

A A P L FORM 610 1982

MODEL FORM OPERATING AGREEMENT

SRO STATE EXPLORATORY UNIT

OPERATING AGREEMENT

DATED

May 8 2009

JK

OPERATOR Marbob Energy Corporation

CONTRACT AREA SEE ATTACHED EXHIBIT A

COUNTY OR PARISH OF Eddy STATE OF New Mexico

COPYRIGHT 1982 ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN 4100 FOSSIL CREEK BLVD FORT
WORTH TEXAS 76137-2791 APPROVED
FORM A.A.P.L. NO 610 1982 REVISED

NMOCC CASE Nos 15441 15481 15482
NEX SRO2 LLC AND SRO3 LLC
Exhibit No 42
February 28 2017

C 002168

TABLE OF CONTENTS

<u>Article</u>	<u>Title</u>	<u>Page</u>
I	<u>DEFINITIONS</u>	1
II	<u>EXHIBITS</u>	1
III	<u>INTERESTS OF PARTIES</u>	2
	A OIL AND GAS INTERESTS	2
	B INTERESTS OF PARTIES IN COSTS AND PRODUCTION	2
	C EXCESS ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	2
	D SUBSEQUENTLY CREATED INTERESTS	2
IV	<u>TITLES</u>	2
	A TITLE EXAMINATION	2 3
	B LOSS OF TITLE	3
	1 Failure of Title	3
	2 Loss by Non Payment or Erroneous Payment of Amount Due	3
	3 Other Losses	3
V	<u>OPERATOR</u>	4
	A DESIGNATION AND RESPONSIBILITIES OF OPERATOR	4
	B RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1 Resignation or Removal of Operator	4
	2 Selection of Successor Operator	4
	C EMPLOYEES	4
	D DRILLING CONTRACTS	4
VI	<u>DRILLING AND DEVELOPMENT</u>	4
	A INITIAL WELL	4-5
	B SUBSEQUENT OPERATIONS	5
	1 Proposed Operations	5
	2 Operations by Less than All Parties	5 6 7
	3 Stand By Time	7
	4 Sidetracking	7
	C TAKING PRODUCTION IN KIND	7
	D ACCESS TO CONTRACT AREA AND INFORMATION	8
	E ABANDONMENT OF WELLS	8
	1 Abandonment of Dry Holes	8
	2 Abandonment of Wells that have Produced	8 9
	3 Abandonment of Non Consent Operations	9
VII	<u>EXPENDITURES AND LIABILITY OF PARTIES</u>	9
	A LIABILITY OF PARTIES	9
	B LIENS AND PAYMENT DEFAULTS	9
	C PAYMENTS AND ACCOUNTING	9
	D LIMITATION OF EXPENDITURES	9 10
	1 Drill or Deepen	9-10
	2 Rework or Plug Back	10
	3 Other Operations	10
	E RENTALS, SHUT IN WELL PAYMENTS AND MINIMUM ROYALTIES	10
	F TAXES	10
	G INSURANCE	11
VIII	<u>ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST</u>	11
	A SURRENDER OF LEASES	11
	B RENEWAL OR EXTENSION OF LEASES	11
	C ACREAGE OR CASH CONTRIBUTIONS	11 12
	D MAINTENANCE OF UNIFORM INTEREST	12
	E WAIVER OF RIGHTS TO PARTITION	12
	F PREFERENTIAL RIGHT TO PURCHASE	12
IX	<u>INTERNAL REVENUE CODE ELECTION</u>	12
X	<u>CLAIMS AND LAWSUITS</u>	13
XI	<u>FORCE MAJEURE</u>	13
XII	<u>NOTICES</u>	13
XIII	<u>TERM OF AGREEMENT</u>	13
XIV	<u>COMPLIANCE WITH LAWS AND REGULATIONS</u>	14
	A LAWS REGULATIONS AND ORDERS	14
	B GOVERNING LAW	14
	C REGULATORY AGENCIES	14
XV	<u>OTHER PROVISIONS</u>	14
XVI	<u>MISCELLANEOUS</u>	15

OPERATING AGREEMENT

THIS AGREEMENT entered into by and between Marbob Energy Corporation

her after designated and referred to as "Operator" and the signatory party or parties other than Operator sometimes hereinafter referred to individually hereinafter as "Non-Operator" and collectively as "Non-Operators"

WITNESSETH

WHEREAS the parties to the agreement are owners of oil and gas leases and/or oil and gas interests in land identified in Exhibit A and the parties hereto entered a agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to be sold and 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 hereinafter ascribed to them

A. The term "oil and gas" shall mean oil, natural gas, gas condensate, and all other liquid or gaseous hydrocarbons and their marketable substances produced therefrom, unless a limitation to the definition of this term is specifically stated

B. The terms "oil and gas leases" and "leasehold interests" shall mean the oil and gas leases and/or interests in land lying within the Contract Area which are owned by the parties to this agreement

C. The terms "oil and gas interests" shall mean leasehold and mineral interests in land lying within the Contract Area which are owned by parties to this agreement

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests, and oil and gas interests owned and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit A

E. The term "drilling" shall mean the drilling of a well by order or rule of any state or federal regulatory authority if drilling is not fixed by any other rule or order. Drilling shall be the drilling as established by the pattern drilling of the Contract Area as fixed by express agreement of the Drilling Parties

F. The term "drills" shall mean the oil and gas leases or interests on which a proposed well is to be located

G. The terms "Drilling Party" and "Contracting Party" shall mean a party who agrees to join and pay its share of the cost of any production and development of the property

H. The terms "Non-Drilling Party" and "Non-Contracting Party" shall mean a party who elects not to participate in proposed operations

Unless the context otherwise clearly indicates word used in this agreement shall be construed to include the plural and the feminine gender

ARTICLE II
EXHIBITS

The following exhibits indicated below and attached hereto, are incorporated and made part hereof

☒ A. Exhibit A shall include the following information

(1) Identification of lands subject to this agreement

(2) Restrictions if any as to depths formation or substances,

(3) Percentages fractional interests participating in the agreement

(4) Oil and gas leases and/or oil and gas interests subject to this agreement

(5) Addresses of parties for notice purposes

☐ B. Exhibit B Form of Lease.

☒ C. Exhibit C Accounting Procedure.

☒ D. Exhibit D Insurance.

☒ E. Exhibit E Gas Billing Agreement.

☒ F. Exhibit F Non-Discretionary and Certificate of No Segregated Facilities

☒ G. Exhibit G Partnership

If any provision of any exhibit, except Exhibits E and G is inconsistent with any provision contained in this body of the agreement the provisions of this body of the agreement shall prevail

ARTICLE III
INTERESTS OF PARTIES

4 A Oil and Gas Interests

6 If any party owns an oil and gas interest in the Contract Area that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B" and the owner thereof shall be deemed to have the royalty interest reserved in such lease and the interest of the lessee thereunder.

10 B Interests of Parties in Costs and Production

12 Unless provided by other provisions, all cost and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials required in operations on the Contract Area shall be owned by the parties as their interests represent forth in Exhibit A. In the same manner the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties to the extent of 1/6 which shall be borne as hereinafter set forth.

17 Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto or with royalty is divided and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver or cause to be paid or delivered to the extent of its interest in such production the royalty amount stipulated hereabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, for a price basis higher than the price received by such party or any other party lessor royalty owner and for any such other party lessor or royalty owner should demand a receiptment on a higher price basis the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.

24 Nothing contained in this Article III B shall be deemed an assignment or cross-assignment of interests covered hereby.

27 C. Excess Royalties Overriding Royalties and Other Payments

29 Unless provided by other provisions of the interest of any party in any lease covered hereby is subject to any royalty overriding royalty production payment or other burden on production in excess of the amount stipulated Article III B such party is burdened shall assume and also bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.

34 D. Subsequently Created Interests

36 If any party should hereafter create overriding royalty production payment or other burden payable out of production attributable to its working interest hereunder or if such a burden is created prior to this agreement and is not set forth in Exhibit A was not disclosed in writing to all oil or parties prior to the execution of the agreement by all parties or is not jointly acknowledged and accepted obligation of all parties (any such interest being hereinafter referred to as subsequently created interest irrespective of the timing of its creation) the party out of whose working interest the subsequently created interest is derived (hereinafter referred to as "burdened party") and:

43 1. If the burdened party is required under this agreement to assign or relinquish to any other party or parties, all portions of its working interest and/or production attributable thereto said other party or parties shall receive said assignments and production on fee net lease of said subsequently created interest and the burdened party shall indemnify and save said other party or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest and,

49 2. If the burdened party fails to pay when due, its share of expenses chargeable hereunder all provisions of Article VII B shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV
TITLES

56 A. Title Examination

58 Title examination shall be made by the driller of any proposed well prior to commencement of drilling operations or if drilling operations are required, title examination shall be made by the leases and/or oil and gas interests included, or planned to be included in the drilling unit and such well. The opinion will include the well and the working interest, minerals, royalty overriding royalty and production payments derivable from the applicable leases. At the time all proposed each party contributing leases and/or oil and gas interests to the driller, it shall be included in such drilling. It shall furnish to Operator all abstracts (including federal lease status reports) title opinions, title papers and certificate material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereon. The cost incurred by Operator in this title program shall be borne as follows:

68 ☐ Operator. Costs incurred by Operator procuring abstracts and title examination (including preliminary supplemental shut-in gas royalty opinions and division order title opinions) shall be part of the administrative overhead as provided in Exhibit "C" and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorney.

ARTICLE IV
continued

1 ☒ Option No. 2. Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination
2 (including preliminary survey and shut in gas royalty operations and division order title operations) shall be borne by the Drilling Parties
3 in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear. E
4 Exhibit A Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above
5 functions.

6
7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection
8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 agreements or declarations as well as the handling of the general requirements of the securing of spacing pool orders.
10 This shall not prevent any party from proceeding on its own behalf in such hearing.

11
12 No well shall be drilled in the Contract Area until after (1) the title to the drill hole or drilling unit has been examined as to
13 provided and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

14 B. Loss of Title:

15
16 Failure of Title: Should any oil and gas interest on lease, or interest therein be lost through failure of title, which loss results in
17 reduction of interest from that shown in Exhibit A, the party contributing the affected lease or interest shall have ninety (90) days
18 from final determination of title failure to negotiate a new lease or other instrument during the entirety of the title failure which equates
19 to what would not be subject to Article VIII B and failing to do so this agreement nevertheless, shall be deemed to be in full force and effect
20 and gas leases and interests and
21

22 () The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and shall not be
23 entitled to recover from Operator or the other parties any development or operating cost which it may have theretofore paid or incurred,
24 but there shall be no additional liability as to the other parties hereto by reason of such title failure.

25 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has
26 been lost, but the interests of the parties shall be revised on a pro rata basis, as of the time it is determined finally that title failure has oc-
27 curred so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract
28 Area by the amount of the interest lost.

29 () If the proportionate interest of the other parties hereto in any producing well theretofore drilled in the Contract Area is
30 increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to its increased inter-
31 est (less lessor's and lessor's attributable thereto) until it has been reduced to the amount of the proceeds paid by it in connection with such
32 well.

33 (d) Should any person or party to this agreement, who is determined to be the owner of any interest in the title which has
34 failed, pay in any manner a proportion of the cost of operation, development or equipment, such amount shall be paid to the party or parties
35 who bear the costs which are so funded.

36 (e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be
37 borne by the party or parties whose title failed in the same proportion as which they shared in such prior production.

38 (f) No charge shall be made for the joint account for legal expenses, fees or salaries, in connection with the defense of the interest
39 claimed by any party hereto to be the interest of the party as herein stated. Each shall defend until its interest and bear all expenses in
40 connection therewith.

41
42
43 2. Loss by No Payment or Erroneous Payment of Amount Due. If through mistake or oversight, any rental shut-in well
44 payment, minimum royalty or royalty payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required
46 payment secures within ninety (90) days from the discovery of the failure to make proper payment the lease acquisition will not be subject to Article VIII B. The interests of the parties shall be revised on a pro rata basis effective as of the
47 date of termination of the lease. If the party who failed to make proper payment will not go forward with a new interest
48 the Contract Area on account of ownership of the lease or interest which has terminated, in the event the party who failed to make the
49 required payment shall not have been fully reimbursed at the time of the loss, from the proceeds of the sale of oil and gas attributable to
50 the lost interest, calculated on a pro rata basis for the development and operating costs theretofore paid on account of such interest it
51 shall be reimbursed for unrecovered costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled
52 or wells previously abandoned) from so much of the flowing as is necessary to effect reimbursement.

53 () Proceeds of oil and gas, less operating expenses therefor accrued to the credit of the lost interest on a pro rata basis
54 up to the amount of unrecovered costs;

55 (b) Proceeds, less operating expenses thereafter accrued attributable to the lost interest on a pro rata basis, of that portion of
56 oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which in the absence of such lease
57 termination, would be attributable to the lost interest on a pro rata basis, plus the amount of unrecovered costs, the proceeds of said
58 portion of the oil and gas to be contributed by the other parties in proportion to their respective interests and
59

60 () Any monies, up to the amount of unrecovered costs that may be paid by any party who is or becomes, the owner of the interest
61 lost in the proportion of its participation in the Contract Area or becoming a party to this agreement.

62
63 3. Other Losses. All losses incurred, other than those set forth in Articles IV B.1 and IV B.2 above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be readjustment of interests in the operating portion of
65 the Contract Area.

ARTICLE V OPERATOR

A. Designation and Responsibilities of Operator

1
2
3
4
5
6 Marbob Energy Corporation shall be the
7 Operator of the Contract Area and shall conduct and direct and have full control of all operations on the Contract Area as permitted and
8 required by and with the terms of this agreement. It shall conduct all such operations in a safe and workmanlike manner but it shall
9 have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross
10 negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor

11
12
13
14 Resignation or Removal of Operator. Operator may resign at any time by giving written notice thereof to Non-Operators
15 If Operator terminates its legal existence, or it no longer owns an interest hereunder in the Contract Area or is no longer capable of serving
16 Operator Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of successor Operator
17 may be removed if it fails to carry out its duties hereunder becomes insolvent bankrupt or is placed in receivership, by the
18 affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit A remaining
19 after deducting the interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the
20 first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action
21 by the Non-Operators to remove Operator, less a successor Operator has been elected and assumes the duties of Operator thereafter
22 said Operator after effective date of resignation or removal shall be bound by the terms hereof as a Non-Operator. A change of a co-
23 partner, parent or subsidiary of Operator or transfer of Operator's interest to any significant subsidiary parent or successor corporation shall not
24 be the basis for removal of Operator.

25
26 2. Selection of Successor Operator. Upon the resignation or removal of Operator, a successor Operator shall be selected by
27 the parties. The successor Operator shall be elected from the parties owning an interest in the Contract Area at the time such successor
28 Operator is selected. The successor Operator shall be elected by the affirmative vote of two (2) or more parties owning a majority interest
29 based on ownership as shown on Exhibit A, provided however that an Operator which has been removed from ownership or
30 succeeded itself as successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based
31 on ownership as shown on Exhibit A remaining after excluding the vote of the Operator that was removed.

C. Employees

32
33
34
35 The number of employees used by Operator conducting operations under their selection and the hours of labor and the
36 compensation for service performed shall be determined by Operator and if such employees shall be the employees of Operator.

D. Drilling Contracts

37
38
39
40 All wells drilled on the Contract Area shall be drilled to competent rock at the usual rates prevailing in the area. If it so
41 desires Operator may employ its own tools and equipment in the drilling of wells but it charges therefor shall not exceed the prevailing
42 rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations commence and
43 such work shall be performed by Operator under the same terms and conditions as customary and usual in the area for contracts of
44 independent contractors who are doing work of similar nature.

ARTICLE VI DRILLING AND DEVELOPMENT

A. Initial Well

50
51
52
53
54 On or before the 1st day of August, 2009 Operator shall commence the drilling of well for
55 oil and gas at the following location:
56 A legal location in Section 4 T26S R28E
57 Eddy County New Mexico
58 and shall thereafter continue the drilling of the well with due diligence to
59 sufficiently test the Bone Spring formation

60
61
62 unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is en-
63 countered at lesser depth or unless all parties agree to complete or abandon the well at lesser depth.

64
65 Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and
66 gas quantities sufficient to test unless this agreement shall be limited to its application to specific formation or formations, in which
67 event Operator shall be required to state by the formation or formations to which this agreement may apply.

ARTICLE VI
continued

If Operator's judgment the well will not produce oil or gas in paying quantities and it wishes to plug and abandon the well dry hole, then provisions of Article VII shall thereafter apply.

B. Sequence of Operations

1. Proposed Operations. Should any party hereto desire to drill any well on the Contract Area oil or gas, the well proposed by Article VI A or to rework, deepen, plug back a dry hole drilled at the net expense of the parties to the well jointly owned by all the parties shall not then produce in paying quantities, the party desiring to drill or work, deep, plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such notice shall have thirty (30) days after receipt of the notice with which to notify the party with whom the work whether they elect to participate the cost of the proposed operation. If drilling in the location of the proposed operation to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday and legal holidays. If the party receives such notice to comply with the period above fixed shall constitute a contract by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such proposed operation, the Operator shall within ninety (90) days of expiration of the notice period of thirty (30) days (or promptly as possible after the expiration of the forty-eight (48) hour period when drilling is on location as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of the parties hereto provided however that the time limit may be extended upon written consent of all parties by the Operator. The other parties to the period of up to thirty (30) calendar days of the sole opinion of the Operator such additional time is reasonably necessary to obtain permission from governmental authorities surface rights (including rights-of-way) or appropriate drilling equipment to implement the mutual or exclusive matter required for the proposed operation. Notwithstanding the foregoing provisions of Article XI of the actual operation shall be commenced within the time period (including extensions thereof) specified hereby permitted hereunder. If any party hereto fails to drill or to drill the well as proposed, the party must be reimbursed by the other parties for the cost of the provisions hereof if the proposed operation had been made.

2. Operations by Less than All Parties. If any party receives such notice as provided in Article VI B 1 or VI D 1 (Optional No. 2) elects not to participate in the proposed operation, then in order to be entitled to the benefits of this Article the party or parties given the notice and such other parties as shall elect to participate in the operation shall within ninety (90) days after the expiration of the notice period of thirty (30) days (or promptly as possible after the expiration of the forty-eight (48) hour period when drilling is on location as the case may be) actually commence the proposed operation and complete it with due diligence. The Operator shall perform the work for the account of the Consenting Parties, provided however that drilling rig or other equipment is located, and the Operator as a Non-Consenting Party shall either (a) request the Operator to perform the work required by such proposed operation to the extent of the Consenting Parties or (b) does the same (1) if the Consenting Parties as the Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI B 2 shall comply with all terms and conditions of the agreement.

If less than all parties propose a proposed operation, the proposing party immediately after the expiration of the proposal period, shall advise the Consenting Parties of the financial interest of the parties proposing such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party interest shall when Exhibit A (b) carry its proportionate part of Non-Consenting Parties interests and fail to do so the proposed party shall be deemed an elector (c) limit the drilling rig location, then the parties of such response shall constitute a contract of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party at its election may withdraw the proposal if there is insufficient participation and shall promptly notify all parties of the decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold interests involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a production of oil or gas, the paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk.

ARTICLE VI
continued

1 and the well shall then be turned over to Operator and shall be operated by it at its expense for the term of the Consent Granting Pa-
2 ties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consent Granting Parties
3 according to the provisions of this Article, each No-Consenting Party shall be deemed to have relinquished to Consent Granting Parties,
4 and the Consenting Parties shall own and be entitled to receive proportionately to the respective interests, all such No-Consenting
5 Party interest in the well and have full production therefrom and the proceeds of the lease shall here, calculated in the well or
6 market value thereof if such is sold, after deducting production taxes, taxes, royalty, overriding royalty and the
7 interests not excepted by Article III D payable to the well owner, shall be measured by the production from such well according to such terms
8 until the costs shall equal the total fifth well payment.

12 (a) 200% f o o h s ch No Co s ntl g Party sh f th ast f ny cwl y eq ed su fac equipment beyo d th w lthead
13 co nections (not diag, but not limited r st k to k separate treatr pump g e p ent and piping) plus 200% of each su h
14 Non Consenting Party sh of t l of perat f th well co tmen i g w d frst p du tion and thuring t l co h ch No
15 Consenting Party s l quish d terest still evert t t und tler p visi f this Art le, t being gr ed that each Non
16 Consenting Party h f su h c s and eq ip t will be that interest w h w ld h been clargeab r such N -Con tlg
17 Party had t pa rticipated t the well from th begi i f th operat ons, and

21 (b) 500 / f that port of the ois and expenses f all g r w ku g, deepe ng, pl g g b k testing nd completg
22 fter dcl g any cash contribut ons ec ed nnder Art I VIII C and 500 % of th r portio f th cost f newly acqu ed qu p
23 ment tl w ll (to d l ding th wellhead nnect s) whel would ha been largesb f t su h Non-C nsent ng P rty f had
24 participatd theren

See first paragraph of Pag 6a

28 As ele t t to p r u p a t t h d r i l l i n g t h d e e p e n i n g o f a w e l l s h a l l b e d e d l e c t o r t t p a r t p a t m y
29 w r k g o r p l g g i n g b a c k o p e r t p r o p o s e d n s u c h w e l l o r p a r t t h e r e o f t o w h i c h t h e m a d N o n - C o n s e n t l e c t o r p p l i e d t h a t i s
30 o d d u c t e d t a y t h e p r i o r t o f u l l e r y b y t h e C o s e n t g P a r t e s o f t h e N o n C o n s e n t P a r t y a r e c o m p e n t a c c o u n t A y h
31 r e v o k i n g o n p l g g b a c k o p e r a t i o n d u c t e d d n g t h r e c o p m e n t p e r i o d s h a l l b e d i d p a r t o f t h e c o s t o f e r a t i o n o f s a y w e l l
32 a n d t h e r e s h a l l b e a d d e d t i l s m t b e o c c u p i e d b y t h e C o n s e n t i n g P a r t e s o h d r e d p e c e n t (1 0 0 %) f t h a t p o r t i o f t h e c o s t s o f
33 t h r e r i n g o r p l g g i n g b a c k o p e r a t i o n o n w h i c h w o l d h a v e b e e n c h a r g e a b l e t o s u h N - C n e n t i n g P a r t y h a d t p a r t i c i p a t e d i n c r e i f
34 s u h a r e v o k i n g o r p l g g i n g b a c k o p e r a t i o n i s p r o p o s e d d u r i n g s h r e c o u p m e n t p e r i o d t h p v o i o f t h A r t i c l e V I B s h a l l b e a p p l i e d
35 p l c a b l e s b e t w e e s a d C e n t a p r i e s a d w e l l

See second paragraph of Page 6a

[illegible]

46 I the case of y r w r x n g , p l g g i n g b a k o r d e e p e r d i l l g o p e r a t i o n , t h e C o n s t i t u t e d P a r t e s s h a l l b e p e r m i t t e d t o s e , f r e e
47 f r o m t h e c o s t s o f t h e d e c o m p e n t t h e w e l l b i t h o w n e r s h o p o f i l l d i g g i n g s h a l l r e n n e n c h a n g e d , d p
48 b a d m e n t f e l l f o r s u c h r e w o r k o r p l u g g i n g b a k o r d e e p e r d i l l i n g t h e C o n s t i t u t e d P a r t e s s h a l l o u n t f o r a l l s u c h e q u p -
49 m e n t t h e w e r s t h e r e f o r w e l l e a h p r y r e c e i v i n g i s p r o p o r t a t e p e r c e n t a g e o f v a l u e , l e s s c o s t o f s a l v a g e .

53 Wtun as ty (60) days after ti compl i f any perm under tli Aril th party cond ctng ti poi us for h
54 Consenting Partes sh ll furnish ea h N -C nse i g Party with an n e tory of th eq pment in and con cted to the well and
55 zed statement f ti co i f d ll g deepening, plugging back test g mpling, and equppi g th well for p duction or at its
56 pt on th operating party in lieu of an temized statement f su h oss of peral n, may submit a detailed statement of monthly bill
57 ings Ea l no th thereafter d n g t e ti th Cons nting Parties being umb rsed as provided bo ti party d t g th
58 operations fo th C nse nting P rtcs sh ll furn h the N -Consent g Part es with u mized statement f l co s a n liabilities in
59 red the perait of th w ll i g e tter with states n f th quantity f oil and ga p od ced from t nd th no n f p ro d
60 realized fro th sale of th well k g interest prod u during th preceding mont l det rmin g ti quantity of oil nd ga
61 produced d ring a y month C nse i g P rtcs sh ll s i t industry ac epted method h s, b t not limit d to metering or period c
62 well tests Any amount realized from the sale or other disp sible of equ pment newly acq ire d n connect o with ny su h operation
63 wl l would have been owned by a N n-Consent g Party had it part cipat d ti hall b e d rted against th total unretrud costs
64 of th work done a d f l q pment p rchased in det rmin g wh n the i trest of such Non-Consenting Party sh ll re t n t as
65 nbo provided d f l e r e s t e d t bal n e, it shall b pa d to such Non-C nse nting Party

See third paragraph of Page 6a

ARTICLE VI
continued

1 Notwithstanding any language under Article VI B to the contrary in any well in which a completion attempt
2 may be made at more than one depth each party who participated in the initial operations hereto shall have the right to
3 make a separate election as to each interval in which a completion is proposed. Should a party hereto elect not to
4 participate in a completion attempt as to any one interval then those parties who elect to participate in the completion
5 attempt as to that interval shall in the proportions they have elected to bear share all costs, risks and expenses of
6 such completion attempt. Any recoupment of said expenses shall be made solely from the product on all attributable to
7 that interval.

8 Gas production attributable to a Non-Consenting Party's relinquished interest upon such Party's election
9 shall be sold to its purchaser, if available, under the terms of its existing gas sale contract. Such Non-Consenting Party
10 shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the
11 amounts provided for in this Article are recovered from the Non-Consenting Parties' relinquished interest. If such Non-
12 Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery or has not made
13 the election as provided above the Consenting Parties shall own and be entitled to receive and sell such Non-
14 Consenting Party's share of gas as hereinabove provided during the recoupment period.

15 Notwithstanding any provisions to the contrary in this or any other agreement a Non-Consenting Party upon
16 notice in the writing to Operator and/or any party carrying all or part of the non-consenting interest shall have the right
17 at all times and from time to time within two (2) years of the date it received notice that payout has occurred to audit
18 Operator's and/or carrying party's accounts and records relating to or connected with its operations on the Contract
19 Area or on land pooled therewith regardless of when such operations were conducted.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party a relinquished interest then the interest provided for herein, the relinquished interest of such Non-Consenting Party shall automatically revert to it, and from and after such reversion, such Non-Consenting Party shall own the same interest as well as the material and equipment in or pertaining to the well and the product therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, workover, deepening or plugging back of said well. Thereafter such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further cost of the proportionate share of well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2 it is agreed that without the mutual consent of all parties, no well shall be completed in or produced from source of supply from which well located elsewhere in the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern of such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of a well initially well described in Article VI.A except (a) as to Article VII.D.1 (Option No. 2) if drilled, or (b) to the reworking, deepening and plugging back of a well initially well described in Article VI.A if it shall thereafter prove to be a dry hole or if it is actually completed for production, ceases to produce paying quantities.

3 Stand-By Time. When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties stand-by costs incurred pending response to a party's late proposal for reworking, deepening, plugging back or completion operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to the parties' response, or expiration of the response time permitted, which first occurs, and prior to agreement as to the participating interest of all Consenting Parties pursuant to the terms of the contract paragraph of Article VI.B.2 shall be charged to the born part of the proposed operation. If the proposal subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit A bears to the total interest shown on Exhibit A of all Consenting Parties.

4 Sidetracking. Except as hereinafter provided, the provisions of this agreement applicable to a deepening operation shall also be applicable to a proposal to sidetrack a well intentionally drilled in vertical slots to change the bottom hole location (herein called sidetracking) unless done to straighten the hole to drill around junk in the hole because of other mechanical difficulties. A party having the right to participate in a proposed sidetracking operation does not own an interest in the affected well bore in the line of the hole. The sidetracking party shall, upon completion, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking permit) of the cost of the sidetracking operation. The sidetracking well bore will be utilized as follows.

(a) If the proposal for sidetracking is accepted, the cost of the sidetracking operation shall be the basis for the total cost incurred in the initial drilling of the well down to the depth to which the sidetracking operation is used.

(b) If the proposal for sidetracking is not accepted, the well which has previously produced shall be the basis for the well's salvage materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit C. The estimated cost of the sidetracking operation shall be the estimated cost of plugging and abandoning the well.

It is the intent that notice for sidetracking operation is given while the drilling is to be utilized. Location, the response period shall be limited to forty-eight (48) hours, exclusive of Sunday, Saturday and legal holidays provided however any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all in-day time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, said by cost shall be allocated between the parties taking additional time to respond on a day-for-a-day basis in the proportion each electing party's interest as shown on Exhibit A bears to the total interest as shown on Exhibit A of all the electing parties. If thereafter the response period of the proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparation of treatment gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI
continued

1 required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

3 Each party shall execute such orders and contracts as may be necessary for the oil and gas 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 production.

7 In the event a party shall fail to make the arrangements necessary to take in kind or separately disposed of its proportionate share of the oil produced from the Contract Area, Operator shall have the right to sell the oil at will by the party owning the oil. The obligation to purchase such oil or sell it to others at any time shall be from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject to all ways to the right of the owner of the production to exercise at any time its right to take in kind, or separately disposed of, its share of oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil shall be only for such reasonable periods of time as are consistent with the normal methods of the industry under the particular circumstances but not for a period in excess of ninety days.

16 In the event one or more parties separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing agreement between the parties hereto, whether such agreement is attached as Exhibit "E" or is a separate agreement.

20 **See Below

21 D Access to Contract Area and Information

23 Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations and shall have the reasonable time to information pertaining to the development or operation thereof including Operator's books and records relating thereto. Operator upon request shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gas and oil run-in tanks and reports of stock in hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing formation and Non-Operator data other than that specified above shall be charged to the Non-Operator that requests the information.

31 E. Abandonment of Wells

33 1. Abandonment of Dry Holes. Except for a well drilled or deepened pursuant to Article VI B.2, a well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall be plugged and abandoned without the consent of all parties. Should Operator after diligent efforts, be unable to complete any party's well, the party shall be liable to plug and abandon the well within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposed abandonment. All such wells shall be plugged and abandoned in coordination with applicable regulations and at the cost and risk of the parties who participated in the cost of drilling, deepening, such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in accordance with the provisions of Article VI B.

42 2. Abandonment of Well in which a Party has an Interest. Except for a well in which a Non-Consenting party has been admitted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well in which has been completed and a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost and risk of the parties hereto. If within thirty (30) days after receipt of notice of the proposed abandonment from any party, all parties do not agree to the abandonment of such well, those wishing to continue its operation shall file a written statement of intent to open to production. Each abandoning party shall assign its proportionate share of the value of the well's salvable material and equipment determined in accordance with the provisions of Exhibit C, less its estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, with a warranty express or implied as to title or as to quantity, fitness for use of the equipment and material. All parties' interest in the well and related equipment together with its interest in the leasehold estate as to but only as to the mineral or mineral interest of the formation then open to production. If the interest in the oil and gas property is included in the gas interest, such party shall execute and deliver to the non-abandoning party or parties, if and when feasible, limited to the interval or intervals of the formation or formations then open to production, a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached Exhibit C.

57 **Notwithstanding any provision to the contrary to this or any other agreement, each party shall have the right at all times and from time to time upon written notice to audit all of taking party and/or operator's records and accounts related to or in connection with production or allocation of production from the contract area. Auditing of settlement record shall also be applicable if taking party and/or operator distributes proceeds to the auditing party.

ARTICLE VI
continued

1 B. The assignments or leases limited shall encompass the drilling unit upon which the well is located. The payments by and of
2 assignments or leases to the assignees shall be based upon the relationship of their respective percentage of participation in the
3 Contract Area to the aggregate of the percentages of participation of all Contract Areas of all assignees. There shall be no recalculation of
4 interest in the remaining portfolio of the Contract Area.

5
6 Thereafter, the dominant parties shall have no further responsibility, liability or interest in the operation of production from
7 the well in the interval or intervals then open other than the royalty retained in any lease made under the terms of this Article. Upon
8 request, Operator shall continue to operate the assigned well for the account of the abandoning parties at the rates and charges con-
9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned
10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to
11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations thereon subject to the pro-
12 visions hereof.

13
14 3. Abandonment of Non-Consent Operations. The provisions of Article VI E.1 or VI E.2 above shall be applicable between
15 Consenting Parties in the event of the proposed abandonment of a well excepted from said Articles provided however no well shall be
16 permanently plugged and abandoned and all parties having the right to elect to further operate thereafter have been notified
17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article
18 V.E.

ARTICLE VII
EXPENDITURES AND LIABILITY OF PARTIES

23 A. Liability of Parties

24
25 The liability of the parties shall be several or joint and collective. Each party shall be responsible for its obligations and
26 shall be liable only for its proportionate share of the costs of drilling and operating the Contract Area. Accordingly, the liens granted
27 among the parties in Article VII B give to secure only the debts of each severally and not the intent of the parties to create, nor
28 shall this agreement be construed as creating a partnership or association or joint venture among the parties as partners.

30 B. Lien and Payment Defaults

31
32 Each Non-Operator grants to Operator its present and gas rights in the Contract Area, and a security interest in its share
33 of oil and/or gas when extracted and interest in all equipment, to secure payment of its share of expenses together with interest thereon
34 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the
35 state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the ob-
36 taining of judgment by Operator for the incurred indebtedness shall not be deemed election of remedies otherwise affecting the lien
37 rights or security interest as security for the payment thereof. In default by any Non-Operator of the payment of its share
38 of expenses, Operator shall have the right without prejudice to their other remedies to collect from the purchaser the proceeds from
39 the sale of said Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator plus interest has been paid. If
40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of a party's default. Operator grants a like lien
41 and security interest to the Non-Operator to secure payment of Operator's proportionate share of expenses.

42
43 If any party fails to make payment of its share of expenses within sixty (60) days after rendition of statement therefor by
44 Operator, the non-defaulting parties shall demand that Operator pay the unpaid amount in the proportion that
45 its interest bears to such party's share of the interest of all such parties. Each party so paying its share of the unpaid amount shall, to the extent
46 reimbursed therefrom, be subrogated to the security rights described in the foregoing paragraph.

48 C. Payment and Accounting

49
50 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development
51 and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportion-
52 ate share of the expenses as provided in Exhibit "C". Operator shall keep accurate records of the financial accountancy for
53 showing expenses incurred and charges and credits made and received.

54
55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance
56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding
57 month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense together
58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted
59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within
60 fifteen (15) days after submission and invoice is received. If any party fails to pay its share of such estimate within the time
61 due, it shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual
62 payments to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

64 D. Limitation of Expenditures

65
66 1. Drill or Deepen. Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened
67 pursuant to the provisions of Article VI B.2 of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII
continued

1 ☐ Opt. No. 1 All necessary expenditures for drilling or deepening, testing, completion and equipment of the well including
2 necessary tankage and/or surface facilities.

3
4 ☒ Opt. No. 2 All necessary expenditures for drilling or deepening, testing of the well. When such well has reached its
5 authorized depth and all tests have been completed, the results thereof must be reported to the parties. Operator shall immediately notify
6 the Non-Operators who have the right to participate in the completion of the well. The parties receiving such notice shall have forty-eight
7 (48) hours (exclusive of Saturday, Sunday and legal holidays) within which to elect to participate in the setting of casing and the completion of the
8 well. Such election, when made, shall include necessary expenditures for the completion and equipment of such well.
9 Such necessary tankage and/or surface facilities for any party receiving such notice to reply within the period above fixed shall
10 constitute a liability on that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties
11 elect to participate and to attempt completion, the provisions of Article VI.B.2 hereof (the phrase "reworking, deepening or plugging
12 back as contained in Article VI.B.2 shall be deemed to include completion") shall apply to the parties thereafter admitted by less
13 than all parties.

14
15 2 Rework Plug Back. With the consent of all parties, no well shall be reworked, plugged back, except well reworked or
16 plugged back pursuant to the provisions of Article VI.B.2 of this agreement. Consent to the reworking or plugging back of a well shall
17 include all necessary expenditures and of such operations and completion and equipment of said well including necessary tankage
18 and/or surface facilities.

19
20 3 Other Operations. With the consent of all parties, Operator shall undertake any project reasonably estimated
21 to require an expenditure in excess of twenty five thousand Dollars (\$ 25,000.00)
22 except operations with well drilling, reworking, deepening, completion, recompleting or plugging back of which have been
23 previously authorized by or pursuant to this agreement provided however that, in case of explosion, fire, flood or other sudden
24 emergency, whether of the same or different nature, Operator may take all steps and incur such expenses as it is operating
25 to deal with the emergency to safeguard life and property but Operator promptly as possible shall report the emergency to the other
26 parties. If Operator prepares authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so request
27 an informal copy thereof of any single project cost greater than fifteen thousand
28 Dollars (\$ 15,000.00) but less than the amount first set forth in the paragraph.

29
30 B. Rental of Surface Well Pumps and Miscellaneous Items

31
32 Rentals of well payment and miscellaneous items which may be required under the terms of any lease shall be paid by the
33 party or parties who subjected such lease to this agreement. The cost of the rental of more than one well shall be paid by the
34 party or parties who subjected such lease to this agreement. Such parties may designate the party or parties to make such payments for and on
35 behalf of all such parties. Any party may request that it be entitled to receive, in full, its proportionate share of the cost of the
36 rental of such well for payment of any rental shut-in well payment or minimum royalty through the month of the year where such
37 rental is required to be used to the full force any loss which results from a non-payment shall be borne in accordance with the provisions
38 of Article IV.B.2.

39
40 Operator shall notify Non-Operator of the anticipated completion of shut-in gas well within the time permitted to
41 produce gas within fifteen (15) days (exclusive of Saturday, Sunday and legal holidays) at the earliest opportunity permitted by
42 circumstances, prior to taking such action, but assumes liability for failure to do so if the intent of failure by Operator is to notify
43 Non-Operator of the loss of any lease or to be terminated by Non-Operator for failure to make timely payment of shut-in well payment
44 if it is borne jointly by the parties hereto under the provisions of Article IV.B.3.

45
46 F. Taxes

47
48 Beginning with the first calendar year after the effective date of Operation, Operator shall endeavor to deduct and pay all property
49 subject to this agreement which by law shall be assessed for ad valorem taxes shall pay all such taxes assessed thereon before they
50 become delinquent. Prior to the next date, each Non-Operator shall furnish Operator information as to burden (to include, but not
51 be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-
52 Operator. If the assessed value of any leasehold estate is determined by reason of its being subject to outstanding expenses or by reason
53 of overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the
54 owners of the leasehold estate. An Operator shall distribute such value or value so to reflect the benefit of such reduction
55 in ad valorem taxes as to each well or part upon separate apportionment of the parties' working interest then notwithstanding
56 anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax
57 share generated by each party's working interest. Operator shall bill the other parties for their proportionate share of all tax payments
58 in the manner provided in Exhibit C.

59
60 If Operator considers any assessment improper, Operator may at its discretion, protest within the time and manner
61 prescribed by law and prosecute the protest to final determination. Unless the parties agree to abandon the protest prior to final
62 determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay under protest all such taxes and any
63 interest and penalty. When any such protest or assessment shall have been finally determined, Operator shall pay the tax and any
64 cost together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, to be paid by them as
65 provided in Exhibit "C".

66
67 Each party shall pay or cause to be paid its production severance, excise, gathering and other taxes imposed upon or with respect
68 to its production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

69
70

ARTICLE VII
continued

1 G Insurance

2

3 At all times while operation is conducted hereunder Operator shall comply with the workmen compensation law of
4 the state where the premises being conducted, provided, however that Operator may be self-insured for liability under said workmen
5 compensation laws in which event the only obligation that shall be made to the joint account shall be as provided in Exhibit C. Operator shall
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit D attached and made part
7 hereof. Operator shall require all contractors engaged in work on the Contract Area to comply with the workmen compensation law of the
8 state in which the operations are being conducted and to maintain such other insurance as Operator may require.

9

10 In the event of mobility liability insurance specified in said Exhibit D or subsequently received the proceeds thereof shall be
11 paid to the party who shall be made by Operator for premiums paid for such insurance of Operator's account equipment.

12

ARTICLE VIII

ACQUISITION MAINTENANCE OR TRANSFER OF INTEREST

14

15 A Surrender of Leases

17

18 The leases covered by this agreement insofar as they embrace acreage in the Contract Area shall not be surrendered in whole or
19 part unless all parties consent thereto.

20

21 However should any party desire to surrender its interest in any lease, any portion thereof, and the other parties do not
22 agree or consent thereto the party desiring to surrender shall give, with its express or implied warranty of title, all of its interest
23 in the lease or portion thereof and its well in the land equipment which may be located thereon and its rights produced
24 thereafter secured to the parties consenting to such surrender. If the interest of the assigning party includes oil and gas
25 interest the signing party shall execute and deliver to the party or parties consenting to such surrender an oil and gas lease covering
26 said oil and gas interest for a term of (1) year and so long thereafter as land/lessor shall be paid from the land/lessor thereby
27 lease to be in full of the indebtedness. Exhibit B. Upon assignment of lease, the assigning party shall be relieved from all
28 obligations thereafter created or but to be thereafter accrued, with respect to the interest assigned or leased and the payment of any well
29 or but to be thereafter and the assigning party shall have no further interest in the assigned or leased premises and its equipment and pro-
30 duced other than the royalty received any lease made under the terms of this Article. The party assigning or lessee shall pay to the
31 party assigning or lessee the reasonable salvage value of the interest in any well and equipment attributable to the assigned or leased
32 acreage. The value of the material shall be determined in accordance with the provisions of Exhibit C. Less the estimated cost of
33 salvaging and the estimated cost of plugging and abandonment. If the assignor or lessee is a well or lease for a term of years the party interest
34 shall be shared by such parties in the proportion that their interest bears to the total interest of all such parties.

35

36 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering
37 party interest as it was made by the assignment or lease or surrender the balance of the Contract Area and the acreage
38 assigned or leased or surrendered and subsequent operations thereon shall thereafter be subject to the terms and provisions of this
39 agreement.

40

41 B Renewal of Existing Leases

42

43 If any party desires to renew any oil and gas lease subject to this agreement, all other parties shall be notified promptly and
44 shall have the right for a period of thirty (30) days following receipt of such notice to elect to participate in the renewal of the
45 renewal lease, or if as such lease falls due within the Contract Area, by paying to the party who owned the lease the proportionate
46 portion of the share of the acquisition cost allocated to that part of such lease within the Contract Area which shall be in proportion to the
47 interests held at that time by the parties in the Contract Area.

48

49 If some, but less than all of the parties elect to participate in the purchase of renewal lease it shall be owned by the parties
50 who elect to participate therein, and based upon the relative share of the respective percentage of the parties to the Contract Area
51 in the aggregate of the percentage of participation in the Contract Area of all parties participating in the purchase of such lease or lease
52 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

53

54 Each party who participates in the purchase of a well lease shall be given assignment of its proportionate interest in
55 the acquisition of the party.

56

57 The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the existing lease
58 or cover only a portion of the area or an interest therein. Any new lease taken before the expiration of the predecessor lease, or taken or
59 renewed for within six (6) months after the expiration of the existing lease shall be subject to this provision but any lease taken
60 thereafter for more than (6) months after the expiration of the existing lease shall not be deemed a renewal lease and shall not be subject to
61 the provisions of this agreement.

62

63 The provisions in this Article shall not be applicable to the extension of oil and gas leases.

64

65 C. Acreage or Cash Consideration

66

67 While this agreement is in force, if any party contracts for a contribution of funds towards the drilling of a well or any other
68 operation on the Contract Area such contribution shall be paid to the party who conducted the drilling or other operation and shall be
69 paid by the party at the cost of such drilling or other operation. If the contribution be in the form of acreage the party to whom the con-
70 tribution is made shall promptly tender an assignment of the acreage with the warranty of title, to the Drilling Parties in the proportion

ARTICLE VIII
continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and the interest therein shall be shared by provisions of this agreement. Each party shall promptly notify the other parties of any acreage cash contributions it may make to support of any well or any other production in the Contract Area. The above provisions shall also be applicable to production rights to earn acreage outside the Contract Area which are support of well drilled inside the Contract Area.

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

9 D. Maintenance of Unit in Lease

11 For the purpose of maintaining unit of ownership in the land leased hereunder to the parties of this agreement, the parties shall endeavor to make their disposition of its interest in the lease entered with the Contract Area and with its equipment and production as to be disposed of as co-owners.

15 The interest of the parties in the lease and equipment and production on

17 2. an equal undivided interest in all lease and equipment and production in the Contract Area.

19 Every such sale, encumbrance, transfer or other disposition made by a party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties.

22 If, at any time, the interest of a party is divided among two or more co-owners, Operator, at its discretion, may require such co-owner to appoint a single trustee to act with full authority to execute all expenses and related bills for the proportionate share of the party's share of the joint expenses and to deal generally with the well and the co-owners of such party's interest with the scope of operations embraced in this agreement; however, all such co-owners shall have the right to enter into a deed executed to the contract grant for the disposal of the lease and the gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

29 C. Withdrawal of Right to Purchase

31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto may, at its option, withdraw its interest in the Contract Area and its right to participate in the production therefrom.

35 ~~F. Preferential Right to Purchase~~

37 ~~Should any party desire to sell all or any part of its interest under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase) the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell, and if this optional right is exercised the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX
INTERNAL REVENUE CODE ELECTION

50 This agreement is intended to create and shall not be construed to create a relationship of partnership or association for profit between or among the parties. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective or that this agreement and operations hereunder shall not constitute partnership, if for federal income tax purposes this agreement and the parties hereunder are regarded as partnership each party hereby irrevocably elects to be excluded from the application of the provisions of Subchapter K. Chapter 1 of the Internal Revenue Code of 1954, as amended, authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute to each party hereto by affected suit evidence of its election may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically but not by way of limitation, if the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected go further evidence of this election, each such party shall execute such documents and furnish such thereto as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notice or take any other action inconsistent with the election made hereby if any present or future income tax law of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter K, Chapter 1 of the Internal Revenue Code of 1954 under which an election similar to that provided by Section 761 of the Code is permitted. Each party hereto by affected shall make such election as may be permitted or required by such laws. In making the foregoing election each such party takes that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X

CLAIMS AND LAWSUITS

4 Operator may settle any and all uninsured third party damage claim suit in gross operations hereunder if it expend ture
5 does not exceed five thousand and Dollars
6 (\$ 15,000.00) and if the payment is in complete settlement of such claim suit if the amount required for settlement ex
7 ceeds the above amount the parties heret shall assume and take over the further handling of the claim or suit unless such who ty
8 delegated to Operator All costs and expenses of handling settling, or otherwise discharging of claim suit shall be the joint
9 expense of the parties participating in the operation from which the claim suit arises. If claim is made against any party if any party is
10 sued on account of any matter arising from operations hereunder or which suit individual has no control because of the rights given
11 Operator by this agreement suit party shall named fully if all other parties and the claim suit shall be treated as a other claim
12 suit involving operations under

ARTICLE XI

FORCE MAJEURE

17 If a party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, then the
18 obligation to make timely payments, that party shall give to all other parties prompt written notice if the force majeure will
19 reasonably affect its performance of its obligations to the party giving notice so that they are affected by the force
20 majeure shall be suspended during, but not longer than, the continuance of the force majeure. The affected party shall use all
21 diligence to end the force majeure situation as quickly as practicable.

23 The requirement that any future newsworthy shall be remedied in all reasonable dispatch shall not require the settlement of all
24 lock in or other lock in difficulty by the party involved, contrary to its wishes. All such difficulties shall be handled solely
25 within the discretion of the party involved.

27 Th term force majeure as here implied, shall mean act of God, strike, lockout or the industrial disturbance act of
28 the plaintiff or war, blockade, pestilence, lightning, fire, storm, flood, explosion or mental disturbance, delay resulting
29 or from any availability of equipment and any other cause whether foreseeable or not, actually encountered or otherwise, when it
30 not reasonably within the control of the party claiming such cause.

ARTICLE XII

NOTICES

35 All notices th ed o eq uired b e e n th e p a r t s a n d r e q u e r e d b y y o f th e p r n s f l u s g r e e n t u n l e s s o t h e r w
36 s p e c i f i c a l l y p r o v i d e d s h a l l b e g i w r i t g b y m l t e l g r a m , p o s t o r l a r g e s p r e p a i d , o b y t e l e x t e l e c o m o r d a d d r e s s e d t o
37 t h e p a r t y t o w h o m t h e n o t i c e i s g i v e n t h e a d d r e s s l i e s t a n d o n E h u b b A T h e o n g a n t g t e g u n d e r a n y p r o i o h e r e o f
38 s h a l l b e d e m o d g v e n o l y w h e n o c c e d b y t h e p a r t y t o w i m s u c h o t c e s a s d e c t e d , a n d t h i m s f a r p a r t y t o g a n y n o t i c e h e r e o f
39 r e s p o n d s t h e r e i n h a l l r u n f r o m t h e d a t e o r i g i n a t i n g n o t i c e i s r e c e i v e d . T h c o n d o r a n y e s p a s s i v e o f f i c e s h a l l b e d e c m d g e n
40 w h e n d e p o s i t d i t h m a i l w i t h t e l e g r a m c o m p a y w i t h p o s t a g e c h a r g e s p r e p a i d a s e n t b y t e l e x t e l e c o m o r C a h p r i y
41 h a l l h a v e t h e r i g h t t o h a n g e u s d e s s n y t a d f r o m t e m t b y g w r n t n c i t e o r f i l t h e p a r t n e s

ARTICLE XIII

TERM OF AGREEMENT

46 The government shall ensure full and effect as to the oil and gas leases, d/o oil and gas interests subject hereto for the
47 period of time elected below provided however, party hereto shall ensure that as having no right title or interest or in any
48 lease or oil and gas interest contributed by the party beyond the term of the grant

50 ☐ On N I S to g y f th l and go leases subject to this agreement ems or are and d force s to y part

53 ☒ Op. N. 2 I th ent th well described Article VI A. o a y baq ent wll drilled under y provio of th
54 agreement results prod ctio f oil and/or gas n pay; g quanties th gr ement lll t fae so l ng any h well or
55 well produ e, or are capable of productio n for dr usual period of 180 days from cessatio f ll prod ct p ovidd
56 lowe or f prior t expiratio fsu h ddit o l period, o more of the parties hereto are engaged in drilling, reworking, deepen
57 g plugg g back testu g o alter pt g t complete a well or wells he cu der t greeme t shall co tnu n f ce until such opera
58 ion h b mpl ted and if product o results therefrom th greeme t ll co t force as ther prod ct rein in the event the
59 w ll described in A tcl VI A ny subseq ent well drilled hereunder results i dry h e, o d o the well i producing, or capabl
60 of p ducing oil and/or gas from th C ntra t Area, ths greeme t shall terminat unless drill g deepening plugging back or cwork
61 mg p rai ns or n need w thin 180 day from the date f abandonment fsa d well
62

73 It is agreed, however, that the termination of this grant shall not release any party hereto from any liability which has
74 accrued or which may hereafter accrue to it.

ARTICLE XIV
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws Regulations and Orders

This agreement shall be subject to the conservation laws of the state in which the Contract Areas located and valid rules, regulations, and orders of any duly constituted regulatory body of said state, and all other applicable federal, state and local laws and decrees, 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 shall be governed and determined by the law of the state in which the Contract Areas located. If the Contract Areas are in two or more states the law of the state of New Mexico shall govern.

C. Regulatory Agencies

Notwithstanding to the extent that the grant or be construed to grant Operator the right to shut down or release any right, privileges, benefits with Non-Operators may have under federal, state or local rules, regulations, orders promulgated under such laws, ordinances, or regulations relating to oil and gas and mineral operations including the location, operation, production of well operations, effect of operations on the Contract Area.

With respect to operations hereunder Non-Operators agree to release Operator from any and all losses, damages, injuries and causes of action arising out of or resulting directly or indirectly from Operator's interpretation or application of rules, regulations, orders or of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts payable to such Non-Operator for production that Operator may be required to refund, rebate or pay as a result of such incorrect interpretation or application, together with interest and penalties thereon by Operator as a result of such incorrect interpretation or application.

Non-Operator authorize Operator to prepare and submit such documents as may be required to be submitted to the purchase of any crude oil, whether or to any other person or entity pursuant to the requirements of the Crude Oil Windfall Profit Tax Act of 1980 as same may be amended from time to time (the "Act"), and any and all regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act, at a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV
OTHER PROVISIONS

A. Priority of Operations

Notwithstanding anything herein to the contrary it is agreed that when a well drilled under the terms of this Agreement shall have been drilled to the objective formation or depth and the parties participating in the well cannot mutually agree upon the sequence and timing of further operations regarding said well the proposals shall be considered in the following order:

1. A proposal to attempt to complete the well at either the objective depth or objective formation including the testing and logging of such well at such depth.
2. A proposal to plug back and attempt to complete said well above the objective formation (if there is more than one proposal to plug back the proposals will be considered in ascending order).
3. A proposal to deepen said well in order to attempt a completion below the objective formation (if there is more than one proposal to deepen the proposals shall be considered in descending order).
4. A proposal to track the well and
5. A proposal to plug and abandon the well.

B. Notwithstanding any other provisions herein and during the term of this agreement, a well is required to be drilled deepened, reworked, plugged back, sidetracked or recompleted or any other operation that may be required in order to (1) continue a lease or leases in force and effect or (2) maintain a unitized area or a portion thereof in force and effect, or (3) earn or preserve and interest in and to oil and/or gas and other minerals which may be owned by a third party or which falling in such operation may revert to a third party or (4) comply with a order issued by a regulatory body having jurisdiction in the premises falling in which certain rights would terminate, the following shall apply. Should less than all parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at their sole cost, risk, and expense. Promptly following the conclusion of such operation each of those parties not participating agree to execute and deliver an appropriate assignment to the total interest of each non-participating party in and to the lease, leases or rights LIMITED TO THE SRO UNIT DEPTHS which would have terminated or which otherwise may have been preserved by virtue of such operation and in and to the lease, leases, or rights LIMITED TO THE SRO UNIT DEPTHS within the balance of the drilling unit upon which the well was drilled excepting however wells therefore completed and capable of producing in paying quantities. Such assignment shall be delivered to the participating parties in the proportion that they bore the expense attributable to the non-participating parties interest. For the purposes of defining a required operation under this provision such operation will be deemed required if proposed within thirteen (13) months prior to the date such rights would terminate.

C. This Operating Agreement dated May 8, 2009 supersedes and replaces any current Operating Agreement covering the contract area.

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns.

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

IN WITNESS WHEREOF this agreement shall be effective this 14th day of May (year) 2009

OPERATOR

MARBOB ENERGY CORPORATION

Rays Miller RD

NON OPERATORS

PITCH ENERGY CORPORATION

THE ALLAR COMPANY

Rays Miller RD

YATES PETROLEUM CORPORATION

EG3 INC

YATES DRILLING COMPANY

ABO PETROLEUM CORPORATION

MYCO INDUSTRIES INC

CHESAPEAKE EXPLORATION LLC

NEARBURG EXPLORATION COMPANY LLC

LEGEND NATURAL GAS III L.P.

DEVON ENERGY PRODUCTION COMPANY LP

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the SRO State Exploratory UNIT AREA County of Eddy State of New Mexico dated May 8th 2009 in form approved on behalf of the Commissioner of Public Lands and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases or interests therein and royalties presently held or which may arise under existing option agreements or other interests in unitized substances covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned his or her or its heirs devisees executors assigns or successors in interest

EXECUTED this 29th day of June 2009

TRACT(S) See attached Exhibit B

YATES PETROLEUM CORPORATION

By John A Yates Jr
John A Yates Jr Attorney in Fact

MYCO INDUSTRIES INC

By Sharon Snowden
Sharon Snowden Attorney in Fact

YATES DRILLING COMPANY

By Peyton Yates
Peyton Yates Attorney in Fact

ABO PETROLEUM CORPORATION

By John A Yates Jr
John A Yates Jr Attorney in Fact

Address 105 South Fourth Street
Artesia NM 88210

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss
COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by John A Yates Jr Attorney in Fact of Yates Petroleum Corporation and of Abo Petroleum Corporation New Mexico corporations on behalf of said corporations



OFFICIAL SEAL
Paula J. Baker
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

STATE OF NEW MEXICO)
) ss
COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by Peyton Yates Attorney in Fact of Yates Drilling Company a New Mexico corporation on behalf of said corporation



OFFICIAL SEAL
Paula J. Baker
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

STATE OF NEW MEXICO)
) ss
COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by Sharon Snowden Attorney in Fact of Myco Industries Inc a New Mexico corporation



OFFICIAL SEAL
Paula J. Baker
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

Paula J. Baker
Notary Public

Paula J. Baker
Notary Public

Paula J. Baker
Notary Public

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

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

IN WITNESS WHEREOF the agreement shall be effective this 8th day of May, (year) 2009.

OPERATOR

MARBOS ENERGY CORPORATION

Rays Miller RD

NON OPERATORS

PITCH ENERGY CORPORATION

THE ALLAR COMPANY

Rays Miller

Shell

VATES PETROLEUM CORPORATION

EQ3, INC.

Shell

Shell

VATES DRILLING COMPANY

ABO PETROLEUM CORPORATION

MYCO INDUSTRIES, INC.

CHESAPEAKE EXPLORATION LLC

NEARBURG EXPLORATION COMPANY LLC

LEGEND NATURAL GAS III L.P.

DEVON ENERGY PRODUCTION COMPANY L.P.

1 ARTICLE VI.
2 NON-CELLULAR
3 This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees,
4 legal representatives, successors and assigns.
5
6 This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.
7
8 IN WITNESS WHEREOF this agreement shall be effect as of _____ day of _____, 19____.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70

MARROB ENERGY CORPORATION

Ray Miller RD

NON-OPERATORS

ITC ENERGY CORPORATION THE LEAR COMPANY

Ray Miller RD

YTES PETROLEUM CORPORATION

EGG, INC

ES, LLC, M, ANY

OPETROLEUM COMPANY

USTR, S, C

Chasapeake Exploration, L.L.C.
An Oklahoma limited liability company
By _____
Herby J. Hord, Secretary
Legend Natural Gas, L.P.

NEARBURG EXPLORATION COMPANY, LLC

DEVO ENERGY PRODUCTION COMPANY, LP

EXHIBIT A

Attached to a made a part of that certain Joint Operating Agreement dated May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy Corporation et al as Non Operators.

I CONTRACT AREA/DEPTH RESTRICTIONS

Township 25 South, Range 28 East, N M P M

Section 32 E/2E/2

Section 33 ALL

Section 34 S/2

Township 26 South, Range 28 East, N M P M

ALL OF SECTIONS 3-4 9 10 15, 17 20

Section 2 W/2

Section 5 W/2

Section 7 E/2

Section 8 E/2

Section 16 E/2E/2

Section 18 E/2

Containing 7 360 acres more or less

CONTRACT AREA IS LIMITED IN DEPTH FROM THE SURFACE TO THE BASE OF THE BONE SPRING FORMATION

II NAME, WORKING INTEREST PERCENTAGES, AND ADDRESSES OF THE PARTIES FOR NOTICE PURPOSES

Marbob Energy Corporation P O Box 227 Artesia NM 88211-0227	19 477715%
Pitch Energy Corporation P O Box 304 Artesia NM 88211 0304	16 856606 /
Yates Petroleum Corporation 105 South 4 th Street Artesia NM 88210	13 028650 %
Abo Petroleum Corporation 105 South 4 th Street Artesia NM 88210	6 663396 /
Yates Drilling Company 105 South 4 th Street Artesia NM 88210	6 663396 %
Myco Industries Inc 105 South 4 th Street Artesia NM 88210	6 663396 /
The Allar Company P O Box 1567 Graham TX 76450	20 162395 /
Chesapeake Exploration LLC PO Box 18496 Oklahoma City OK 73154	10 484446 /
TOTAL	100%

III OIL AND GAS LEASES SUBJECT TO THE AGREEMENT
SEE ATTACHED EXHIBIT A 1

Exhibit A 1

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER	EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	WORKING INTEREST OWNERS	WI Decimal	Net Acres
1	<u>TOWNSHIP 25 SOUTH, RANGE 28 EAST</u> Section 32 E/2E/2	160	VB-0575	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Yates Petroleum Corp	0 18322480	29 315968
							ABO Petroleum Corp	0 04257430	6 811888
							Yates Drilling Company	0 04257430	6 811888
							MYCO Industries Inc	0 04257430	6 811888
							Marbob Energy Corp	0 11959360	19 134976
							Pitch Energy Corp	0 11959360	19 134976
							Legend Natural Gas	0 21045550	33 67288
2	Section 33 N/2	320	VB-0576	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Devon Energy Production Company LP	0 23940960	38 305536
							Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
3	Section 33 S/2	320	VB 0569	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
							Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
							Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776

Exhibit A 1

4	Section 34 S/2	320	V 7085	7/1/2009	Prod	0 16667	MARBOB ENERGY CORPORATION	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
5	<u>TOWNSHIP 26 SOUTH, RANGE 28 EAST</u> Section 2 W/2	320	VB 0694	7/1/2010		0 1875	YATES PETROLEUM CORPORATION	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
6	Section 3 E/2	320	V 7438	7/1/2010		0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc. The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
7	Section 3 W/2	320	V 7461	7/1/2010		0 16667	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536

Exhibit A 1

8	Section 4 E/2	320	V 7439	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536
9	Section 4 W/2	320	V 7462	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc.	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
10	Section 5 E/2	320	V 7440	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
UNCOMMITTED							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
11	Section 5 W/2	320	V 7463	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc.	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072

Exhibit A 1

12 UNCOMMITTED	Section 6 E/2	320	V 7441	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
13	Section 7 E/2	320	V 7465	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
14 UNCOMMITTED	Section 8 W/2	320	V 7443	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072

Exhibit A 1

15	Section 8 E/2	320	V 7466	7/1/2010	0 16667	Marbob Energy Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
16	Section 9 W/2	320	V 7444	7/1/2010- Prod	0 16667	The Allar Company	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc.	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536
17	Section 9 E/2	320	V 7467	7/1/2010 Prod	0 16667	Yates Petroleum Corporation	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536
18	Section 10 W/2	320	VB-0677	7/1/2010	0 1875	The Allar Company	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536

Exhibit A 1

19	Section 10 E/2	320	VB 0695	7/1/2010	0 1875	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
20	Section 15 E/2	320	V 7445	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
21	Section 15 W/2	320	V 7468	7/1/2010	0 16667	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
22	Section 16 E/2E/2	160	V 7446	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	31 208792 31 208792 12 087912 12 087912 12 087912 12 087912 49 230768
23	Section 17 E/2	320	V 7447	7/1/2010	0 16667	Chesapeake Exploration LP	Chesapeake Exploration Limited Partnership	1 00000000	320

Exhibit A 1

24	Section 17 W/2	320	V 7470	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 35000000	112
							ABO Petroleum Corp	0 05000000	16
							Yates Drilling Company	0 05000000	16
							MYCO Industries Inc	0 05000000	16
							Marbob Energy Corp	0 50000000	160
25	Section 18 E/2	320	V 7448	7/1/2010	0 16667	Chesapeake Exploration LP	Chesapeake Exploration Limited Partnership	1 00000000	320
26	Section 20 W/2	320	V 7450	7/1/2010	0 16667	Nearburg Exploration Company LLC	Nearburg Exploration Company LLC	1 00000000	320
27	Section 20 E/2	320	V 7473	7/1/2010	0 16667	Marbob Energy Corporation	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536

Exhibit A 1

RECAPITULATION

Acres of State of New Mexico Lands = 100%

Acres of Fee Lands = 0%
100%

LEASE BASIS

TOTAL COMMITTED ACRES	7360
TOTAL UNCOMMITTED ACRES	960
TOTAL ACRES	8320

Unit Working Interest

Marbob Energy Corp	0 18507511	1188 974488
Pitch Energy Corp	0 16016961	1028 974488
Yates Petroleum Corp	0 12379680	795 305384
ABO Petroleum Corp	0 06331485	406 752344
Yates Drilling Company	0 06331485	406 752344
MYCO Industries Inc	0 06331485	406 752344
The Allar Company	0 19158086	1230 7692
Chesapeake Exploration LLC	0 09962205	640
Nearburg Exploration Company LLC	0 04981102	320
TOTAL	1 00000000	6424 280592

Nearburg ORI 0 00415092

Nearburg TA d to all parties proportionately making new WI

Unit Working Interest

Marbob Energy Corp	0 19477715
Pitch Energy Corp	0 16856606
Yates Petroleum Corp	0 13028650
ABO Petroleum Corp	0 06663396
Yates Drilling Company	0 06663396
MYCO Industries Inc	0 06663396
The Allar Company	0 20162395
Chesapeake Exploration LLC	0 10484446
Nearburg Exploration Company LLC	
TOTAL	1 00000000

THERE IS NO EXHIBIT "B" TO THIS DOCUMENT

EXHIBIT C

Attached to and made a part of *Attached to a made a part of that certain Joint Operating Agreement dated May 8 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy Corporation et al as Non Operators*

ACCOUNTING PROCEDURE
JOINT OPERATIONS

1 GENERAL PROVISIONS

1 Definition

Joint Property shall mean the real and personal property subject to the agreement with the Accounting Procedure resulted
Joint Operator shall mean the operation necessary proper for the development operation, production, processing of the
Joint Property
Joint Accounting shall mean the accounting which shall be paid and received in the conduct of the Joint Operations which
shall be shared by the Parties.
Operator shall mean the party designated to conduct the Joint Operation
Non-Operators shall mean the Parties to the agreement other than the Operator
Parties shall mean Operator and Non-Operators
Financial Supervisors shall mean those employees who supervise the Joint Operations the direct supervisors of all
employees a/d or indirectly employed the Joint Property in a field operating capacity
"Technical Employees" shall mean those employees having special and specific knowledge in the other professional skills,
and whose primary function in the Joint Operation is the handling of specific operating data and problems of the field
Joint Property
Personnel Expense shall mean the reasonable and measurable expenses of Operator's employees.
Material shall mean personal property equipment or supplies required held for use in the Joint Property
Controlled Material shall mean Material which is the same as leased in the Material Classification Manual as must
be thereon recorded by the Control Material Assistant Secretaries.

2 Settlement and Billing

Operator shall bill Non-Operators or before the last day of each month the proportionate share of the Joint Accounting
procedure in the Settlement shall be completed by statement which identify the liability for production lease royalty and
charges and deductions by proportionate allocation of vestment of expense proportionate to the Controlled Material
and usual charges and deductions shall be separately identified and fully described in detail.

3 Advance Payment to Non-Operator

A Unless otherwise provided in the Agreement the Operator may require the Non-Operator to advance to the Operator the estimated
cash outlay for the operations of the Joint Property for the (15) days prior to the bill going by the first day of the month
for which the advance is required. The Operator shall adjust each monthly bill to reflect advance received from
the Non-Operators.

B Each Non-Operator shall pay its proportionate share of bills within (15) days after the payment is not made with sufficient
fund to pay the bill. The bill shall be paid to the Operator at the prime rate in effect at Chase Manhattan Bank the first day of the month
in which the delinquency occurs plus 1% the maximum interest rate permitted by the applicable laws of the state in which
the Joint Property is located which ever the lesser of the attorney's fees, costs, and the cost of collection with the
collection of paid amount.

4 Adjustments

Payment of any such bill shall not prejudice the right of any Non-Operator to protest or question the correctness thereof provided,
however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to
be true and correct for two (24) months following the end of the year unless the Non-Operator shall within two (2) years of the
month paid to the Non-Operator, in writing, explain there and make the Operator of adjustment in adjustment from
Operator shall be made less than the sum prescribed period. The provisions of this paragraph shall prevent
adjustment resulting from physical venting of Controlled Material as provided for Section V.

COPAS

5. Audit

A. A Non-Operator shall file its report and all the Non-Operators shall file their report and record relating to the Joint Account for any financial year within the twenty-four (24) month period following the end of such calendar year provided however that the making of such report shall not extend the time for the filing of the report and the adjustments of accounts as provided for Paragraph 4 of this Section. Where there are two or more Non-Operators, the Non-Operator shall make very reasonable effort to conduct its duties in a manner which will result in the minimum cost to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audit shall not be conducted more than once each year without the prior approval of the Operator except upon the signature of removal of the Operator and shall be made in the presence of the Non-Operators approving such audit.

B. The Operator shall reply in writing to the report within 180 days of receipt of the report.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operator is expressly required under other sections of the Accounting Procedure and if the agreement which this Accounting Procedure is intended to contain is contrary to the provisions of the Joint Operating Agreement, the Non-Operators of the Operator's proposal and the agreement approved by majority vote of the Non-Operators shall be binding on all Non-Operators.

II DIRECT CHARGES

Operator shall bear the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of government regulatory requirements to satisfy environmental and pollution control requirements for the Joint Operations. Such costs may include survey of ecological and biological resources and procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rental and royalties paid by Operator for the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property and other Operator's employees.
- (2) Salaries of field supervisors on the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property for such hours as are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees who are temporarily permanently assigned and directly employed on the property on the Joint Property for such hours as are excluded from the overhead rates.

B. Operator's field day wages, sickness and disability benefits, customary allowances, paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section. Such amounts under Paragraph 3B may be included on the "paid by" by percentage assessment to the monthly salary and wages chargeable to the Joint Account under Paragraph 3A of this Section. If percentage assessment is used the rate shall be based on the Operator's cost experience.

C. Expenses incurred by the Operator pursuant to assessment imposed by government liability which are chargeable to the Operator's account under Paragraph 3A and 3B of this Section.

D. Proportionate share of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A and 3B of this Section.

4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, profit sharing, and other benefit plans of all nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraph 3A and 3B of this Section shall be Operator's actual cost or to exceed the percent in the most recently recommended by the Council of Petroleum Accountants Society.

COPAS

5 Material

Material purchased furnished by Operator for use in Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to Joint Property as may be required for use and reasonably priced consistent with efficient commercial operation. The commitment for replacement stocks shall be avoided.

6 Transport

Transportation employees and Material necessary for the Joint Operation shall be subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse, the property, no charge shall be made to the Joint Account for distance greater than the distance from the nearest reliable supply source with reliable material normally available or a railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other long point, a charge shall be made to the Joint Account for distance greater than the distance to the nearest reliable supply source with reliable material normally available or a railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for material moved to the properties belonging to Operator unless agreed to by the Parties.

C. If the application of subparagraphs A and B above the proper equitable charge for truck, cost available when the charge \$400 or less including co-ownership charges. The \$400 will be adjusted to the minimum actually received by the Council of Petroleum Accountants Society.

7 Service

The cost for maintenance, equipment and utility provided by independent sources, except services provided by Paragraph 10 of Section II and Paragraph 1 and 2 of Section III. The staff for professional consultant services and other services of technical personnel directly engaged in the Joint Property of such charges or provided from the overhead rates. The staff for professional services or contract services of technical personnel and directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8 Equipment of the Joint Property

A. Operator shall have the Joint Account for use of Operator owned equipment and facilities at rates commensurate with cost of depreciation and maintenance. Such rates shall include cost of maintenance, repairs, the operating expense, insurance, taxes, depreciation, and interest. Such rates shall be less than the depreciation not to exceed _____ percent per annum. Such rates shall be determined by the Parties.

B. If the charges in Paragraph 8A above Operator may use rates, equipment rates prevailing in the market area of the Joint Property less 5% for automotive equipment. Operator may use rates published by the Petroleum Marketing Transportation Association.

9 Damages to Joint Property

All cost or expense necessary for the replacement of Joint Property and necessary because of damages, losses incurred by fire, flood, or other cause, except the result of Operator's gross negligence or willful misconduct. Operator shall furnish to Operator within 10 days of damage, losses incurred as practicable a report thereof has been received by Operator.

10 Legal Expense

Expense of handling, investigation and settlement of litigation claims, discharge of liability, payment of damages and money paid for settlement of claims not resulting from operations under the agreement or necessary to protect or recover the Joint Property from the charge of services of Operator's legal staff fees payable outside money shall be paid unless previously agreed to by the Parties. All other legal expense is determined by the relevant provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I Paragraph 3.

11 Taxes

All taxes of every kind and are assessed or levied upon the Joint Property the personal or real property or production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties in the proportion of the taxes levied on each party's working interest.

COPAS

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operation for the protection of the Parties. If the Joint Operation are conducted in a state which Operator may act as self insurer of Worker's Compensation and/ Employers Liability under the respective state laws, Operator may elect to have the risk under its self insurance program and in that event, Operator shall include such amount in its cost of operations.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property including costs required by government or other regulatory authority

14. Communications

Cost of acquiring, leasing, installing, operating, repairing, and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities are provided by the Joint Property, the Operator shall be responsible for the cost of such facilities as provided in Paragraph 8 of this Section II.

15. Other Expenses

Any other expenditure incurred in connection with the foregoing provisions of this Section II or in Section III and which is not direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III OVERHEAD

1. Oil and Gas Drilling and Producing Operations

i. A compensation for administrative supervision, office services and warehousing costs, Operator shall charge directly to producing operations.

- (X) Fixed Rate Basis, Paragraph 1A or
() Percentage Basis, Paragraph 1B

Unless otherwise agreed by the Parties, such charges shall be in lieu of cost of expenses of all offices and salaries of wage applicable burdens and expenses of all personnel except those directly chargeable under Paragraph 3A, Section II. The cost of expense of services from outside sources connection therewith is tax, travel, counseling, matters before involving government, shall be considered as indirect overhead rates provided for in the above selected Paragraph 1B of Section III unless such cost and expense are agreed by the Parties as direct charges to the Joint Account.

The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultants serving and technical services of technical personnel directly employed on the Joint Property

- () shall be covered by direct overhead rates,
(X) shall not be covered by the overhead rates.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or cost of professional consultants service and contract services of technical personnel that temporarily or permanently assigned and directly employed in the operation of the Joint Property.

- (X) shall be covered by the overhead rates,
() shall not be covered by the overhead rate.

A. Overhead Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month.

Drilling Well R is \$ 6000.00
(Provided for less than full month)

Producing Well R is \$ 600.00

(2) Applicable Overhead Fixed Rate Basis shall be as follows:

() Drilling Well Rate

(1) Charges for drilling well shall begin the day the well is spudded and terminate the day the drilling is completed or other fixed completion of the well is released whichever is later except that no

COPAS

of rig shall be made during suspension of drilling or completion operations if the (15) months
secutive periods.

(2) Charges of well derigging any type of workover or recompletion of period of 15 consecutive work days
or more shall be made at the drilling rate. Such charges shall be applied for the period from date
of workover operations, with rig or other tools used in workover or commence through date of rig or the unit
release, except that no charge shall be made if suspension of operations for Section (15) or more
consecutive calendar days.

(b) Producing Well Rates

(1) An active well either produced or injected for any portion of the month shall be considered as an on-well
charge for the entire month.

(2) Each active completion of a multi-completed well in which production is not commingled with the well shall
be considered as a one-well charge provided no completion is considered separately by the
regulatory authority.

(3) An inactive gas well shall be because of overproduction failure of purchase of the production of the
well or because of well barge production, the gas well shall directly connect to permanent sales line.

(4) An on-well charge shall be made for the month in which plugged and abandonment operations completed on
any well. The one-well charge shall be made whether or not the well has produced except well drilling rate
rates apply.

(5) All other inactive wells (including but not limited to inactive wells covered by mutual benefit lease
allowable, transferred liability, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year if the well with the five-day or greater interval
thus Adjusting Procedure is affected by the percentage decrease provided by COPAS.

B Overhead Percentage Basis

(1) Operator shall charge the Joint Account the following rates:

(i) Development

Percent () of the cost of development of the Joint Property exclusive of costs
provided under Paragraph 10 of Section II and all savings credits.

(ii) Operation

Percent () of the operating cost of the Joint Property exclusive of costs provided
under Paragraphs 2 and 10 of Section II, all savings credits, the value of property purchased for
secondary recovery and all taxes and assessment which are levied assessed and paid upon the mineral interest
in the Joint Property.

(2) Application of Overhead Percentage Basis shall be as follows:

The purpose of determining charges percentage basis under Paragraph 1B of the Section III development shall
include all costs in connection with drilling, re-drilling, deepening or any remedial operation by all wells in the
the use of drilling rig and new capability of drilling to the production, and on the Joint Property also preliminary
expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed
as produced and original cost of construction installation of fixed assets, the expansion of fixed assets and any other
project clearly discernible as fixed asset, except Major Construction defined in Paragraph 2 of the Section III. All
the cost shall be considered as per unit.

2 Overhead Major Construction

The composite Operating overhead costs involved in construction and installation of fixed assets, the expansion of fixed assets, and
any the project clearly discernible fixed asset required for the development and operation of the Joint Property Operator shall
the negative net present value of construction, or shall charge the Joint Account the overhead based on the following rates
for any Major Construction project in excess of \$5,000,000.

- A. 5% of first \$100,000 or total cost if less, plus
- B. 3% of cost in excess of \$100,000 but less than \$1,000,000 plus
- C. 1% of cost in excess of \$1,000,000

COPAS

Total shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a project shall not be treated separately. The cost of drilling and work over well and recompletion shall be included.

3. Cost Allocation

The compensation Operator for overhead cost incurred in the vent of operations resulting from a single occurrence due to a spill or blowout, explosion, fire, environmental or other catastrophes incurred by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures. Operator shall then negotiate the proportion of charges the Joint Account or shall charge the Joint Account for overhead based on the following rates.

A. 5% of total costs in excess of \$100,000 plus

B. 3% of total cost in excess of \$100,000 but less than \$1,000,000 plus

C. 2% of total cost in excess of \$1,000,000

Expenditures subject to the overhead above will be reduced by insurance recoveries and other overhead provisions of this Section shall apply.

4. Amendment of Rates

The overhead rates provided for in Section III may be modified from time to time only by mutual agreement in writing between the Parties hereto. If proposed, the rates shall be subject to the following:

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator responsible for Joint Account Material and shall make proper timely payments and credits for all material movements affecting the Joint Property. Operator shall provide all material for use on the Joint Property; however, Operator's portion, such material may be supplied by the Non-Operator. Operator shall make timely disposition of the and/or surplus material. Such disposal shall be made either through sale to Operator or Non-Operator division in kind or sale to third parties. Operator may purchase, but shall be under no obligation to purchase, a portion of Non-Operator surplus material. The disposal of surplus material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged to the party paid by Operator after deduction of all discounts received. If material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when duly substantiated by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and material transferred from the Joint Property disposed of by the Operator less otherwise agreed to by the Parties shall be priced on the following basis: (a) For cash sales:

A. Non-Material (C and D)

(1) Tubing and Other than Line Pipe

(a) Tubing goods, sized 3/8 inches OD and larger except line pipe, shall be priced at Eastern mill published current base price effective first of month plus transportation cost using the 80,000 pound car load weight basis to the railway receiving point nearest the Joint Property for which published rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charge for tubing will be calculated from Lima, Ohio and coming from Youngstown, Ohio.

(b) Tubing grades which are specified on mill by prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association contract truck rate shall be used.

(c) Special and finish tubular goods shall be priced at the lowest published out-of-stock price of the Manufacturer, Texas, plus transportation cost to Oil Field Haulers Association rate at 30,000 pound truck rate, at the railway receiving point nearest the Joint Property.

(d) Manifold tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock price of the Manufacturer plus transportation costs, using the Oil Field Haulers Association contract truck rate per weight of tubing transferred to the railway receiving point nearest the Joint Property.

COPAS

(2) Line Pipe

(a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced and provided at published prices of the material at the point of origin plus freight charges shall be calculated from Lorain, Ohio.

(b) Line pipe movements (except size 4 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published and base prices of the material at the point of origin plus freight charges as recommended by COPAS plus transportation and base freight rates set forth and provisions of the large dimensions in Paragraph A.(1)(c) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced at the published price of the material at the point of origin plus transportation cost to the railway receiving point nearest the Joint Property.

(d) Line pipe, including fabricated line pipe, drive pipe and condenser line pipe shall be priced at the published price of the material at the point of origin plus freight charges to the railway receiving point nearest the Joint Property or as price agreed to by the Parties.

(3) Other Material shall be priced at the current market price of the material as listed by the supplier at the time of purchase plus transportation cost to the railway receiving point nearest the Joint Property.

(4) Unused new material except bulk goods, moved from the Joint Property shall be priced at the current market price of the material as listed by the supplier at the time of purchase plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubular will be priced as provided in Paragraph 2.A.(1) and (c).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for its original function shall be priced as follows:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price as determined by Paragraph A if the material was originally purchased by the Joint Accountancy Material.

(b) At sixty-five percent (65%) of current new price as determined by Paragraph A, if the material was originally purchased by the Joint Accountancy Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning any shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material excluding junk, no longer suitable for its original purpose, but suitable for some other purpose shall be priced on a basis commensurate with its use. Operators may dispose of Condition D Material and proceed normally by Operator or without prior approval of Non-Operators.

(a) Castings, tubing, drill pipe and line pipe shall be priced as Grade A and B as well as line pipe of comparable size and weight. Used casing, tubing or drill pipe shall be priced as used line pipe prices.

(b) Casing, tubing, drill pipe and high pressure service lines (than standard line pipe e.g. power oil lines) shall be priced under normal pricing procedures for casing, tubing or drill pipe. Upset tubular goods shall be priced on upset basis.

(3) Condition

It shall be permitted to provide for the Operator may dispose of the Material and procedure normally utilized by Operator if it is approved by the Joint Operator.

D. Obsolete Material

Material which is serviceable and suitable for its original function but the value and/or value of such Material is equivalent to that which would justly be provided above may be specially priced as agreed to by the Parties. Such price could result in the Material being charged with the value of the service rendered by such Material.

E. Price Condition

(1) Loading cost may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight of tubular goods in vent, as if for unloading or loading costs sustained the stocking point. The above rate shall be adjusted of the first day of April each year following January 1 1985 by the same percentage increase or decrease used to adjust overhead rates. Section III, Paragraph 1.A.(3) Each year the rate calculated shall be reduced to the lowest rate and shall be in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accounting Societies.

(2) Material which is obsolete shall be charged a applicable percentage of the net book value price of Material.

3. Final Prices

Whenever Material is sold by the Joint Account at published or fixed prices because of national emergency or other unusual cases over which the Operator has no control the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred plus the cost of such Material, including the cost of making it suitable for use and its movement to the Joint Property provided that the written furnished Non-Operators of the proposed charge to bill to Non-Operators of such Material. Each Non-Operator shall have the right to object to the charge and not to pay for the charge until the charge is accepted by the Operator. The charge shall be paid by the Non-Operator to the Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material received shall not be passed to the Joint Account. No adjustment shall be received by Operator from the manufacturer or the agent.

V INVENTORIES

The Operator shall maintain detailed records of the Joint Account's Material.

1. Periodic Inventory and Representation

At reasonable intervals, inventories shall be taken by the Operator of the Joint Account's Controllable Material. Written notice of inventory shall be given by the Operator at least thirty (30) days before a inventory is begun. That Non-Operators may be represented when a inventory is taken. Failure of Non-Operators to be represented in a inventory shall bind Non-Operators to accept the inventory taken by the Operator.

2. Reasonable and Adjusted Inventory

Adjustment of the Joint Account's liability from the reconciliation of a physical inventory shall be made within six months following the inventory. The inventory adjustments shall be made by the Operator to the Joint Account's charges and statements, but the Operator shall be liable only for the gross lack of reasonable diligence.

3. Special Inventories

Special inventory may be taken whenever there is any sale, change of interest, change of Operator in the Joint Property. It shall be the duty of the party selling to notify all the Parties as quickly as possible of the transfer of interest. In such cases, both the seller and the purchaser shall be governed by such inventory. The seller shall be liable for the inventory. The Operator shall be liable for the inventory. The Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

A. The expense of conducting periodic inventories shall be charged to the Joint Account less agreed to by the Parties.
B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to the Operator shall be charged to the Joint Account.

EXHIBIT D

Attached to a made a part of that certain Joint Operating Agreement dated May 8, 2009 by and between Marbob Energy Corporation as Operator and Pritch Energy Corporation et al as Non-Operators

- 1 **OPERATOR** shall at all times while conducting operations hereunder comply with all Workers Compensation and Occupational Disease Laws including the United States Longshoremen's and Harbor Workers Compensation Act provided however that **OPERATOR** may be a self insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be **OPERATOR'S** actual cost but not exceeding an amount equivalent to the premium which would have been paid had such insurance been obtained
- 2 No other insurance shall be carried by **OPERATOR** for the joint account unless agreed to by all the parties hereto
- 3 **OPERATOR** shall require all contractors and subcontractors to carry such insurance in such amounts as **OPERATOR** deems adequate
- 4 Each co owner may procure such insurance with respect to the jointly owned properties and operations as it deems necessary to protect itself against claims and damages and all insurance policies shall be endorsed to provide that underwriters and insurance carriers of co-owner shall not have any right of subrogation against **OPERATOR** and other co-owners

It is provided that in the event Operator should elect to carry well control insurance then prior to the drilling of any well hereunder if any co owner hereunder so elects to be included as an insured under Operator's policy the Operator shall advise said co-owner of its anticipated share of the premium for same. Co owner shall then advise Operator whether or not it elects to be named as an insured under the policy and co-owner shall be responsible for its proportionate share of the policy premium

EXHIBIT E

*Attached to a made a part of that certain Joint Operating Agreement dated
May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy
Corporation et al as Non Operators*

GAS BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the lands covered by such agreement (the Contract Area) in accordance with the percentages of participation as set forth in Exhibit A to the Operating Agreement (the participation percentage)

In accordance with the terms of the Operating Agreement each party thereto has the right to take its share of gas produced from the Contract Area and market the same. In the event any of the parties hereto collectively owning participation percentages of less than 50% are not at any time taking or marketing their share of gas or have contracted to sell their share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such parties, this agreement shall automatically become effective upon the terms hereinafter set forth.

1 During the period or periods when any parties hereto collectively owning participation percentages of less than 50% have no market for their share of gas produced from any proration unit within the Contract Area or their purchaser does not take its full share of gas produced from such proration unit, other parties collectively owning participation percentages of more than 50% shall be entitled to produce each month 100% of the lesser of (a) allowable gas production assigned to such proration unit provided however no party who does not have gas in place shall be entitled to take or deliver to a purchaser gas production in excess of 200% of the lesser of (c) its share of the volumes of gas capable of being delivered on a daily basis or (d) its share of allowable gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

2 On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this Agreement less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

3 Each Party producing, taking or delivering gas to its purchaser shall pay severance taxes, excise taxes, royalties, overriding royalties, production payments and other such payments and taxes on production for which it is obligated by law or by lease or contract (including Operating Agreement) and nothing in this Gas Balancing Agreement shall be construed as affecting such obligations. Each Party hereto agrees to indemnify and hold harmless the other Parties hereto against all claims, losses or liabilities arising out of its failure to fulfill such obligations.

4 After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in place less such party's share of gas used in operations, vented or lost. In addition to such share, each party, including the Operator, until it has recovered its gas in place and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in place by a fraction, the numerator of which is the interest in the proration unit of such party with gas in place and the denominator of which is the total percentage interest in such proration unit of all parties with gas in place currently taking or delivering to a purchaser.

5 Nothing herein shall be construed to deny any party the right from time to time to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser, provided that said test should be reasonable in length, normally not to exceed 72 hours.

6 If a proration unit ceases to produce gas and/or liquid hydrocarbons in paying quantities before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received less applicable taxes theretofore paid at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made. For gas, the price of which is not regulated by federal, state or other governmental agencies, the price basis shall be the price received for

the sale of the gas. For gas the price of which is subject to regulation by federal state or other governmental authorities the price basis shall be the rate collected from time to time which is not subject to possible refund as provided by the Federal Energy Regulatory Commission or any other governmental authority pursuant to final order or settlement applicable to the gas sold from such well plus any additional collected amount which is not ultimately required to be refunded by such authority such additional collected amount to be accounted for at such time as final determination is made with respect hereto

7 Notwithstanding the provisions of §6 it is expressly agreed that any underproduced party shall have the optional right with respect to each proration unit, to receive a cash settlement bringing such underproduced party's gas account into balance at any time and from time to time prior to the final settlement by first giving each overproduced party 90 days written notice of demand for cash settlement. If such option is so exercised settlement shall be made (as of 7 00 o'clock A.M. on the first day of the calendar month following the date of such written demands) within 90 days following the actual receipt of such written demands by the overproduced parties in the same manner provided for in §6. The option provided for in this paragraph may be exercised from time to time but only one time in each calendar year.

8 Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred as its share thereof is set forth in the Operating Agreement.

9 This agreement shall constitute a separate agreement as to each proration unit approved by the applicable regulatory authority for a pool within the Contract Area but such proration unit shall not include any producing horizon which is not within the vertical limits of said pool. This agreement shall remain in force and effect so long as the Operating Agreement to which it is attached remains in effect and shall inure to the benefit of and be binding upon the parties hereto their heirs successors legal representatives and assigns.

EXHIBIT F

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

Attached to a made a part of that certain Joint Operating Agreement dated May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy Corporation et al as Non-Operators

During the performance of this contract, the Operator (meaning and referring separately to each party hereto) agrees as follows

- 1) The Operator will not discriminate against any employee or applicant for employment because of race color religion sex or national origin. The Operator will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their 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, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.
- 2) The Operator will in all solicitations or advertisements for employees placed by or on behalf of the Operator state that all qualified applicants will receive consideration for employment without regard to race color religion sex or national origin.
- 3) The Operator will send to each labor union or representative of workers with which Operator has a collective bargaining agreement or other contract or understanding a notice to be provided advising the said labor union or works representatives of the 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) The 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) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965 and by the rules, regulations and orders of the Secretary of Labor or pursuant thereto and will permit access to Operator's books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- 6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965 and such other sanctions in Executive Order 11246 of September 24, 1965 or by rules, regulations or order of the Secretary of Labor or as otherwise provided by law.
- 7) The Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or 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 each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for non-compliance provided, however, that in the event the Operator becomes involved in or is threatened with litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that Operator may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with the appropriate agency within 30 days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246 as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that Operator may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply each other party hereto with a copy of such program if so requested.

CERTIFICATION OF NONSEGREGATED FACILITIES

By entering into this contract the Operator certifies that Operator does not and will not maintain or provide for Operator's employees any segregated facilities at any of Operator's establishments and that Operator does not and will not permit Operator's employees to perform their services at any location under Operator's control where segregated facilities are maintained. The Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification the term segregated facilities means but is not limited to any waiting rooms work areas rest rooms and wash rooms restaurants and other eating areas time clocks locker rooms and other storage or dressing areas parking lots drinking fountains recreation or entertainment areas transportation and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race color religion or national origin because of habit local custom or otherwise. Operator further agrees that (except where Operator has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Operator will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10 000 00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e. quarterly semiannually or annually).