	0.15000000	0.13125000
KUTTLER D	15071202380000	GREELEY	0.15000000	0.13125000
KUTTLER E	15071202400000	GREELEY	0.15000000	0.13125000

KUTTLER F	15071203780000	GREELEY	0.15000000	0.13125000
KUTTLER G	15071207530000	GREELEY	0.15000000	0.13125000
KUTTLER H	15071207550000	GREELEY	0.15000000	0.13125000
LEE 1-27	15071201500000	GREELEY	0.14154232	0.11943573
LEE 3-27	15071207900000	GREELEY	0.14154232	0.11943573
LESSER 1 SWD	15071202170000	GREELEY	0.15000000	0.15000000
LILJEGREN 1	15071202130000	GREELEY	0.15000000	0.11249998
LIVINGSTON 3 SWD	15071202170000	GREELEY	0.15000000	0.15000000
MARG HUNT 1 RCB	15071200810000	GREELEY	0.07396875	0.05120988
MARG HUNT 2 RCB	15071207710000	GREELEY	0.07396875	0.05120988
MILLER 1	15071203300000	GREELEY	0.15000000	0.11765448
MILLER A 2-23	15071207340000	GREELEY	0.15000000	0.11673047
MONROE 1-4	15071201850000	GREELEY	0.12987108	0.10991407
MONROE 2-4	15071207060000	GREELEY	0.12987108	0.10771716
NICKELSON 1-4	15071206170000	GREELEY	0.15000000	0.13125000
NICKELSON 2	15071207310000	GREELEY	0.15000000	0.13125000
PONCIN	15071203180000	GREELEY	0.12656250	0.09709819
PRINGLE A 1	15071201370000	GREELEY	0.14121230	0.12183975
PRINGLE A 4-25	15071207990000	GREELEY	0.14425027	0.12443721
PRINGLE A 2	15071207160100	GREELEY	0.14425027	0.12443721
PRINGLE C 1	15071201470000	GREELEY	0.14121230	0.12000353
PRINGLE RANCH	15071207040000	GREELEY	0.14230973	0.11218740
RAUCH 1	15071202120000	GREELEY	0.13125000	0.11221875
REXFORD 1	15071203500000	GREELEY	0.15000000	0.11765448
REXFORD 2	15071203520000	GREELEY	0.15000000	0.11764033
RICHARDSON ESTATE 1	15071200650000	GREELEY	0.14507319	0.12394985
ROE 1 RCB	15071200880000	GREELEY	0.09862500	0.08193578
ROE 2 RCB	15071202690000	GREELEY	0.09862500	0.08193578
ROE 3 RCB	15071207730000	GREELEY	0.09862500	0.08193578
ROSS 2	15071201720000	GREELEY	0.12514454	0.09385840
ROSS 3	15071202050000	GREELEY	0.12514453	0.09496069
ROSS 5	15071207560000	GREELEY	0.12900438	0.09675329
SANDIFER A 2	15071207520000	GREELEY	0.15000000	0.13125000
SANDIFER A	15071203790000	GREELEY	0.15000000	0.13125000
SELL 1-9	15071201760000	GREELEY	0.12987108	0.10882723
SELL A 2-3	15071208210000	GREELEY	0.13872309	0.11645473
SELL A 1	15071200840000	GREELEY	0.13872309	0.11645473



SELL B 1	15071201100000	GREELEY	0.13872309	0.11941828
SIBYL 1	15071206460000	GREELEY	0.09375000	0.07031250
SLEIGH 1-1	15071201530000	GREELEY	0.14718750	0.12506888
SLEIGH 2-1	15071207930000	GREELEY	0.14906250	0.12647512
SPEARS 2	15071202460000	GREELEY	0.15000000	0.12460460
SPEARS 3	15071204840000	GREELEY	0.14708106	0.11490708
STEPHENS 2-15	15071207890000	GREELEY	0.15000000	0.11249998
THOMPSON 1	15071200360000	GREELEY	0.12187500	0.10073438
V HILL 1-11 SWD	15071202170000	GREELEY	0.15000000	0.15000000
VESTER 1	15071201540000	GREELEY	0.14705355	0.12331136
WALACE 3-22	15071207770000	GREELEY	0.15000000	0.12750000
WATSON 1	15071206560000	GREELEY	0.15000000	0.12165000
WATSON FARMS	15071203580000	GREELEY	0.11250000	0.09140625
WATSON FARMS 1 A	15071208120000	GREELEY	0.14418324	0.10923922
WATSON FARMS 2	15071207110000	GREELEY	0.14250000	0.10939510
WEAR 1	15071206930000	GREELEY	0.10885135	0.08411351
WEAR 1 RCB	15071200930000	GREELEY	0.10520045	0.08780188
WEAR 2	15071207300000	GREELEY	0.11472973	0.08934730
WEAR 2 RCB	15071207750000	GREELEY	0.08565000	0.07115571
WEAR 3 RCB	15071208440000	GREELEY	0.08565000	0.07115571
WEAR 4 RCB	15071208450000	GREELEY	0.08565000	0.07115571
WEAR B 1	15071201120000	GREELEY	0.08465115	0.07182107
WEAR TRUST 1	15071202830000	GREELEY	0.15000000	0.11251152
WEST 1	15071201800000	GREELEY	0.15000000	0.11404688
WINEINGER 2	15071202160000	GREELEY	0.13002364	0.09843750
WINEINGER 1	15071200320000	GREELEY	0.14704015	0.11625100
WINEINGER 3-35	15071208020000	GREELEY	0.14704015	0.11625100
WOOD 1 RCB	15075201470000	GREELEY	0.09862500	0.08193580
HEGER 1 SWD	15071202170000	HAMILTON	0.15000000	0.15000000
BANBURY 2	15075207920000	HAMILTON	0.15000000	0.13125000
BOLTZ 1	15075200310000	HAMILTON	0.15000000	0.12675000
BOLTZ 2	15075206120000	HAMILTON	0.15000000	0.11250000
BOLTZ 3	15075207530000	HAMILTON	0.15000000	0.12675000
BRADDOCK 1	15075208160000	HAMILTON	0.13950000	0.11896734
BUCK 1-3	15075207270000	HAMILTON	0.13781250	0.10935937
BUCK 2-3	15075207470000	HAMILTON	0.14100000	0.11175000
CLETUS 1	15075207460000	HAMILTON	0.10500000	0.08638125
DALENE 1	15075206950000	HAMILTON	0.14250000	0.11364375
DIKEMAN 1 SWD	15075206680000	HAMILTON	0.12681081	0.09966811

DIKEMAN 2	15075207610000	HAMILTON	0.12750000	0.10222500
DOTTS	15075200980000	HAMILTON	0.15000000	0.12187500
DOYLE 2	15075206200000	HAMILTON	0.11871094	0.08903320
EARL 1	15075207450000	HAMILTON	0.14850000	0.11797500
ELDON 1	15075206020000	HAMILTON	0.09375000	0.07078750
ELSIE 1	15075208060000	HAMILTON	0.13950000	0.11857500
GEORGE 1	15075206410000	HAMILTON	0.12000000	0.09498750
GEORGE 2	15075207350000	HAMILTON	0.15000000	0.11886500
HATCHER CATTLE CO	15075202590000	HAMILTON	0.14442569	0.10968179
HAZLETT 1 1	15075205680000	HAMILTON	0.10687500	0.08683594
HAZLETT 2	15075206340000	HAMILTON	0.10687500	0.08683594
HCU 831 B	15075206820000	HAMILTON	0.15000000	0.12648015
HENRY 1	15075207750000	HAMILTON	0.15000000	0.12187500
HENRY 2	15075207750000	HAMILTON	0.15000000	0.12187500
HERRMANN 1	15075207040000	HAMILTON	0.12375001	0.09879375
HERRMANN A 1	15075207830000	HAMILTON	0.15000000	0.12718750
HILL 1	15075206990000	HAMILTON	0.09450000	0.07543500
HILL 2	15075207440000	HAMILTON	0.14850000	0.11881500
JANTZ 1	15075206030000	HAMILTON	0.09375000	0.07031250
JOHNSON 1 A	15075206720000	HAMILTON	0.09060811	0.07313363
LESSER 1	15075206520000	HAMILTON	0.14006196	0.11746875
LEWIS 2	15075207370000	HAMILTON	0.13000000	0.10515667
LEWIS 1	15075206690000	HAMILTON	0.12000000	0.09440167
LIVINGSTON 1	15075201460000	HAMILTON	0.15000000	0.12187500
LIVINGSTON 1 A	15075206460000	HAMILTON	0.14250000	0.11365377
LIVINGSTON 2	15075201500000	HAMILTON	0.15000000	0.12187515
LIVINGSTON 4	15075206830000	HAMILTON	0.15000000	0.11941406
LOIS 1	15075207330000	HAMILTON	0.15000000	0.11970000
MAI 1	15075207090000	HAMILTON	0.15000000	0.12703125
MARIE 1	15075206050000	HAMILTON	0.09375000	0.07078750
MUNCIE 1	15075206670000	HAMILTON	0.15000000	0.12662500
PARSONS	15075202990000	HAMILTON	0.13106060	0.09835688
PARSONS 2	15075207320000	HAMILTON	0.12975000	0.09745312
SIMON 1-12	15075207140000	HAMILTON	0.15000000	0.12637500
SIMON 2-12	15075207210000	HAMILTON	0.15000000	0.12637500
SINSABAUGH 1	15075205960000	HAMILTON	0.09375000	0.07078750
SINSABAUGH 2	15075206610000	HAMILTON	0.12000000	0.09498750
SUERTE 1	15075206650000	HAMILTON	0.10875000	0.08456250
SUGAR 1	15075207930000	HAMILTON	0.15000000	0.12178125

<b>TATE 1</b>	<b>15075206710000</b>	<b>HAMILTON</b>	<b>0.15000000</b>	<b>0.11535000</b>
<b>VIRGINIA 1</b>	<b>15075207430000</b>	<b>HAMILTON</b>	<b>0.14850000</b>	<b>0.11642813</b>
<b>WHITE 1</b>	<b>15075206060000</b>	<b>HAMILTON</b>	<b>0.09375000</b>	<b>0.07080312</b>
<b>WILCOX 1</b>	<b>15075207050000</b>	<b>HAMILTON</b>	<b>0.15000000</b>	<b>0.12450000</b>
<b>YODER 1</b>	<b>15075208150000</b>	<b>HAMILTON</b>	<b>0.14699999</b>	<b>0.12536343</b>