



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Wyoming State Office Reservoir Management Group
2987 Prospector Drive
Casper, WY 82604-2968



In Reply Refer To:

3186

Lindrith East (Deep) Unit

NMNM143630X

NMNM105738386

APR 20 2022

San Juan Resources, Inc.
Attn: Jerome McHugh
1499 Blake Street, Suite 10C
Denver, CO 80202

Gentlemen:

The Lindrith East (Deep) Unit Agreement, Rio Arriba County, New Mexico, was approved as of this date. This agreement, designated No NMNM143630X (NMNM105738386), is effective as of the date of approval.

This unit provides for the drilling of one obligation well and subsequent drilling obligations pursuant to section 9 of the unit agreement. This obligation well is considered to be a contractual commitment on the part of the unit operator. No extension of time will be granted to commence this "obligation well" other than "unavoidable delay" (section 25), where justified. Any extension granted for "unavoidable delay" requires convincing written justification and documentation prior to the critical date.

Enclosed is one copy of the approved unit agreement for your records. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

We request that you furnish the State of New Mexico and all other interested parties with appropriate evidence of this approval.

INTERIOR REGION 7 • UPPER COLORADO BASIN

COLORADO, NEW MEXICO, UTAH, WYOMING

If there are any questions, please contact Sandy Blackburn, Land Law Examiner, at (307) 261-7632.

Sincerely,


for J. David Chase
Chief, Reservoir Management Group

Enclosures

Approved application
Exhibits A & B

cc: NMSO, Sheila Mallory w/ application
ONRR-RRM (email: leases.blm@onrr.gov)
New Mexico State Land Office, Scott Dawson
New Mexico Oil Conservation Division, Leonard Lowe

UnitSource, Inc.
c/o Tim Woodroof
2580 Pierson Street
Lakewood CO 80215

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec 181, et seq., and delegated to the Bureau of Land Management, by executive Order of the Secretary of the Interior, I do hereby:

A. Approve the attached agreement for the development and operation of the Lindrith East (Deep) Unit Area, Rio Arriba County, New Mexico. This approval shall be invalid ab initio if the public interest requirement under 43 CFR 3183.4(b) is not met.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all Federal leases committed to said Agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of this agreement.

Dated: APR 20 2022

Effective Date: APR 20 2022

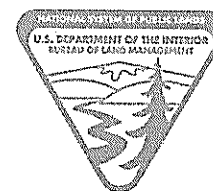
Contract No: NMNM143630X
(NMNM105738386)



J. David Chase
Chief, Reservoir Management Group
Bureau of Land Management
Casper, Wyoming



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Wyoming State Office Reservoir Management Group
2987 Prospector Drive
Casper, WY 82604-2968

In Reply Refer To:
3186
Lindrith East (Deep) Unit
NMNM143630X
NMNM105738386

APR 20 2022

Memorandum

To: New Mexico State Director
From: Chief, Wyoming Reservoir Management Group
Subject: Lindrith East (Deep) Unit Agreement
Rio Arriba County, New Mexico
San Juan Resources, Inc. - Unit Operator

As of this date the subject unit agreement was approved.

This agreement has been designated No. NMNM143630X and is effective as of the date of approval. A copy of the agreement is attached.

The basic information is as follows:

1. The depth of the test well and the area to be unitized were approved under the unit plan regulations of December 22, 1950, by letter of September 21, 2021.
2. All formations below the top of the Mancos formation are unitized.
3. The unit area embraces 8,800.00 acres, more or less, of which 7,600.00 acres (86.36 percent) are Federal lands and 1,200.00 acres (13.64 percent) are patented lands.

The following Federal leases embrace lands included within the unit area:

NMNM02599	NMNM03992	NMNM40641	NMNM070362
NMNM052661A	NMSF079429	NMSF080500	NMNM0101694
NMNM128371*	NMNM128372	NMNM128373	NMNM128374
NMNM128375	NMNM128376*	NMNM128837	NMNM140320

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*Leases have been cancelled. A reinstatement has been filed but not yet granted.

The unit operator has advised that it is not the intent of the parties to this unit agreement to horizontally segregate any Federal lease.

All lands and interests are fully or effectively committed except Federal tracts 4, 5 and 6, and patented tracts 18 and 20A containing 1,240.00 acres with a total of 14.09 percent which are not committed. Also, certain overriding royalty interest owners have not signed the unit agreement. All parties owning interests within this unit were invited to join the unit agreement.

Unleased Federal land, including the lands in leases NMNM128371 and NMNM128376 mentioned above, comprising tracts 9, 14 and 17 totaling 2,280.00 acres (25.91 percent), is non-committed, but is considered to be controlled acreage because, prior to issuance of leases for that acreage, the lessees may be required to commit to the unit agreement.

Lease application NMNM140320, unit tract 16, is to be considered effectively committed to the unit, effective on the date of lease issuance, provided the lease is issued to Federal Abstract Company who has executed a joinder to the unit agreement and unit operating agreement.

In view of the foregoing commitment status, effective control of operations within the unit area is assured. We are of the opinion that the agreement is necessary and advisable in the public interest and for the purpose of more properly conserving natural resources.

Attachment

cc: Operator
cc: NMSO, Sheila Mallory w/ application
ONRR-RRM (email: leases.blm@onrr.gov)
New Mexico State Land Office, Scott Dawson
New Mexico Oil Conservation Division, Leonard Lowe

/s/ Sandra Blackburn
Acting

UnitSource, Inc.
c/o Tim Woodroof
2580 Pierson Street
Lakewood CO 80215

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:

Case No. 22399
Order No. R-22053

APPLICATION OF SAN JUAN RESOURCES, INC FOR APPROVAL OF THE
LINDRITH EAST (DEEP) UNIT, RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing January 6, 2022, at Santa Fe, New Mexico, before Examiners John Garcia and Philip Goetze.

NOW, on this 24th day of February 2022, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Oil Conservation Division ("OCD") has jurisdiction of this case and its subject matter.

(2) San Juan Resources, Inc ("Applicant") is seeking approval from the U.S. Bureau of Land Management ("BLM") of the Lindrith East (Deep) Unit ("Unit") consisting of 8,800 acres of the following federal and fee lands situated in Rio Arriba County, New Mexico ("Unit Area"):

Township 24 North, Range 2 West, N.M.P.M

Section 10: NE/4, E/2SE/4

Section 11: ALL

Section 12: ALL

Section 13: ALL

Section 14: ALL

Section 15: N/2NE/4, N/2SE/4

Section 22: E/2

Section 23: ALL

Section 24: ALL

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Section 25: ALL

Section 26: ALL

Section 27: ALL

Section 33: S/2

Section 34: ALL

Section 35: ALL

Section 36: ALL

(3) Unitized Interval: The unitized interval for the Lindrieth East (Deep) Unit is all formations below the top of the Mancos Formation, which is defined as the stratigraphic equivalent of 5,820 feet MD in the Amoco Federal Oso #1 well located in the NW/4, Section 24, Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API# 30-039-26672).

(4) The Applicant presented testimony and exhibits as follows:

a. The Lindrieth East (Deep) Unit is a proposed federal exploratory unit and all depths below the top of the Mancos Formation will be unitized.

b. The proposed Unit is comprised of twenty-one (21) federal and fee tracts. Seventeen tracts are federal and four are fee tracts. Federal land comprises over 86% of the proposed unit. Applicant is the operator for San Juan Basin Properties LLC which owns 35% of the total working interest currently committed to the proposed Unit.

c. The Unit obligation well is the Lindrieth East (Deep) Unit 24-1H well, a horizontal well with a surface location in the NW/4 SW/4 of Section 24 of Township 24 North, Range 2 West (API No. 30-039-Pending) and a bottomhole location in the NE/4 NW/4 of Section 23, of Township 24 North, Range 2 West. The well will be completed in the Gavilan Mancos Oil Pool (Pool Code 27194).

d. Applicant proposes to complete wells in different members of the Mancos Shale and the Dakota Formation. Initial development will target the Mancos Niobrara C but additional targets include the Mancos Silt, Mancos Niobrara A, Mancos Niobrara B and the Sanostee/Juana Lopez member and the Cretaceous Dakota Formation. Applicant contacted the OCD Geologist who assigned the Gavilan Mancos Pool and will again contact the OCD Geologist for the assignment of the Dakota pool, when development is imminent.

e. Applicant presented the proposed Unit Agreement ("Unit Agreement"), which is Exhibit A-1. The voluntary Unit Agreement designates Applicant as the Unit Operator and has provisions for expansion or contraction of the Unit.

f. Applicant has received a logical designation letter (Exhibit A-2) from the BLM, indicating the land proposed for unitization is logically subject to exploration and development.

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g. Notice was provided of this application to the record title owners, royalty owners and overriding royalty owners within the Unit Area.

(5) No other party appeared at the hearing or otherwise opposed this application.

(6) All proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(7) The approval of the Unit will serve to prevent waste and protect correlative rights within the lands assigned to the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) OCD recommends approval of the Lindrith East (Deep) Unit comprised of federal and patented lands in Rio Arriba County, New Mexico.

(2) The Unit Area comprises 8,800 acres situated in Rio Arriba County, New Mexico and described above.

(3) This Order shall become effective upon the signature of all parties to the Unit Agreement.

(4) OCD recognizes that San Juan Resources, Inc. (OGRID No 20208) is designated the Unit Operator under the proposed Unit Agreement.

(5) Upon the approval of the Unit Agreement and filing of the Unit Agreement with the OCD, the Unit Area will be recognized by the OCD as a "unitized area" as provided in 19.15.16 NMAC.

(6) The Unit Operator will ensure that the names of the Unit wells are uniform and include the name of the Unit.

(7) The plan contained in the Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the OCD to supervise and control operations for the unit and production of oil and gas therefrom.

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(8) The Unit Operator shall file with the OCD the fully executed Unit Agreement within 30 days of the effective date of the Unit Agreement. In the event of (a) subsequent joinder by any other party, (b) expansion or contraction of the Unit Area, (c) change of Unit Operator, or (d) termination of the Unit or Unit Agreement, the Unit Operator shall file with OCD, within 30 days after approval or notification of BLM, the amended Unit Agreement or other documentation reflecting the changes.

(9) All filings required by this Order shall be submitted to the OCD Engineering Bureau (OCD.Engineer@state.nm.us). OCD may notify the Unit Operator of any changes to the filing process without need to amend this Order.

(10) Jurisdiction of this case is retained for the entry of such further orders as the OCD may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
LINDRITH EAST (DEEP) UNIT AREA
COUNTY OF RIO ARRIBA
STATE OF NEW MEXICO

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Exhibit "A" - Plat of Unit Area

Exhibit "B" - Schedule showing percentage and kind of ownership

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1 **UNIT AGREEMENT**
 2
 3 **FOR THE DEVELOPMENT AND OPERATION**
 4
 5 **OF THE**
 6
 7 **LINDRITH EAST (DEEP) UNIT AREA**
 8
 9 **COUNTY OF RIO ARRIBA**
 10
 11 **STATE OF NEW MEXICO**
 12
 13 **NO. _____**

14
 15
 16 **THIS AGREEMENT**, entered into as of the ____ day of _____, 2022, by and between
 17 the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"
 18

19 **WITNESSETH:**
 20

21 **WHEREAS**, the parties hereto are the owners of working, royalty, or other oil and gas
 22 interests in the unit area subject to this agreement; and
 23

24 **WHEREAS**, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30
 25 U. S. C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with each
 26 other, or jointly or separately with others, in collectively adopting and operating under a unit plan of
 27 development or operation of any oil and gas pool, field, or like area, or any part thereof for the
 28 purpose of more properly conserving the natural resources thereof whenever determined and
 29 certified by the Secretary of the Interior to be necessary or advisable in the public interest; and
 30

31 **WHEREAS**, the parties hereto hold sufficient interests in the Lindrith East (Deep) Unit
 32 Area covering the land hereinafter described to give reasonably effective control of operations
 33 therein; and
 34

35 **WHEREAS**, it is the purpose of the parties hereto to conserve natural resources, prevent
 36 waste, and secure other benefits obtainable through development and operation of the area subject
 37 to this agreement under the terms, conditions, and limitations herein set forth;
 38

39 **NOW, THEREFORE**, in consideration of the premises and the promises herein contained,
 40 the parties hereto commit to this agreement their respective interests in the below-defined unit area
 41 and agree severally among themselves as follows:
 42

43 **1. ENABLING ACT AND REGULATIONS.** The Mineral Leasing Act of February 25,
 44 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan
 45 regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter
 46 issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such
 47 regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil
 48 and gas operating regulations in effect as of the effective date hereof governing drilling and
 49 producing operations, not inconsistent with the terms hereof or the laws of the State in which the
 50 non-Federal land is located, are hereby accepted and made a part of this agreement.
 51

52 **2. UNIT AREA.** The area specified on the map attached hereto, marked Exhibit "A," is
 53 hereby designated and recognized as constituting the unit area, containing 8,800.00 acres, more or
 54 less.
 55

56 Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity
 57 of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached
 58 hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and
 59 kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or
 60 in Exhibits "A" or "B" shall be construed as a representation by any party hereto as to the ownership
 61 of any interest other than such interest or interests as are shown in the Exhibits as owned by such
 62 party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit
 63 area or in the ownership interests in the individual tracts render such revision necessary, or when

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1 requested by the Authorized Officer, hereinafter referred to as "AO" and not less than four copies of
2 the revised Exhibits shall be filed with the proper Bureau of Land Management office.

3
4 The above-described unit area shall when practicable be expanded to include therein any
5 additional lands or shall be contracted to exclude lands whenever such expansion or contraction is
6 deemed to be necessary or advisable to conform with the purposes of this agreement. Such
7 expansion or contraction shall be effected in the following manner:

8
9 (a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on
10 demand of the AO, shall prepare a notice of proposed expansion or contraction describing the
11 contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for
12 additional drilling, and the proposed effective date of the expansion or contraction, preferably the
13 first day of a month subsequent to the date of notice.

14
15 (b) Said notice shall be delivered to the proper Bureau of Land Management office, and
16 copies thereof mailed to the last known address of each working interest owner, lessee and lessor
17 whose interests are affected, advising that 30 days will be allowed for submission to the Unit
18 Operator of any objections.

19
20 (c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit
21 Operator shall file with the AO evidence of mailing of the notice of expansion or contraction and a
22 copy of any objections thereto which have been filed with Unit Operator, together with an
23 application in triplicate, for approval of such expansion or contraction and with appropriate
24 joinders.

25
26 (d) After due consideration of all pertinent information, the expansion or contraction shall,
27 upon approval by the AO, become effective as of the date prescribed in the notice thereof or such
28 other appropriate date.

29
30 (e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or
31 tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered
32 in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled
33 to be in a participating area on or before the fifth anniversary of the effective date of the first initial
34 participating area established under this unit agreement, shall be eliminated automatically from this
35 agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit
36 area and shall no longer be subject to this agreement, unless diligent drilling operations are in
37 progress on unitized lands not entitled to participation on said fifth anniversary, in which event all
38 such lands shall remain subject hereto for so long as such drilling operations are continued
39 diligently, with not more than 90 days' time elapsing between the completion of one such well and
40 the commencement of the next such well. All legal subdivisions of lands not entitled to be in a
41 participating area within 10 years after the effective date of the first initial participating area
42 approved under this agreement shall be automatically eliminated from this agreement as of said
43 tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any
44 elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly
45 notify all parties in interest. All lands reasonably proved productive of unitized substances in
46 paying quantities by diligent drilling operations after the aforesaid 5-year period shall become
47 participating in the same manner as during said first 5-year period. However, when such diligent
48 drilling operations cease, all non-participating lands not then entitled to be in a participating area
49 shall be automatically eliminated effective as of the 91st day thereafter.

50
51 Any expansion of the unit area pursuant to this section which embraces lands theretofore
52 eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or
53 recommitment of such lands. If conditions warrant extension of the 10-year period specified in this
54 subsection, a single extension of not to exceed 2 years may be accomplished by consent of the
55 owners of 90% of the working interest in the current non-participating unitized lands and the
56 owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United
57 States) in non-participating unitized lands with approval of the AO, provided such extension
58 application is submitted not later than 60 days prior to the expiration of said 10-year period.

59
60
61 **3. UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter
62 committed to this agreement shall constitute land referred to herein as "unitized land" or "land

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1 subject to this agreement". All oil and gas in any and all formations of the unitized land below the
2 Top of the Mancos Formation, which is defined as the stratigraphic equivalent of 5,820 feet MD in
3 the Amoco Federal Oso #1 well located in the NW/4, Section 24, Township 24 North, Range 2
4 West, N.M.P.M., Rio Arriba County, New Mexico (API#3003923441) as set forth on Exhibit "C"
5 attached hereto, are unitized under the terms of this agreement and herein are called "unitized
6 substances"; provided, however, that it is the specific intent of the parties hereto not to cause or
7 effectuate any horizontal segregation of any Federal lease committed hereto as a consequence of the
8 aforementioned depth limitations of the unitized lands.
9

10 **4. UNIT OPERATOR.** San Juan Resources, Inc. is hereby designated as Unit Operator and
11 by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of
12 Unit Operator for the discovery, development, and production of unitized substances as herein
13 provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit
14 Operator acting in that capacity and not as an owner of interest in unitized substances, and the term
15 "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a
16 working interest only when such an interest is owned by it.
17

18 **5. RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall have
19 the right to resign at any time prior to the establishment of a participating area or areas hereunder,
20 but such resignation shall not become effective so as to release Unit Operator from the duties and
21 obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months
22 after notice of intention to resign has been served by Unit Operator on all working interest owners
23 and the AO and until all wells then drilled hereunder are placed in a satisfactory condition for
24 suspension or abandonment, whichever is required by the AO, unless a new Unit Operator shall
25 have been selected and approved and shall have taken over and assumed the duties and obligations
26 of Unit Operator prior to the expiration of said period.
27

28 Unit Operator shall have the right to resign in like manner and subject to like limitations as
29 above provided at any time after a participating area established hereunder is in existence, but in all
30 instances of resignation or removal, until a successor Unit Operator is selected and approved as
31 hereinafter provided, the working interest owners shall be jointly responsible for performance of the
32 duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes
33 effective appoint a common agent to represent them in any action to be taken hereunder.
34

35 The resignation of Unit Operator shall not release Unit Operator from any liability for any
36 default by it hereunder occurring prior to the effective date of its resignation.
37

38 The Unit Operator may, upon default or failure in the performance of its duties or
39 obligations hereunder, be subject to removal by the same percentage vote of the owners of working
40 interests as herein provided for the selection of a new Unit Operator. Such removal shall be
41 effective upon notice thereof to the AO.
42

43 The resignation or removal of Unit Operator under this agreement shall not terminate its
44 right, title, or interest as the owner of a working interest or other interest in unitized substances, but
45 upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall
46 deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit
47 operations to the new duly qualified successor Unit Operator or to the common agent, if no such
48 new Unit Operator is selected, to be used for the purpose of conducting unit operations hereunder.
49 Nothing herein shall be construed as authorizing removal of any material, equipment, or
50 appurtenances needed for the preservation of any wells.
51

52 **6. SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender his or its
53 resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit
54 Operator is negotiated by the working interest owners, the owners of the working interests
55 according to their respective acreage interests in all unitized land shall, pursuant to the Approval of
56 the Parties requirements of the unit operating agreement, select a successor Unit Operator. Such
57 selection shall not become effective until:
58

59 (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit
60 Operator, and
61

62 (b) the selection shall have been approved by the AO.

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1
2 If no successor Unit Operator is selected and qualified as herein provided, the AO at his
3 election may declare this unit agreement terminated.
4

5 **7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.** If the
6 Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit
7 Operator in conducting unit operations hereunder shall be paid and apportioned among and borne
8 by the owners of working interests, all in accordance with the agreement or agreements entered into
9 by and between the Unit Operator and the owners of working interests, whether one or more,
10 separately or collectively. Any agreement or agreements entered into between the working interest
11 owners and the Unit Operator as provided in this section, whether one or more, are herein referred
12 to as the "unit operating agreement". Such unit operating agreement shall also provide the manner
13 in which the working interest owners shall be entitled to receive their respective proportionate and
14 allocated share of the benefits accruing hereto in conformity with their underlying operating
15 agreements, leases, or other independent contracts, and such other rights and obligations as between
16 Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the
17 working interest owners; however, no such unit operating agreement shall be deemed either to
18 modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any
19 right or obligation established under this unit agreement, and in case of any inconsistency or
20 conflict between this agreement and the unit operating agreement, this agreement shall govern.
21 Two copies of any unit operating agreement executed pursuant to this section shall be filed in the
22 proper Bureau of Land Management office, prior to approval of this unit agreement.
23

24 **8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise
25 specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights
26 of the parties hereto which are necessary or convenient for prospecting for, producing, storing,
27 allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by
28 the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited
29 with Unit Operator and, together with this agreement, shall constitute and define the rights,
30 privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to
31 transfer title to any land or to any lease or operating agreement, it being understood that under this
32 agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession
33 and use vested in the parties hereto only for the purposes herein specified.
34

41
42 **9. DRILLING TO DISCOVERY.** Within 6 months after the effective date hereof, the
43 Unit Operator shall commence to drill an adequate test well at a location approved by the AO,
44 unless on such effective date a well is being drilled in conformity with the terms hereof, and
45 thereafter continue such drilling diligently until a 2,600 foot horizontal lateral in the Mancos
46 Formation has been tested or the Unit Operator shall at any time establish to the satisfaction of the
47 AO that further drilling of said well would be unwarranted or impracticable. Until the discovery of
48 unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to
49 repay the costs of drilling, completing and producing operations, with a reasonable profit), the Unit
50 Operator shall continue drilling one well at a time, allowing not more than 6 months between the
51 completion of one well and the commencement of drilling operations for the next well, until a well
52 capable of producing unitized substances in paying quantities is completed to the satisfaction of the
53 AO or until it is reasonably proved that the unitized land is incapable of producing unitized
54 substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be
55 deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as
56 requiring Unit Operator to commence or continue any drilling during the period pending such
57 resignation becoming effective in order to comply with the requirements of this section.
58

53
54 The AO may modify any of the drilling requirements of this section by granting reasonable
55 extensions of time when, in his opinion, such action is warranted.
56

57 Until the establishment of a participating area, the failure to commence a well subsequent to
58 the drilling of the initial obligation well, or in the case of multiple well requirements, if specified,
59 subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within
60 the time allowed including any extension of time granted by the AO, shall cause this agreement to
61 terminate automatically. Upon failure to continue drilling diligently any well other than the
62 obligation well(s) commenced hereunder, the AO may, after 15 days notice to the Unit Operator,

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1 declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or
2 the first of multiple obligation wells, on time and to drill it diligently shall result in the unit
3 agreement approval being declared invalid ab initio by the AO. In the case of multiple well
4 requirements, failure to commence drilling the required multiple wells beyond the first well, and to
5 drill them diligently, may result in the unit agreement approval being declared invalid ab initio by
6 the AO.
7

8 **10. PLAN OF FURTHER DEVELOPMENT AND OPERATION.** Within 6 months
9 after completion of a well capable of producing unitized substances in paying quantities, Operator
10 shall submit for the approval of the AO an acceptable plan of development and operation for the
11 unitized land which, when approved by the AO, shall constitute the further drilling and
12 development obligations of the Unit Operator under this agreement for the period specified therein.
13 Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall
14 submit for the approval of the AO a plan for an additional specified period for the development and
15 operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis
16 not later than March 1 each year. Any proposed modification or addition to the existing plan should
17 be filed as a supplement to the plan.
18

19 Any plan submitted pursuant to this section shall provide for the timely exploration of the
20 unitized area, and for the diligent drilling necessary for determination of the area or areas capable of
21 producing unitized substances in paying quantities in each and every productive formation. This
22 plan shall be as complete and adequate as the AO may determine to be necessary for timely
23 development and proper conservation of the oil and gas resources of the unitized area and shall:
24

25 (a) specify the number and locations of any wells to be drilled and the proposed order and
26 time for such drilling; and
27

28 (b) provide a summary of operations and production for the previous year.
29

30 Plans shall be modified or supplemented when necessary to meet changed conditions or to
31 protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in
32 complying with the obligations of the approved plan of development and operation. The AO is
33 authorized to grant a reasonable extension of the 6 month period herein prescribed for submission of
34 an initial plan of development and operation where such action is justified because of unusual
35 conditions or circumstances.
36

37 After completion of a well capable of producing unitized substances in paying quantities, no
38 further wells, except such as may be necessary to afford protection against operations not under this
39 agreement and such as may be specifically approved by the AO, shall be drilled except in
40 accordance with an approved plan of development and operation.
41

42 **11. PARTICIPATION AFTER DISCOVERY.** Upon completion of a well capable of
43 producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the
44 Unit Operator shall submit for approval by the AO, a schedule, based on subdivisions of the public-
45 land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive
46 of unitized substances in paying quantities. These lands shall constitute a participating area on
47 approval of the AO, effective as of the date of completion of such well or the effective date of this
48 unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be
49 based upon appropriate computations from the courses and distances shown on the last approved
50 public-land survey as of the effective date of each initial participating area. The schedule shall also
51 set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each
52 committed tract in the participating area so established, and shall govern the allocation of
53 production commencing with the effective date of the participating area. A different participating
54 area shall be established for each separate pool or deposit of unitized substances or for any group
55 thereof which is produced as a single pool or zone, and any two or more participating areas so
56 established may be combined into one, on approval of the AO. When production from two or more
57 participating areas is subsequently found to be from a common pool or deposit, the participating
58 areas shall be combined into one, effective as of such appropriate date as may be approved or
59 prescribed by the AO. The participating area or areas so established shall be revised from time to
60 time, subject to the approval of the AO, to include additional lands then regarded as reasonably
61 proved to be productive of unitized substances in paying quantities or which are necessary for unit
62 operations, or to exclude lands then regarded as reasonably proved not to be productive of unitized

1 substances in paying quantities, and the schedule of allocation percentages shall be revised
2 accordingly. The effective date of any revision shall be the first of the month in which the
3 knowledge or information is obtained on which such revision is predicated; provided, however, that
4 a more appropriate effective date may be used if justified by Unit Operator and approved by the
5 AO. No land shall be excluded from a participating area on account of depletion of its unitized
6 substances, except that any participating area established under the provisions of this unit agreement
7 shall terminate automatically whenever all completions in the formation on which the participating
8 area is based are abandoned.

9
10 It is the intent of this section that a participating area shall represent the area known or
11 reasonably proved to be productive of unitized substances in paying quantities or which are
12 necessary for unit operations; but, regardless of any revision of the participating area, nothing
13 herein contained shall be construed as requiring any retroactive adjustment for production obtained
14 prior to the effective date of the revision of the participating area.

15
16 In the absence of agreement at any time between the Unit Operator and the AO as to the
17 proper definition or redefinition of a participating area, or until a participating area has, or areas
18 have, been established, the portion of all payments affected thereby shall, except royalty due the
19 United States, be impounded in a manner mutually acceptable to the owners of committed working
20 interests. Royalties due the United States shall be determined by the AO and the amount thereof
21 shall be deposited, as directed by the AO, until a participating area is finally approved and then
22 adjusted in accordance with a determination of the sum due as Federal royalty on the basis of such
23 approved participating area.

24
25 Whenever it is determined, subject to the approval of the AO, that a well drilled under this
26 agreement is not capable of production of unitized substances in paying quantities and inclusion in a
27 participating area of the land on which it is situated is unwarranted, production from such well shall,
28 for the purposes of settlement among all parties other than working interest owners, be allocated to
29 the land on which the well is located, unless such land is already within the participating area
30 established for the pool or deposit from which such production is obtained. Settlement for working
31 interest benefits from such a nonpaying unit well shall be made as provided in the unit operating
32 agreement.

33
34 **12. ALLOCATION OF PRODUCTION.** All unitized substances produced from a
35 participating area established under this agreement, except any part thereof used in conformity with
36 good operating practices within the unitized area for drilling, operating and other production or
37 development purposes, for repressuring or recycling in accordance with a plan of development and
38 operations that has been approved by the AO, or unavoidably lost, shall be deemed to be produced
39 equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if
40 any, included in the participating area established for such production. Each such tract shall have
41 allocated to it such percentage of said production as the number of acres of such tract included in
42 said participating area bears to the total acres of unitized land and unleased Federal land, if any,
43 included in said participating area. There shall be allocated to the working interest owner(s) of
44 each tract of unitized land in said participating area, in addition, such percentage of the production
45 attributable to the unleased Federal land within the participating area as the number of acres of such
46 unitized tract included in said participating area bears to the total acres of unitized land in said
47 participating area, for the payment of the compensatory royalty specified in Section 17 of this
48 agreement. Allocation of production hereunder for purposes other than for settlement of the
49 royalty, overriding royalty, or payment out of production obligations of the respective working
50 interest owners, including compensatory royalty obligations under Section 17, shall be prescribed as
51 set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It
52 is hereby agreed that production of unitized substances from a participating area shall be allocated
53 as provided herein, regardless of whether any wells are drilled on any particular part or tract of the
54 participating area. If any gas produced from one participating area is used for repressuring or
55 recycling purposes in another participating area, the first gas withdrawn from the latter participating
56 area for sale during the life of this agreement, shall be considered to be the gas so transferred, until
57 an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to
58 the participating area from which initially produced as such area was defined at the time that such
59 transferred gas was finally produced and sold.

60
61 **13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR**
62 **FORMATIONS.** Any operator may, with the approval of the AO, at such party's sole risk, cost,

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1 and expense, drill a well on the unitized land to test any formation provided the well is outside any
2 participating area established for that formation, unless within 90 days of receipt of notice from said
3 party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a
4 like manner as other wells are drilled by the Unit Operator under this agreement.
5

6 If any well drilled under this section by a non-unit operator results in production of unitized
7 substances in paying quantities such that the land upon which it is situated may properly be
8 included in a participating area, such participating area shall be established or enlarged as provided
9 in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with
10 the terms of this agreement and the unit operating agreement.
11

12 If any well drilled under this section by a non-unit operator obtains production in quantities
13 insufficient to justify the inclusion of the land upon which such well is situated in a participating
14 area, such well may be operated and produced by the party drilling the same, subject to the
15 conservation requirements of this agreement. The royalties in amount or value of production from
16 any such well shall be paid as specified in the underlying lease and agreements affected.
17

18 **14. ROYALTY SETTLEMENT.** The United States and any State and any royalty owner
19 who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be
20 entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the
21 non-unit operator in the case of the operation of a well by a non-unit operator as herein provided for
22 in special cases, shall make deliveries of such royalty share taken in kind in conformity with the
23 applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be
24 made by an operator responsible therefor under existing contracts, laws and regulations, or by the
25 Unit Operator on or before the last day of each month for unitized substances produced during the
26 preceding calendar month; provided, however, that nothing in this section shall operate to relieve
27 the responsible parties of any land from their respective lease obligations for the payment of any
28 royalties due under their leases.
29

30 If gas obtained from lands not subject to this agreement is introduced into any participating
31 area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery,
32 in conformity with a plan of development and operation approved by the AO, a like amount of gas,
33 after settlement as herein provided for any gas transferred from any other participating area and
34 with appropriate deduction for loss from any cause, may be withdrawn from the formation into
35 which the gas is introduced, royalty free as to dry gas, but not as to any products which may be
36 extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the
37 approved plan of development and operation or as may otherwise be consented to by the AO as
38 conforming to good petroleum engineering practice; and provided further, that such right of
39 withdrawal shall terminate on the termination of this unit agreement.
40

41 Royalty due the United States shall be computed as provided in 30 CFR Group 200 and paid
42 in value or delivered in kind as to all unitized substances on the basis of the amounts thereof
43 allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective
44 Federal leases, or at such other rate or rates as may be authorized by law or regulation and approved
45 by the AO; provided, that for leases on which the royalty rate depends on the daily average
46 production per well, said average production shall be determined in accordance with the operating
47 regulations as though each participating area were a single consolidated lease.
48

49 **15. RENTAL SETTLEMENT.** Rental or minimum royalties due on leases committed
50 hereto shall be paid by the appropriate parties under existing contracts, laws, and regulations,
51 provided that nothing herein contained shall operate to relieve the responsible parties of the land
52 from their respective obligations for the payment of any rental or minimum royalty due under their
53 leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be
54 paid at the rate specified in the respective leases from the United States unless such rental or
55 minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his
56 duly authorized representative.
57

58 With respect to any lease on non-Federal land containing provisions which would terminate
59 such lease unless drilling operations are commenced upon the land covered thereby within the time
60 therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals
61 required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue
62 and become payable during the term thereof as extended by this agreement and until the required

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1 drilling operations are commenced upon the land covered thereby, or until some portion of such
2 land is included within a participating area.

3
4 **16. CONSERVATION.** Operations hereunder and production of unitized substances shall
5 be conducted to provide for the most economical and efficient recovery of said substances without
6 waste, as defined by or pursuant to State or Federal law or regulation.

7
8 **17. DRAINAGE.**

9
10 (a) The Unit Operator shall take such measures as the AO deems appropriate and adequate
11 to prevent drainage of unitized substances from unitized land by wells on land not subject to this
12 agreement, which shall include the drilling of protective wells and which may include the payment
13 of a fair and reasonable compensatory royalty, as determined by the AO.

14
15 (b) Whenever a participating area approved under Section 11 of this agreement contains
16 unleased Federal lands, the value of 12-1/2 percent of the production that would be allocated to such
17 Federal lands under Section 12 of this agreement, if such lands were leased, committed and entitled
18 to participation, shall be payable as compensatory royalties to the Federal Government. Parties to
19 this agreement holding working interests in committed leases within the applicable participating
20 area shall be responsible for such compensatory royalty payment on the volume of production
21 reallocated from the unleased Federal lands to their unitized tracts under Section 12. The value of
22 such production subject to the payment of said royalties shall be determined pursuant to 30 CFR
23 Part 206. Payment of compensatory royalties on the production reallocated from unleased Federal
24 land to the committed tracts within the participating area shall fulfill the Federal royalty obligation
25 for such production, and said production shall be subject to no further Federal royalty assessment
26 under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall
27 accrue from the date the committed tracts in the participating area that includes unleased Federal
28 land receive a production allocation, and shall be due and payable monthly by the last day of the
29 calendar month next following the calendar month of actual production. If leased Federal lands
30 receiving a production allocation from the participating area become unleased, compensatory
31 royalties shall accrue from the date the Federal lands become unleased. Payment due under this
32 provision shall end when the unleased Federal tract is leased or when production of unitized
33 substances ceases within the participating area and the participating area is terminated, whichever
34 occurs first.

35
36 **18. LEASES AND CONTRACTS CONFORMED AND EXTENDED.** The terms,
37 conditions, and provisions of all leases, subleases, and other contracts relating to exploration,
38 drilling, development, or operation for oil or gas on lands committed to this agreement are hereby
39 expressly modified and amended to the extent necessary to make the same conform to the
40 provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby
41 consent that the Secretary shall and by his approval hereof, or by the approval hereof by his duly
42 authorized representative, does hereby establish, alter, change, or revoke the drilling, producing,
43 rental, minimum royalty, and royalty requirements of Federal leases committed hereto and the
44 regulations in respect thereto to conform said requirements to the provisions of this agreement, and,
45 without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly
46 modified in accordance with the following:

47
48 (a) The development and operation of lands subject to this agreement under the terms
49 hereof shall be deemed full performance of all obligations for development and operation with
50 respect to each and every separately owned tract subject to this agreement, regardless of whether
51 there is any development of any particular tract of this unit area.

52
53 (b) Drilling and producing operations performed hereunder upon any tract of unitized lands
54 will be accepted and deemed to be performed upon and for the benefit of each and every tract of
55 unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells
56 situated on the land therein embraced.

57
58 (c) Suspension of drilling or producing operations on all unitized lands pursuant to direction
59 or consent of the AO shall be deemed to constitute such suspension pursuant to such direction or
60 consent as to each and every tract of unitized land. A suspension of drilling or producing operations
61 limited to specified lands shall be applicable only to such lands.

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1 (d) Each lease, sublease or contract relating to the exploration, drilling, development, or
2 operation for oil or gas of lands other than those of the United States committed to this agreement
3 which, by its terms might expire prior to the termination of this agreement, is hereby extended
4 beyond any such term so provided therein so that it shall be continued in full force and effect for
5 and during the term of this agreement.
6

7 (e) Any Federal lease committed hereto shall continue in force beyond the term so provided
8 therein or by law as to the land committed so long as such lease remains subject hereto, provided
9 that production of unitized substances in paying quantities is established under this unit agreement
10 prior to the expiration date of the term of such lease, or in the event actual drilling operations are
11 commenced on unitized land, in accordance with provisions of this agreement, prior to the end of
12 the primary term of such lease and are being diligently prosecuted at that time, such lease shall be
13 extended for two years, and so long thereafter as oil or gas is produced in paying quantities in
14 accordance with the provisions of the Mineral Leasing Act, as amended.
15

16 (f) Each sublease or contract relating to the operation and development of unitized
17 substances from lands of the United States committed to this agreement, which by its terms would
18 expire prior to the time at which the underlying lease, as extended by the immediately preceding
19 paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall
20 be continued in full force and effect for and during the term of the underlying lease as such term is
21 herein extended.
22

23 (g) The segregation of any Federal lease committed to this agreement is governed by the
24 following provision in the fourth paragraph of Sec. 17(m) of the Mineral Leasing Act, as amended
25 by the Act of September 2, 1960, (74 Stat. 781-784) (30 U.S.C. 226 (m)): "Any (Federal) lease
26 heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and
27 in part outside of the area covered by any such plan shall be segregated into separate leases as to the
28 lands committed and the lands not committed as of the effective date of unitization: Provided,
29 however, that any such lease as to the non-unitized portion shall continue in force and effect for the
30 term thereof but for not less than two years from the date of such segregation and so long thereafter
31 as oil or gas is produced in paying quantities." If the public interest requirement is not satisfied, the
32 segregation of a lease and/or extension of a lease pursuant to 43 CFR 3107.3-2 and 43 CFR 3107.4,
33 respectively, shall not be effective.
34
35

36 **19. COVENANTS RUN WITH LAND.** The covenants herein shall be construed to be
37 covenants running with the land with respect to the interests of the parties hereto and their
38 successors in interest until this agreement terminates, and any grant, transfer or conveyance of
39 interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of
40 all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No
41 assignment or transfer of any working interest royalty, or other interest subject hereto shall be
42 binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished
43 with the original, photostatic, or certified copy of the instrument of transfer.
44

45 **20. EFFECTIVE DATE AND TERM.** This agreement shall become effective upon
46 approval of the AO and shall automatically terminate five (5) years from said effective date unless:
47

48 (a) upon application by the Unit Operator such date of expiration is extended by the AO, or
49

50 (b) it is reasonably determined prior to the expiration of the fixed term or any extension
51 thereof that the unitized land is incapable of production of unitized substances in paying quantities
52 in the formations tested hereunder, and after notice of intention to terminate this agreement on such
53 ground is given by the Unit Operator to all parties in interest at their last known addresses, this
54 agreement is terminated with approval of the AO, or
55

56 (c) a valuable discovery of unitized substances in paying quantities has been made or
57 accepted on unitized land during said initial term or any extension thereof, in which event this
58 agreement shall remain in effect for such term and so long thereafter as unitized substances can be
59 produced in quantities sufficient to pay for the cost of producing same from wells on unitized land
60 within any participating area established hereunder. Should production cease and diligent drilling
61 or reworking operations to restore production or new production are not in progress within 60 days
62 and production is not restored or should new production not be obtained in paying quantities on

1 committed lands within this unit area, this agreement will automatically terminate effective the last
2 day of the month in which the last unitized production occurred, or
3

4 (d) it is voluntarily terminated as provided in this agreement. Except as noted herein this
5 agreement may be terminated at any time prior to the discovery of unitized substances which can be
6 produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working
7 interest owners signatory hereto, with the approval of the AO. The Unit Operator shall give notice
8 of any such approval to all parties hereto. If the public interest requirement is not satisfied, the
9 approval of this unit by the AO shall be invalid.
10

11 **21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The AO is
12 hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and
13 rate of production under this agreement when such quantity and rate are not fixed pursuant to
14 Federal or State law, or do not conform to any Statewide voluntary conservation or allocation
15 program which is established, recognized, and generally adhered to by the majority of operators in
16 such State. The above authority is hereby limited to alteration or modifications which are in the
17 public interest. The public interest to be served and the purpose thereof, must be stated in the order
18 of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with
19 authority to alter or modify from time to time, in his discretion, the rate of prospecting and
20 development and the quantity and rate of production under this agreement when such alteration or
21 modification is in the interest of attaining the conservation objectives stated in this agreement and is
22 not in violation of any applicable Federal or State law.
23

24 Powers in this section vested in the AO shall only be exercised after notice to Unit Operator
25 and opportunity for hearing to be held not less than 15 days from notice.
26

27 **22. APPEARANCES.** The Unit Operator shall, after notice to other parties affected, have
28 the right to appear for and on behalf of any and all interests affected hereby before the Department
29 of the Interior and to appeal from orders issued under the regulations of said Department, or to
30 apply for relief from any of said regulations, or in any proceedings relative to operations before the
31 Department, or any other legally constituted authority; provided, however, that any other interested
32 party shall also have the right at its own expense to be heard in any such proceeding.
33

34 **23. NOTICES.** All notices, demands, or statements required hereunder to be given or
35 rendered to the parties hereto shall be in writing and shall be personally delivered to the party or
36 parties, or sent by postpaid registered or certified mail, to the last known address of the party or
37 parties.
38

39 **24. NO WAIVER OF CERTAIN RIGHTS.** Nothing herein contained in this agreement
40 shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional
41 right or defense as to the validity or invalidity of any law of the State where the unitized lands are
42 located, or of the United States, or regulations issued thereunder in any way affecting such party, or
43 as a waiver by any such party of any right beyond his or its authority to waive.
44

45 **25. UNAVOIDABLE DELAY.** All obligations under this agreement requiring the Unit
46 Operator to commence or continue drilling, or to operate on, or produce unitized substances from
47 any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the
48 exercise of due care and diligence, is prevented from complying with such obligations, in whole or
49 in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents,
50 uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the
51 open market, or other matters beyond the reasonable control of the Unit Operator whether similar to
52 matters herein enumerated or not.
53

54 **26. NONDISCRIMINATION.** In connection with the performance of work under this
55 agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7)
56 inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by
57 reference in this agreement.
58

59 **27. LOSS OF TITLE.** In the event title to any tract of unitized land shall fail and the true
60 owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as
61 not committed hereto, and there shall be such readjustment of future costs and benefits as may be
62 required on account of the loss of such title. In the event of a dispute as to title to any royalty,

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1 working interest, or other interest subject thereto, payment or delivery on account thereof may be
2 withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal
3 lands or leases, no payments of funds due the United States shall be withheld, but such funds shall
4 be deposited as directed by the AO, to be held as unearned money pending final settlement of the
5 title dispute, and then applied as earned or returned in accordance with such final settlement.

6
7 Unit Operator as such is relieved from any responsibility for any defect or failure of any title
8 hereunder.

9
10 **28. NON-JOINDER AND SUBSEQUENT JOINDER.** If the owner of any substantial
11 interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the
12 owner of the working interest in that tract may withdraw the tract from this agreement by written
13 notice delivered to the proper Bureau of Land Management office and the Unit Operator prior to the
14 approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not
15 committed hereto prior to final approval may thereafter be committed hereto by the owner or
16 owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest,
17 by the owner of such interest also subscribing to the unit operating agreement. After operations are
18 commenced hereunder, the right of subsequent joinder, as provided in this section, by a working
19 interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as
20 may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-
21 working interest owner must be consented to in writing by the working interest owner committed
22 hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such
23 non-working interest. A non-working interest may not be committed to this unit agreement unless
24 the corresponding working interest is committed hereto. Joinder to the unit agreement by a working
25 interest owner, at any time, must be accompanied by appropriate joinder to the unit operating
26 agreement, in order for the interest to be regarded as committed to this agreement. Except as may
27 otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date
28 of the filing with the AO of duly executed counterparts of all or any papers necessary to establish
29 effective commitment of any interest and/or tract to this agreement.

30
31 **29. COUNTERPARTS.** This agreement may be executed in any number of counterparts,
32 no one of which needs to be executed by all parties, or may be ratified or consented to by separate
33 instrument in writing specifically referring hereto and shall be binding upon all those parties who
34 have executed such a counterpart, ratification, or consent hereto with the same force and effect as if
35 all such parties had signed the same document, and regardless of whether or not it is executed by all
36 other parties owning or claiming an interest in the lands within the above-described unit area.

37
38 **30. SPECIAL SURFACE STIPULATIONS.** Nothing in this agreement shall modify the
39 special Federal lease stipulations attached to the individual Federal oil and gas leases.

40
41 **31. SURRENDER.** Nothing in this Agreement shall prohibit the exercise by any working
42 interest owner of the right to surrender vested in such party by any lease, sublease, or operating
43 agreement as to all or any part of the lands covered thereby, provided that each party who will or
44 might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is
45 bound by the terms of this Agreement.

46
47 If as a result of any surrender, the working interest rights as to such lands become vested in
48 any party other than the fee owner of the Unitized Substances, said party may forfeit such rights and
49 further benefits from operations hereunder as to said land to the party next in the chain of title who
50 shall be and become the owner of such working interest.

51
52 If as the result of any such surrender of forfeiture working interest rights become vested in
53 the fee owner of the Unitized Substances, such owner may:

- 54
55 (a) Accept those working interest rights subject to this Agreement and the Unit
56 Operating Agreement; or
57
58 (b) Lease the portion of such land as is included in a participating area established
59 hereunder subject to this Agreement and the Unit Operating Agreement; or
60
61 (c) Provide for the independent operation of any part of such land that is not then
62 included within a participating area established hereunder.

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If the fee owner of the Unitized Substances does not accept the working interest rights subject to this Agreement and the Unit Operating Agreement or lease such lands as above provided within 6 months after the surrendered or forfeited, working interest rights become vested in the fee owner; the benefits and obligations of operations accruing to such lands under this Agreement be shared by the remaining owners of the unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of Unitized Substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within 30 days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

32. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land covered by this Agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said tract, and may currently retain and deduct a sufficient amount of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this Agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

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WHPD / Casper Field Office

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IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

SAN JUAN RESOURCES, INC.

By [Signature]

Address: 1499 Blake Street
Suite 10C
Denver, Colorado 80202

Date of Execution
March 2, 2022

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Jerome P. McHugh, Jr as President of San Juan Resources, Inc.

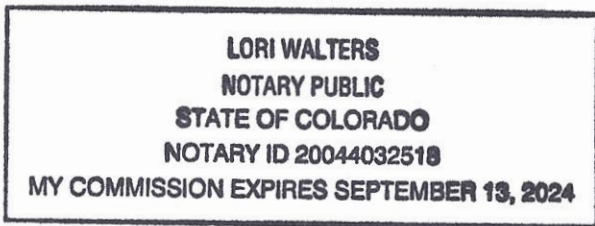
This 2nd day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:

9/13/2024

[Signature]
Notary Public



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MAR 04 2022

Bureau of Land Management
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UNIT OPERATOR SIGNATURE PAGE FOR THE
LINDRITH EAST (DEEP) UNIT AGREEMENT
RIO ARRIBA COUNTY, NEW MEXICO

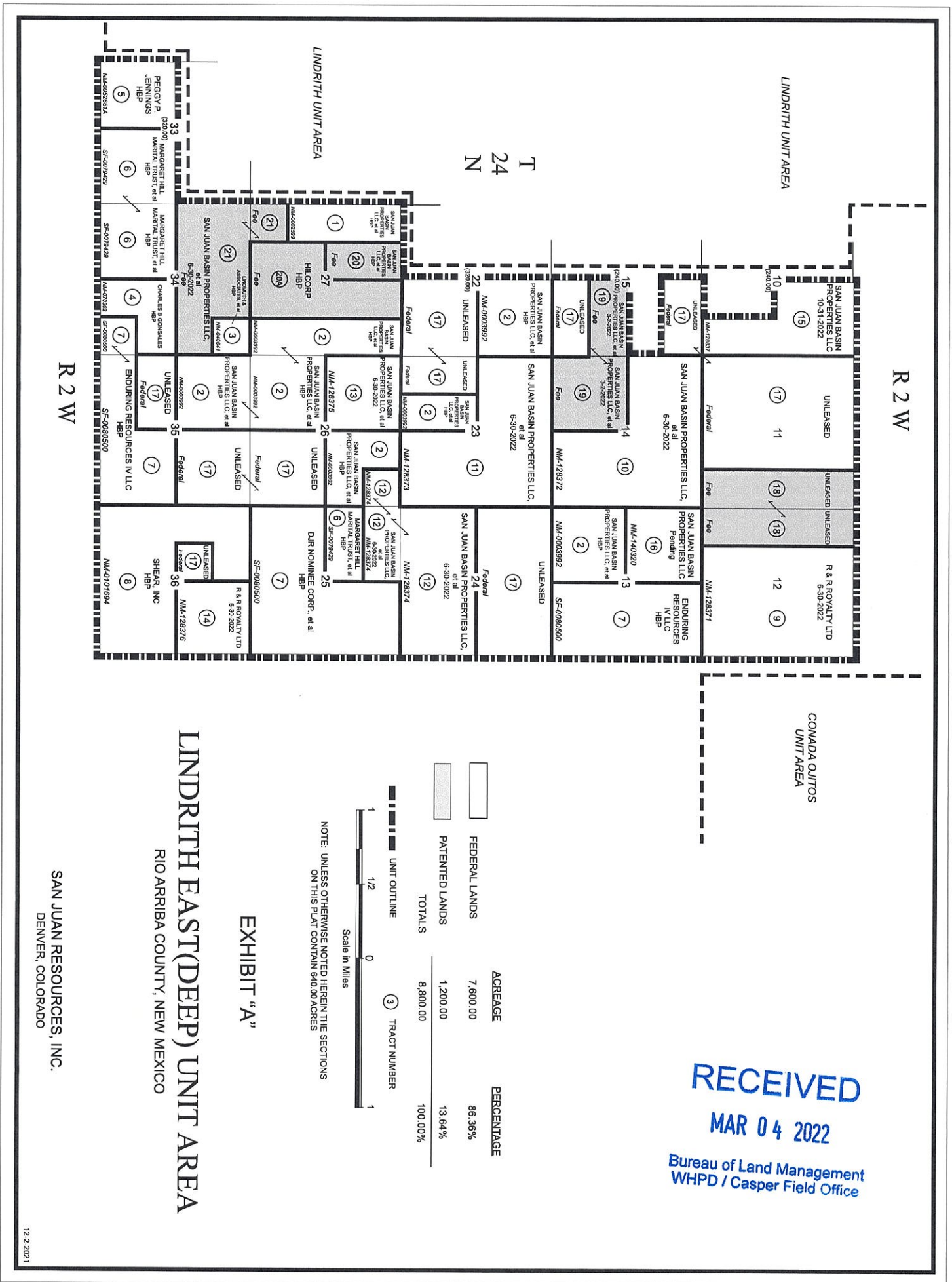


EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS LINDRITH EAST (DEEP) UNIT AREA RIO ARRIBA COUNTY, NEW MEXICO

Ownership reflected herein covers those formations below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,820 feet as encountered in the Amoco Federal Oso #1 well located in the NW/4 Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003923441).

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
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FEDERAL LANDS

1	T24N-R2W, N.M.P.M. Sec. 27: NW/4SW/4, W/2NW/4	120.00	NMNM 02599 Effective 8-1-48 HBP	U.S.A. - All (12.5% royalty)	4 Robert L. Bayless 19 High River Resources, LLC TOTAL	50.0000% Classical Gas & Oil, LLC 50.0000% Merrion Oil & Gas Corp 100.0000% Samuel Ray Carnes Patricia Pepler J.R. Murray Charles L. Parcell Duncan Shepherd Gypsum Springs LLC TOTAL	Below the top of the Mancos Formation to the base of the Dakota Formation 1.5000% 1 San Juan Basin Properties LLC 47.5000% 1.2500% 3 DJR Nominee Corp 43.7500% 1.0000% 4 Robert L. Bayless, Producer LLC 6.2500% 1.0000% 2 Rio Arriba Holdings LLC* 2.5000% 1.0000% TOTAL 100.0000% 0.3750% All Depths below the base of the Dakota Formation 0.3750% 4 Robert L. Bayless, Producer LLC 50.0000% 7.5000% 1 San Juan Basin Properties LLC 47.5000% 2 Rio Arriba Holdings LLC* 2.5000% TOTAL 100.0000%
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*A Transfer of Operating Rights from San Juan Basin Properties LLC to Rio Arriba Holdings LLC for a 2.50% of 8/8 Operating Rights interest has been completed and submitted to the BLM but has not yet been approved.

2	T24N-R2W, N.M.P.M. Sec. 13: SW/4 Sec. 22: NE/4 Sec. 23: E/2SW/4 Sec. 26: NW/4NE/4, S/2NE/4, SW/4 Sec. 27: E/2E/2 Sec. 35: NW/4	1,000.00	NMNM 03992 Effective 4-1-48 HBP	U.S.A. - All (12.5% royalty)	4 Robert L. Bayless Producer, LLC 19 High River Resources, LLC TOTAL	50.0000% Eugene C. Connor 50.0000% James H. Gardner 100.0000% Gardner Petroleum Willie S. Gardner Charles R. Gilmore Milton Oil Corp John R Carlmill Gerald Klein Joe B. Houston Annie Mary White H.E. & Goldie Milliken, JT Dr. William Kenneth Newill Janet Lovejoy Virginia Allyn Lovejoy Mesa Grande Resources, Inc. Penroc Oil & Gas Corporation Margaret Hunt Hill-Albert G. Hill III Trust Margaret Hunt Hill-Elisa Margaret Hill Trust Margaret Hunt Hill-Heather Victoria Hill Trust Margaret Hunt Hill-Michael Bush Wisenbaker Trust Margaret Hunt Hill-Wesley Hill Wisenbaker Trust Margaret Hunt Hill-Margretta Hill Wilkert Trust Margaret Hunt Hill-Cody McArthur Wilkert Trust TOTAL	0.62772% All lands except Sec. 13: SW/4 0.12581% Below the top of the Mancos Formation to the base of the Dakota Formation 0.30437% 0.22826% 1 San Juan Basin Properties LLC 47.5000% 0.07609% 3 DJR Nominee Corp. 43.7500% 0.37408% 4 Robert L. Bayless Producer LLC 6.2500% 0.17500% 2 Rio Arriba Holdings LLC* 2.5000% 0.01141% TOTAL 100.0000% 0.01141% All lands except Sec. 13: SW/4 0.45399% All Depths below the base of the Dakota Formation 0.03804% 4 Robert L. Bayless Producer LLC 50.0000% 0.07609% 3 DJR Nominee Corp. 50.0000% 0.07609% TOTAL 100.0000% 0.00761% Sec. 13: SW/4 2.43750% DJR Nominee Corp. 100.0000% 0.34821% 3 0.34821% 0.34821% 0.34821% 0.34821% 0.34821% 0.34821% 0.34821% 0.34821% TOTAL 7.5000%
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*A Transfer of Operating Rights from San Juan Basin Properties LLC to Rio Arriba Holdings LLC for a 2.50% of 8/8 Operating Rights interest has been completed and submitted to the BLM but has not yet been approved.

EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS LINDRITH EAST (DEEP) UNIT AREA RIO ARRIBA COUNTY, NEW MEXICO

Ownership reflected herein covers those formations below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,820 feet as encountered in the Anoco Federal Oso #1 well located in the NW/4 Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003923441).

TRACT NO	TRACT DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
3	T24N-R2W, N.M.P.M. Sec. 34; NE/4NE/4	40.00	NMNM 40641 Effective 7-1-80 HBP	U.S.A. - All (Sliding Scale Royalty)	5 Lindenmuth & Assoc. * 6 Black Stone Energy Co. LLC 7 O'Connell Holdings LLC TOTAL	50.0000% 47.1500% 2.8500% 100.0000%	5 Lindenmuth & Assoc. * 6 Black Stone Energy Co. LLC 7 O'Connell Holdings LLC TOTAL
* A Transfer of Operating Rights from Lindenmuth & Assoc to San Juan Basin Properties LLC has been completed and submitted to the BLM but has not yet been approved.							
4	T24N-R2W, N.M.P.M. Sec. 34; N/2SE/4, SW/4SE/4 Below Bs of PC	120.00	NMNM 070362 Effective 8-1-60 HBP	U.S.A. - All (12.5% royalty)	Charles B. Gonzales	100.0000%	Charles B. Gonzales
5	T24N-R2W, N.M.P.M. Sec. 33; SW/4	160.00	NMNM 052661A Effective 7-1-59 HBP	U.S.A. - All (12.5% royalty)	Trans Delta Oil & Gas Co., inc.	100.0000%	Peggy P. Jennings and Howard W. Jennings, husband and wife
6	T24N-R2W, N.M.P.M. Sec. 25; S/2NW/4 Sec. 33; SE/4 Sec. 34; SW/4	400.00	NMSF 079429 Effective 8-1-48 HBP	U.S.A. - All (12.5% royalty)	Penroc Oil Corp Albert G. Hill III Trust Cody McArthur Trust Elisa Margaret Hill Trust Heather Victoria Hill Trust Michael Hill Wisenbaker Trust Wesley Hill Wisenbaker Trust Margretta Hill Wikert Trust TOTAL	50.000000% 7.142857% 7.142858% 7.142857% 7.142857% 7.142857% 7.142857% 7.142857% 7.142857% 50.000000% 2.5000% 2.5000% 5.0000%	Penroc Oil Corp Albert G. Hill III Trust Cody McArthur Trust Elisa Margaret Hill Trust Heather Victoria Hill Trust Michael Hill Wisenbaker Trust Wesley Hill Wisenbaker Trust Margretta Hill Wikert Trust TOTAL
7	T24N-R2W, N.M.P.M. Sec. 13; E/2 Sec. 25; S/2, NE/4 Sec. 34; SE/4SE/4 Sec. 35; S/2SW/4, SE/4	1,080.00	NMSF 080500 Effective 1-1-52 HBP	U.S.A. - All (12.5% royalty)	9 Enduring Resources IV LLC	100.00000%	Sec. 25; SW/4, NE/4, SE/4 Below the top of the Mancos Formation to the base of the Mancos Formation D/R Nominee Corp Dugan Production Corp.* TOTAL Sec. 25; SW/4, NE/4, SE/4 All Depths below the top of the Dakota Formation Dugan Production Corp. * Sec. 13; E/2 Sec. 34; SE/4SE/4 Sec. 35; S/2SW/4, SE/4 All Depths below the top of the Mancos Formation Enduring Resources IV LLC

* A Transfer of Operating Rights from Dugan Production Corp to San Juan Basin Properties LLC has been completed and submitted to the BLM but has not yet been approved.

EXHIBIT 'B' SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS UNDER THE DEEP UNIT AREA RIO ARRIBA COUNTY, NEW MEXICO

Ownership reflected herein covers those formations below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,820 feet as encountered in the Amoco Federal Oso #1 well located in the NW/4 Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003923441).

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE	
8	T24N-R2W, N.M.P.M. Sec. 36; N/2NW/4, SW/4NW/4, S/2	440.00	NMNM 0101694 Effective 8-1-60 HGP	U.S.A. - All (12.5% royalty)	12 Wells Fargo Bank, N.A. F/K/A Northwest Bank of Grand Junction, Trustee, F/K/A Intrust Bank of Grand Junction, Trustee F/K/A U.S. Bank of Grand Junction, Trustee of the Intermountain Enterprises Revocable Trust C.E. Poister Estate of Charlie Holmes LeRoy Bacon Simon Smith, dec (Will para. 3) Simon Smith, dec (Will para. 2) Laird K. Smith Lina May Biggs Laird Smith, Jr. C.A. Biggs, III Clyde MacLain Biggs Key Margaret Miller Simon Biggs TOTAL	Charles A. Shear C.E. Poister Leroy Bacon Marital Trust Estate of Lina May Biggs Laird K. Smith Sr. C.A. Biggs III Clyde M. Biggs Key M. Miller Laird K. Smith, Jr. Simon Biggs MD Brendt C. Homes, Trustee Brendt C. Homes Hendrik S. Holmes Joshua Holmes Eric Switzer Rebecca Switzer Darrah Stephen Frank Dunn Jr. Kyle Rudderow Preston Rudderow Robin Rudderow 1994 Revoc. Living Trust TOTAL	6.25000% 10 Shear, Inc. 0.3125% 0.3125% 0.1094% 0.1094% 0.0188% 0.0188% 0.0188% 0.0188% 0.0188% 0.0174% 0.0521% 0.0521% 0.0261% 0.0261% 0.0174% 0.0174% 0.0174% 0.0174% 0.0174% 0.0174% 7.5000%	100.00000%
9	T24N-R2W, N.M.P.M. Sec. 12; E/2, E/2W/2	480.00	NMNM 128371 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	11 R&R Royalty Ltd *	None	11 R&R Royalty Ltd *	
10	T24N-R2W, N.M.P.M. Sec. 14; N/2, SE/4	480.00	NMNM 128372 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	3 DJR Nominee Corp 1 San Juan Basin Properties LLC TOTAL	Merion Oil & Gas Corp Classical Gas & Oil LLC Duncan Shepherd Gypsum Springs LLC TOTAL	3.25000% 3 DJR Nominee Corp 3.25000% 1 San Juan Basin Properties LLC 0.50000% 2 Rio Arriba Holdings LLC* 0.50000% 7.5000%	50.00000% 47.50000% 2.50000% 100.00000%
11	T24N-R2W, N.M.P.M. Sec. 23; N/2, SE/4	480.00	NMNM 128373 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	1 San Juan Basin Properties LLC	Classical Gas & Oil LLC Petroleum Resource Management Corp. Gypsum Springs LLC TOTAL	6.50000% 1 San Juan Basin Properties LLC 1.00000% 2 Rio Arriba Holdings LLC 1.00000% 8.50000%	95.00000% 5.00000% 100.00000%

* R&R Royalty Ltd has appealed for reinstatement of the expired lease to the BLM but has not yet been approved.

*A Transfer of Operating Rights from San Juan Basin Properties LLC to Rio Arriba Holdings LLC for a 2.50% of 8/8 Operating Rights interest has been completed and submitted to the BLM but has not yet been approved.

EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS LINDRITH EAST (DEEP) UNIT AREA RIO ARRIBA COUNTY, NEW MEXICO.

Ownership reflected herein covers those formations below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,820 feet as encountered in the Amoco Federal Oso #1 well located in the NW/4 Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003923441).

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
12	T24N-R2W, N.M.P.M. Sec. 24: S/2 Sec. 25: N/2NW/4 Sec. 26: NE/4NE/4	440.00	NMNM 128374 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	1 San Juan Basin Properties LLC	Classical Gas & Oil LLC Petroleum Resource Management Corp. Gypsum Springs LLC TOTAL	6.50000% Sec. 24: S/2 1.00000% 27 Texakoma Exploration & Production LLC * 1.00000% 1 San Juan Basin Properties LLC 8.50000% 2 Rio Arriba Holdings LLC TOTAL Sec. 25: N2NW Sec. 26: NE/4NE/4 1 San Juan Basin Properties LLC 2 Rio Arriba Holdings LLC TOTAL 95.00000% 5.00000% 100.00000%
* A Transfer of Operating Rights from Texakoma Exploration & Production LLC to San Juan Basin Properties LLC has been completed and submitted to the BLM but has not yet been approved.							
13	T24N-R2W, N.M.P.M. Sec. 26: NW/4	160.00	NMNM 128375 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	1 San Juan Basin Properties LLC	Classical Gas & Oil LLC Petroleum Resource Management Corp. Gypsum Springs LLC TOTAL	6.50000% 1 San Juan Basin Properties LLC 1.00000% 2 Rio Arriba Holdings LLC 1.00000% 8.50000% TOTAL 95.00000% 5.00000% 100.00000%
14	T24N-R2W, N.M.P.M. Sec. 36: NE/4	160.00	NMNM 128376 Effective 7-1-2012 Expires 6-30-2022	U.S.A. - All (12.5% royalty)	11 R&R Royalty Ltd *	None	11 R&R Royalty Ltd * 100.00000%
* R&R Royalty Ltd has appealed for reinstatement of the expired lease to the BLM but has not yet been approved.							
15	T24N-R2W, N.M.P.M. Sec. 10: NE/4, E/2SE/4	240.00	NMNM 128837 Effective 11-1-12 Expires 10-31-22	U.S.A. - All (12.5% royalty)	1 San Juan Basin Properties LLC	Classical Gas & Oil LLC Petroleum Resource Management Corp. Gypsum Springs LLC TOTAL	6.50000% 1 San Juan Basin Properties LLC 1.00000% 1.00000% 8.50000% TOTAL 100.00000%
16	T24N-R2W, N.M.P.M. Sec. 13: NW/4	160.00	NMNM 140320*	U.S.A. - All (12.5% royalty) Pending	16 Federal Abstract Co.	None	16 Federal Abstract Co. 100.00000%
*This lease was purchased by Federal Abstract on behalf of San Juan Basin Properties LLC but has not yet been issued by the BLM. Upon issuance of the lease, Rio Arriba Holding LLC will be conveyed a 5.00% of B/R Operating Rights interest therein. Also, the following ORRIs will be conveyed and burden the lease: Classical Gas & Oil, LLC - 5.5%, Duncan Shepherd - 1% and Gypsum Springs LLC - 1%							
17	T24N-R2W, N.M.P.M. Sec. 11: W/2, W/2E/2 Sec. 15: N/2NE/4 Sec. 15: S/2SE/4 Sec. 22: SE/4 Sec. 23: W/2SW/4 Sec. 24: N/2 Sec. 26: SE/4 Sec. 35: NE/4, N/2SW/4 Sec. 36: SE/4NW/4	1,640.00	Unleased	U.S.A. - All (12.5% royalty)	Unleased	None	0.00000% Unleased 100.00000%
17 FEDERAL TRACTS TOTALING 7,600.00 ACRES OR 86.36% OF UNIT AREA							

EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS LINDRITH EAST (DEEP) UNIT AREA RIO ARRIBA COUNTY, NEW MEXICO

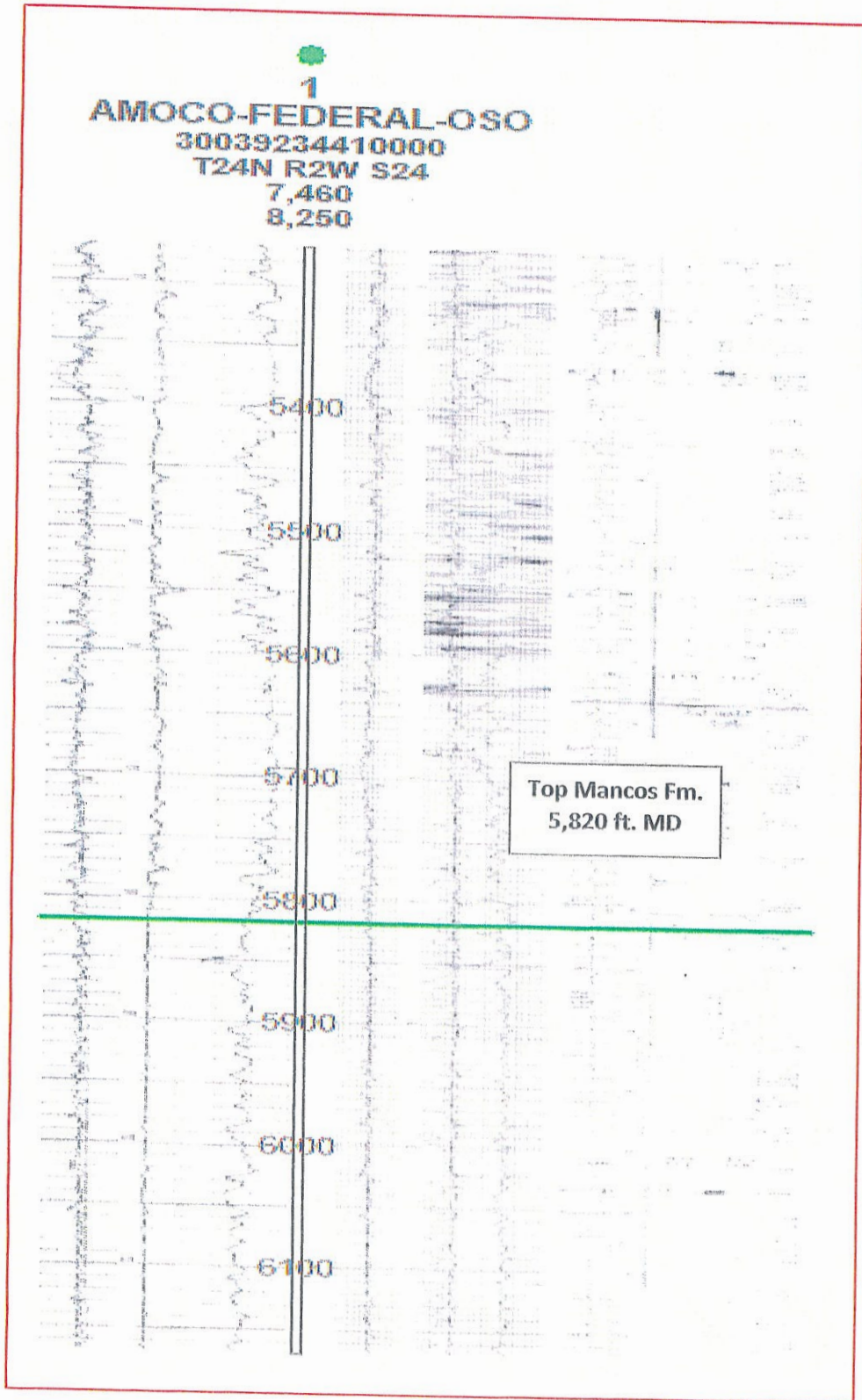
Ownership reflected herein covers those formations below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,820 feet as encountered in the Amoco Federal Oso #1 well located in the NW/4 Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003923441).

TRACT NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
PATENTED LANDS							
18	T24N-R2W, N.M.P.M. Sec. 11: E/2E/2 Sec. 12: W/2W/2	320.00	Unleased	Woodfill Ranch, Inc. 18 Lowell D. Stevenson 18 Steve L. Stevenson 17 Winifred L. Stevenson TOTAL	80.00000% 6.66000% 6.67000% 6.67000% 100.00000%	None	Woodfill Ranch, Inc. 15 Lowell D. Stevenson 18 Steve L. Stevenson 17 Winifred L. Stevenson TOTAL
19	T24N-R2W, N.M.P.M. Sec. 14: SW/4 Sec. 15: N/2SE/4	240.00	Eff 7-17 / Exp 7-16-22 Eff 3-3-12 / Exp 3-2-27 Eff 3-3-12 / Exp 3-2-27 Eff 8-17-21 / Exp 8-16-26	23 McKay Oil & Gas, LLC 24 James R. Payne & Jean Payne 25 Kenneth Robert Schmidt 26 Alko Partners, Ltd	50.00000% 25.00000% 12.50000% 11.25000%	Classical Gas & Oil LLC Petroleum Resource Management Corp. Gypsum Springs LLC Duncan Shepherd TOTAL	2.4791% 1 San Juan Basin Properties LLC 0.2813% 2 Rio Arriba Holdings 0.6563% 0.3750% 3.7817%
20	T24N-R2W, N.M.P.M. Sec. 27: E/ZNW/4	80.00	Unleased Unleased	13 Casa Grande Royalty Co., Inc 14 William W. Bramlett TOTAL	0.6250% 0.6250% 100.00000%	0.6250% 0.6250% 100.00000%	13 Casa Grande Royalty Co., Inc 14 William W. Bramlett TOTAL
20	T24N-R2W, N.M.P.M. Sec. 27: E/ZSW/4, W/2E/2	240.00	Effective 1-21-47 HBP	John F. Brown	100.00000%	None	XTO Energy, Inc.
21	T24N-R2W, N.M.P.M. Sec. 27: SW/4SW/4 Sec. 34: NW/4, W/2NE/4, SE/4NE/4	320.00	Eff 8-2-17 / Exp 8-1-25 Eff 8-2-17 / Exp 8-1-25 Eff 8-2-17 / Exp 8-1-25	20 Julia Elizabeth Brown Merson Trust, Robert W. Merson, Trustee 22 Larry Shoola Brown, Robert W. Merson, Trustee 21 Marie Ann Dickinson, Robert W. Merson, Trustee TOTAL	33.3333% 33.3333% 33.3333% 100.00000%	Classical Gas & Oil LLC Gypsum Springs LLC Duncan Shepherd TOTAL	6.5000% 1 San Juan Basin Properties LLC 1.0000% 2 Rio Arriba Holdings 1.0000% 8.5000%

4 PATENTED TRACTS TOTALING 1,200.00 ACRES OR 13.64% OF UNIT AREA

21 TRACTS TOTALING 8,800.00 ACRES IN UNIT AREA

EXHIBIT C
LINDRITH EAST (DEEP) UNIT AREA
RIO ARRIBA COUNTY, NEW MEXICO



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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

INDEX OF RATIFICATIONS AND JOINDERS

WORKING INTEREST, RECORD TITLE INTEREST AND ROYALTY INTEREST

1	San Juan Basin Properties LLC
2	Rio Arriba Holdings LLC
3	DJR Nominee Corp
4	Robert L. Bayless, Producer LLC
5	Lindenmuth & Assoc.
6	Black Stone Energy Co. LLC
7	O'Connel Holdings LLC
8	Dugan Production Corp.
9	Enduring Resources IV LLC
10	Shear, Inc.
11	R&R Royalty Ltd
12	Wells Fargo Bank, N.A. F/K/A Norwest Bank of Grand Junction, Trustee, F/K/A Intrawest Bank of Grand Junction, Trustee F/K/A U.S. Bank of Grand Junction, Trustee of the Intermountain Enterprises Revocable Trust
13	Charles L. House
14	William W. Bramlett
15	Lowell D. Stevenson
16	Federal Abstract Co.
17	Winifred L. Stevenson
18	Steve L. Stevenson
19	High River Resources, LLC
20	Julia Elizabeth Brown Merson
21	Marie Ann Dickinson
22	Larry Shoofa Brown
23	McKay Oil & Gas, LLC
24	James R. Payne & Jean Payne
25	Kenneth Robert Schmidt
26	Atko Partners, Ltd
27	Texakoma Exploration & Production LLC

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 2nd day of March, 2022.

[Handwritten Signature]
Jerome P. McHugh Jr. - Member Manager

Address: San Juan Basin Properties LLC
1499 Blake St Suite 10C
Denver, CO 80202

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Jerome P McHugh Jr
as Member Manager of San Juan Basin Properties LLC

This 2nd day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:
9/13/2024

[Handwritten Signature]
Notary Public

LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office




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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 2nd day of March, 2022.



Jerome P. McHugh Jr. – Member Manager

Address: Rio Arriba Holdings LLC
1499 Blake St Suite 10C
Denver, CO 80202

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Jerome P McHugh, Jr.
as Member Manager of Rio Arriba Holdings LLC
This 2nd day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:
9/13/2024



Notary Public

LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

2

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 14th day of February, 2022, 2021.

DJR NOMINEE CORPORATION

Kurt S. Froistad *AKB*
Kurt S. Froistad, Land Manger
Address: _____

1700 Lincoln, Suite 2800

Denver, CO 80203

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me by Kurt S. Froistad,
as Land Manager of DJR Nominee Corporation.

This 14th day of February, 2022, 2021.

WITNESS my hand and official seal.

My Commission Expires:

12-15-2025

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20054048113
My Commission Expires 12-15-2025

Sharon Crumb
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

On this ____ day of _____, 2021, before me personally appeared _____

_____, to me known to be the person(s) described in, and who executed, the
foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

DJR Nominee Corp
1700 Lincoln St., Suite 2800
Denver, CO 80203

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

3

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 1st day of February, 2021.

[Handwritten signature]

Address: Robert L. Bayless, Producer LLC
621 17th Street - Suite 2300
Denver, CO 80293

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Cranford D. Newell, Jr.
This 1st day of February, 2021.

WITNESS my hand and official seal.

My Commission Expires:

May 16, 2023

TERESA A VESTAL
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20074019365
MY COMMISSION EXPIRES MAY 16, 2023

[Handwritten signature of Teresa A. Vestal]
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,
as _____ of _____.
This ____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

(4)

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Robert L. Bayless
621 17th Street Suite 2300
Denver, CO 80293

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 11th day of February, 2022.


Gerald Lindenmuth
Manager
Lindenmuth & Assoc.

Address: 510 Hearn St, Ste 200
Austin, TX 78703

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF TRAVIS) ss.

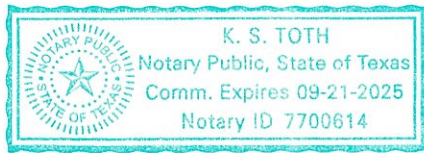
The foregoing instrument was acknowledged before me by Gerald Lindenmuth,
as KST President/Manager of Lindenmuth and Associates, Inc.

This 11th day of February, ~~2020~~ 2022

WITNESS my hand and official seal.

My Commission Expires:

9-21-2025 KSTot
Notary Public



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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

5

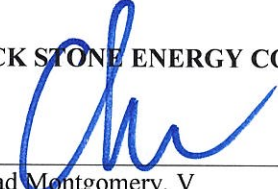
RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 28th day of February, 2022.

BLACK STONE ENERGY COMPANY, L.L.C.


C. Thad Montgomery, V
Director, Land W

Address: 1001 Fannin, Suite 2020
Houston, Texas 77002

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me by C. Thad Montgomery.

This 28 day of February, 2022.

WITNESS my hand and official seal.

My Commission Expires:

8/3/2025

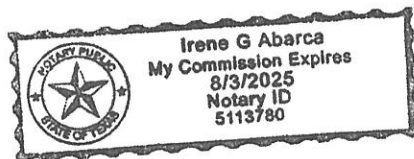
Irene G. Abarca
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me this 28 day of Feb., 2022, by C. Thad Montgomery, V, Director, Land of BLACK STONE ENERGY COMPANY, L.L.C., a limited liability company, on behalf of said company.

Irene G. Abarca
Notary Public, State of Texas



RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

6

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 28th day of February, 2022.

O'CONNELL HOLDINGS, L.L.C.

[Handwritten Signature]
C. Thad Montgomery, V
Director, Land WD

Address: 1001 Fannin, Suite 2020
Houston, Texas 77002

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me by C. Thad Montgomery.

This 28 day of February, 2022.

WITNESS my hand and official seal.

My Commission Expires:

8/3/2025

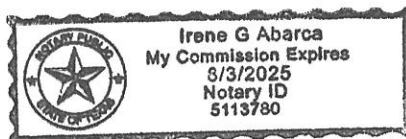
[Handwritten Signature]
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this 28 day of Feb., 2022, by C. Thad Montgomery, V, Director, Land of O'CONNELL HOLDINGS, L.L.C., a limited liability company, on behalf of said company.

[Handwritten Signature]
Notary Public, State of Texas



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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 11th day of February, 2022

RECEIVED MAR 04 2022 Bureau of Land Management WHPD / Casper Field Office

John Alexander Dugan Production Corp 709 E. Murray Dr. Farmington, NM 87401

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF New Mexico) COUNTY OF San Juan) ss.

The foregoing instrument was acknowledged before me by John Alexander as Vice President of Dugan Production Corp.

This day of February, 2022

WITNESS my hand and official seal.

My Commission Expires:

July 30, 2023

STATE OF NEW MEXICO NOTARY PUBLIC CRYSTAL GATES COMMISSION # 1088928 MY COMMISSION EXPIRES 07/30/2023

Crystal Gates Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF) COUNTY OF) ss.

On this day of , 2021, before me personally appeared , to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that executed the same as free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

8

Notary Public

Dugan Production Corp. 709 E. Murray Dr. Farmington, NM 87401

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 19th day of November, 2021.

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

[Handwritten signature]

Alex B. Campbell
Address: Vice President - Land

Enduring Resources IV, LLC
6300 S. Syracuse Way, Suite 525
Centennial, CO 80111

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Alex B. Campbell, as VP-Land of Enduring Resources IV, LLC.

This 19th day of November, 2021.

WITNESS my hand and official seal.

My Commission Expires:

11.22.23



Amanda Marie Medina
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ___ day of _____, 2021, before me personally appeared _____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

9

Enduring Resources IV LLC
6300 S. Syracuse Way, Suite 525
Centennial, CO 80111

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 3 day of December, 2021.

RECEIVED
MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

Shear Inc. By
[Signature]
Address: 330 Grand Ave.
Suite B
Grand Junction, CO 81501

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Mesa) ss.

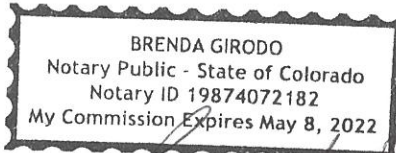
The foregoing instrument was acknowledged before me by Quint L Shear as President of Shear Inc.

This 3 day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

05/08/2022



[Signature]
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ___ day of _____, 2021, before me personally appeared _____

_____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

10

Shear, Inc.
330 Grand Ave., Suite B
Grand Junction, CO 81501

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico dated SEPT 21, 2021 in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement. The purpose of this Unit Agreement is to maximize revenues while minimizing any surface disturbance and waste.

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 or gas interest.

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

EXECUTED this 24th day of November, 2021.

R & R Royalty LTD

By: 

Avinash Ahuja,
President of Magnum O & G, Inc. and General
Partner of R & R Royalty LTD

RECEIVED

MAR 04 2022

Bureau of Land Management Address:
WHPD / Casper Field Office

500 North Shoreline Boulevard, Suite 501
Corpus Christi, TX 78401

11

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by

_____ This _____ day _____, 2021.

RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

Notary Public

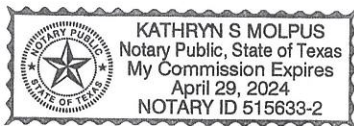
Printed Name

My Commission expires _____

CORPORATE/TRUST/PARTNERSHIP ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF NUECES)

The foregoing instrument was acknowledged before me this 24TH day NOVEMBER, 2021,
by Avinash C. Ahuja, as President of Magnum O&G, Inc., General Partner
of R&R Royalty, Ltd., a Texas corporation on behalf of said Corporation.



Kathryn S. Molpus
Notary Public

Kathryn S. Molpus
Printed Name

My Commission expires: 04-29-2024

(11)

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 *Lindrith East Deep Unit, Rio Arriba County, New Mexico* dated _____, 2022 in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 21 day of December 2021.

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Wells Fargo Bank, N.A. F/K/A Norwest Bank of Grand Junction, Trustee, F/K/A Intrawest Bank of Grand Junction, Trustee F/K/A U.S. Bank of Grand Junction, Trustee of the Intermountain Enterprises Revocable Trust.

By: Birgit I. Roesink-Miller

Birgit I. Roesink Vice President & Sr. Regional Manager
Miller

Address: 1740 Broadway
Mac 7300-10E
Denver, CO 80274

12

Wells Fargo Bank
Intermountain Enterprises Revocable Trust
Attn: Birgit I. Roesink-Miller MAC C7300-10E
1740 Broadway, 10th Floor
Denver, CO 80274

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me _____
This _____ day _____, 2021.

Notary Public

Printed Name

My Commission expires _____

RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

CORPORATE/TRUST/PARTNERSHIP ACKNOWLEDGEMENT

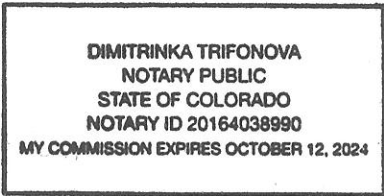
STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 21st day December, 2021,
by Birgit T. Roesink-Miller, Vice President
of Wells Fargo, a _____ corporation on behalf of said Corporation.

[Signature]
Notary Public

Dimitrinka Trifonova
Printed Name

My Commission expires 10/12/2024



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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 1st day of February, 2022

RECEIVED MAR 04 2022

Bureau of Land Management WHPD / Casper Field Office

Signature of Charles L. House, President. Address: Casa Grande Royalty Co., Inc. P.O. Box 818, Kemah, TX 77565-0818

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas) COUNTY OF Galveston) ss.

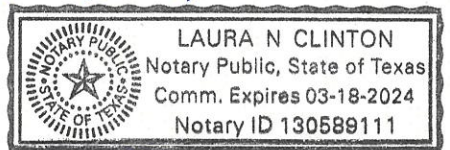
The foregoing instrument was acknowledged before me by Charles L. House as President of Casa Grande Royalty Co., Inc.

This 1st day of February, 2022

WITNESS my hand and official seal.

My Commission Expires:

3-18-2024



Signature of Notary Public, Laura N. Clinton

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____) COUNTY OF _____) ss.

On this ____ day of _____, 2021, before me personally appeared _____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

13

Charles L House Casa Grande Royalty CO., Inc. P O Box 818 Kemah, TX 77565

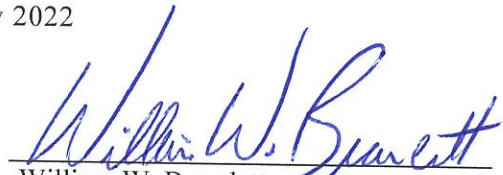
RATIFICATION AND JOINDER OF UNIT
AGREEMENT AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this the 11th day of February 2022


William W. Bramlett
18 Shady Pond Place
The Woodlands, Texas 77382

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.
_____)

The foregoing instrument was acknowledged before me by _____
_____ as _____ of _____

This ___ day of _____, 2022.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

RECEIVED

MAR 04 2022


Bureau of Land Management
WHPD / Casper Field Office

On this 11 day of February 2022 before me personally appeared William W. Bramlett to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that William W. Bramlett executed the same as HIS free act and deed.

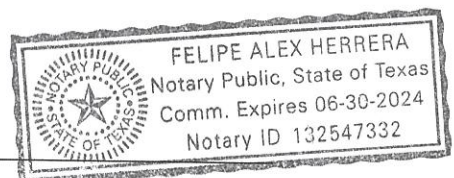
WITNESS my hand and official seal.

My Commission Expires:

06-30-2024



Notary Public



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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 7th day of January, 2021.

[Signature]
Address: HCR 74 Box 10
Lindrith, NM
87029

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,
as _____ of _____.

This ____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

INDIVIDUAL ACKNOWLEDGMENT

STATE OF New Mexico)
COUNTY OF Sandoval) ss.

On this 7th day of January, 2021, before me personally appeared Lowell D. Stevenson

_____, to me known to be the person(s) described in, and who executed, the
foregoing instrument, and acknowledged that _____ executed the same as X free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

02/25/2023

[Signature]
Notary Public

(15)

Stevenson, Lowell D, mmdssp
HCR 74, Box 70
Lindrith, NM 87029



OFFICIAL SEAL
Lucy M. Morfin
NOTARY PUBLIC - STATE OF NEW MEXICO

My Commission Expires: 02/25/2023

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 26th day of October, 2021.

R. Preston Miles

Address: P.O. Box 2288

Santa Fe NM 87501

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF New Mexico)
COUNTY OF Santa Fe) ss.

The foregoing instrument was acknowledged before me by R. Preston Miles,
as Authorized Agent of Federal Abstract Company.

This 26th day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:

12.22.2021



OFFICIAL SEAL

Lara Terrell

NOTARY PUBLIC-State of New Mexico

My Commission Expires 12.22.2021

Lara Terrell
Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ____ day of _____, 2021, before me personally appeared _____

_____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

16

Federal Abstract Co
PO Box 2288
Santa Fe, NM 87504

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 21st day of October, 2021.

RECEIVED

MAR 04 2022

Bureau of Land Management WHPD / Casper Field Office

Winifred Stevenson

Address: HCR 74 Box 70

Lindrith N.M.

87029

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF New Mexico) COUNTY OF Bernalillo) ss.

The foregoing instrument was acknowledged before me by Winifred L. Stevenson as _____ of _____.

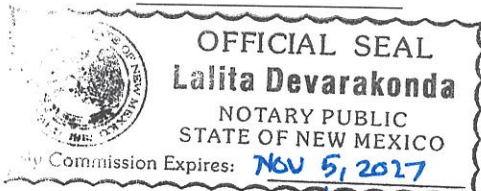
This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Lalita Devarakonda

Notary Public



INDIVIDUAL ACKNOWLEDGMENT

STATE OF New Mexico) COUNTY OF Bernalillo) ss.

On this _____ day of _____, 2021, before me personally appeared Winifred L. Stevenson, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

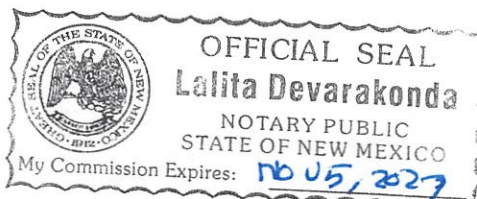
My Commission Expires:

Lalita Devarakonda

Notary Public

17

Stevenson, Winifred L, mmdssp HCR 74, Box 70 Lindrith, NM 87029



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 10th day of December, 2021.



000

Address: _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Dallas) ss.

The foregoing instrument was acknowledged before me by Andrew Imel,
as Chief operating officer of High River Resources, LLC.

This 10th day of December, 2020.

WITNESS my hand and official seal.

My Commission Expires:

11-07-2022

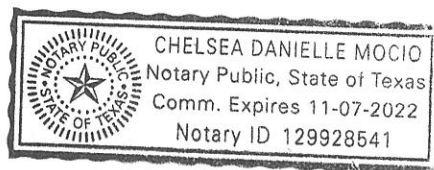


Notary Public

19

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office



High River Resources, LLC
3838 Oak Lawn Ave., Suite 710
Dallas, TX 75219

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 14th day of December, 2021.

Robert W. Merson

Robert W. Merson, Trustee
Property Owner in Trust for
Designated Income Beneficiaries
SR 595 House # 874A
P.O. Box 43
Lindrith, NM 87029

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MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

Endorsed By:

Julia E. Merson

Julia E. Merson, Income Beneficiary
SR 595 House # 874A
P.O. Box 43
Lindrith, NM 87029

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss.
COUNTY OF RIO ARRIBA)

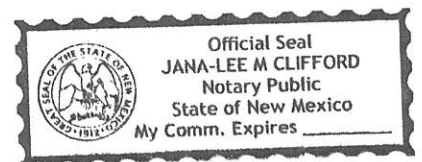
The foregoing instrument was acknowledged before me by Robert W. Merson.

This 14th day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Sept 23, 2025



Jana-Lee Clifford

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss.
COUNTY OF RIO ARRIBA)

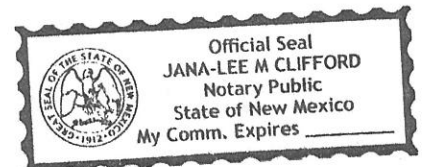
The foregoing instrument was acknowledged before me by Julia E. Merson.

This 14th day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Sept 23, 2025



Jana-Lee Clifford

20

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 14th day of December, 2021.

Robert W. Merson

Robert W. Merson, Trustee
Property Owner in Trust for
Designated Income Beneficiaries
SR 595 House # 874A
P.O. Box 43
Lindrith, NM 87029

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Endorsed By:

Marie Ann Brown Dickinson

Marie Ann Brown Dickinson, Income Beneficiary
10904 Prospect Ave. NE
Albuquerque, NM 87112

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF RIO ARRIBA) ss.

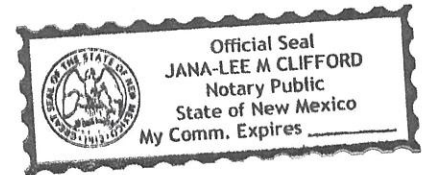
The foregoing instrument was acknowledged before me by Robert W. Merson.

This 14th day of December, 2021..

WITNESS my hand and official seal.

My Commission Expires:

Sept 23, 2025



Jana-Lee Clifford

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF Bernalillo) ss.

The foregoing instrument was acknowledged before me by Marie Ann Brown Dickinson.

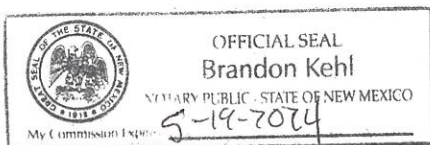
This 27 day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

5-19-2024

Brandon Kehi



21

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 15 day of January, 2022.

Robert W. Merson

Robert W. Merson, Trustee
Property Owner in Trust for
Designated Income Beneficiaries
SR 595 House # 874A
P.O. Box 43
Lindrith, NM 87029

RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

Endorsed By:

[Signature]

Larry Shoofa Brown, Income Beneficiary
928 Chelwood Park Blvd NE
Albuquerque NM 87112

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF RIO ARRIBA) ss.

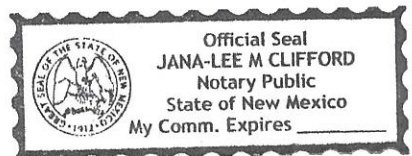
The foregoing instrument was acknowledged before me by Robert W. Merson.

This 15 day of January, 2022

WITNESS my hand and official seal.

My Commission Expires:

Sept 23, 2025



Jana-Lee Clifford

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

The foregoing instrument was acknowledged before me by Larry Shoofa Brown.

This 15 day of January, 2022.

WITNESS my hand and official seal.

My Commission Expires:

09.24.2025



Jacqueline Kay Leonard

22

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 15 day of November, 2021.

[Handwritten Signature]

Mason Mayhew

Address: 3100 W Ray Rd.
suite 201
Chandler, AZ 85226

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Arizona)
COUNTY OF maricopa) ss.

The foregoing instrument was acknowledged before me by Mason Mayhew,
as Vice president of McKay Oil and Gas.

This 15 day of November, 2021.

WITNESS my hand and official seal.

My Commission Expires:
07/12/2022

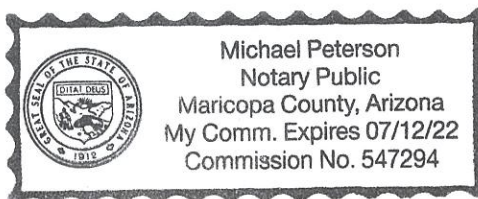
[Handwritten Signature]

Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office



23

McKay Oil & Gas, LLC
6012 Royal Oak Street NE
Albuquerque, NM 87111

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 22 day of October, 2021.

James R. Payne

Jean Payne

Address: 614 Paseo del Bosque, NW
Albuquerque, NM 87114

INDIVIDUAL ACKNOWLEDGMENT

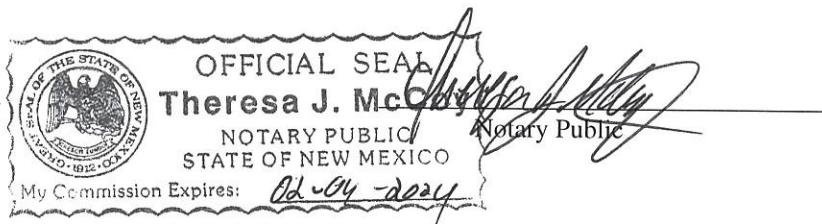
STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

The foregoing instrument was acknowledged before me by James R. Payne and Jean Payne.
This 22 day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:

02-04-2024



CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

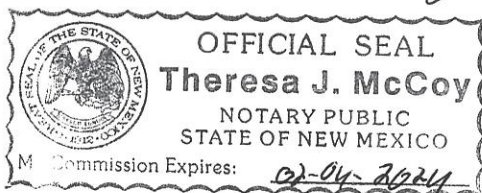
The foregoing instrument was acknowledged before me by James R. Payne and Jean Payne
as Owners of J. Payne Group, LLC.
This 22 day of October, 2020
2021

WITNESS my hand and official seal.

My Commission Expires:

02-04-2024

Theresa J. McCoy
Notary Public



(24)

RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

J. Payne Group, LLC
614 Paseo Del Bosque NW
Albuquerque NM 87114

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 5 day of October, 2021.

Kenneth Schmidt

Address: 6819 OAK
LAWN way
Fair Oaks 95628

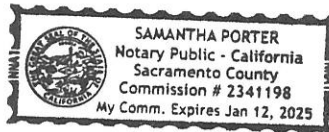
INDIVIDUAL ACKNOWLEDGMENT

STATE OF California)
COUNTY OF Sacramento) ss.

The foregoing instrument was acknowledged before me by Kenneth Schmidt.
This 5 day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:
01/12/2025



Samantha Porter
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,
as _____ of _____.
This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

25

Kenneth Robert Schmidt
6819 Oaklawn Way
Fair Oaks, CA 95628

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 7 day of Oct, 2021.

[Signature]
BJ Atkins Managing Partner,
ATKO Partners LTD by
GPAT Management, LLC

Address: **ATKO PARTNERS, LTD**
260 IH 45 SOUTH, SUITE A
HUNTSVILLE, TEXAS 77340-4958
PHONE: 936-295-6436
FAX: 936-295-6616

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
) ss.
COUNTY OF Walker)

The foregoing instrument was acknowledged before me by BJ Atkins,
as Managing Partner of ATKO Partners, LTD

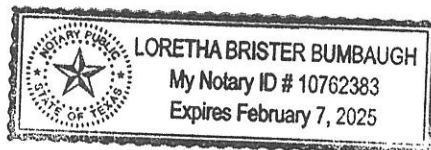
This 7 day of Oct, 2020.

WITNESS my hand and official seal.

My Commission Expires:

2-7-25

[Signature]
Notary Public



RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Atko Partners, Ltd.
Loretha Bumbaugh, Assistant
260 IH 45 South, Suite A
Huntsville, TX 77340

26

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 1st day of MARCH, 2022.

Shanna Kearney
Address: 5601 GARLAND PARKWAY
SUITE 800
PLANO, TX 75024

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF TEXAS)
) ss.
COUNTY OF COLLIN)

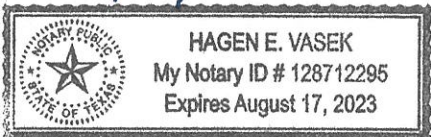
The foregoing instrument was acknowledged before me by SHANNA KEARNEY,
as VICE PRESIDENT of TEXAKOMA EXPLORATION & PRODUCTION, LLC
This 1st day of MARCH, 2022.

WITNESS my hand and official seal.

My Commission Expires:

8/17/2023

H E Vasek
Notary Public



INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

On this ____ day of _____, 2022, before me personally appeared _____
_____, to me known to be the person(s) described in, and who executed, the
foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 14 day of October, 2021.

Richard Borden

Managing Member Gypsum Springs, LLC

Address: 1251 S. ELIZABETH ST.
DENVER, COLORADO 80210

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me by Richard Bosher,
as Managing Member of Gypsum Springs LLC.

This 14th day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:

9/13/2024

Lori Walters
Notary Public

RECEIVED
MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

Gypsum Springs LLC
1251 South Elizabeth Street
Denver, CO 80210

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 9th day of October, 2021.

[Signature]

Penroc Oil Corporation

Address: P.O. Box 2769
Hobbs, NM
88241-2769

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

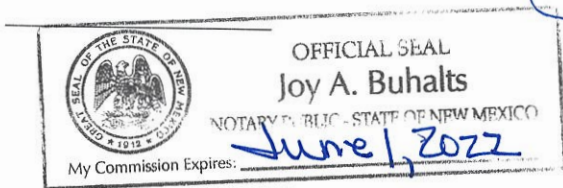
STATE OF New Mexico)
COUNTY OF Lea) ss.

The foregoing instrument was acknowledged before me by M. F. Merchant
as President of Penroc Oil Corporation

This 9th day of October, 2020.

WITNESS my hand and official seal.

My Commission Expires:



Joy A. Buhalts
Notary Public

RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Penroc Oil & Gas Corporation
1515 W. Calle Sur St.
Hobbs, NM 88240

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 15 day of Oct, 2021.

George Sharpe
Investment Manager

MERRION OIL + GAS CORPORATION

Address: 610 REILLY AVE.
FARMINGTON, NM
87401

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN) ss.

The foregoing instrument was acknowledged before me by GEORGE SHARPE,
as INVESTMENT MANAGER of MERRION OIL + GAS CORPORATION.

This 15th day of OCTOBER, 2021.

WITNESS my hand and official seal.

My Commission Expires:

10-20-2024

Heidi A Hill
Notary Public

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Merrion Oil & Gas Corp
610 Reilly Ave.
Farmington, N 87401

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 1st day of October, 2021.

D S Shepherd

Address: 1110 S. Vine St
Denver, CO 80210

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Duncan Shepherd.

This 1st day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:

9/13/2024

[Signature]
Notary LORNA WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,

as _____ of _____.

This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED
MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Duncan Shepherd
1110 South Vine Street
Denver, CO 80210

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 1st day of October, 2021.

D. S. 1-4

President, PRM

Address: 1580 N Lincoln St
Ste 635
Denver CO 80203

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by DUNCAN SHEPHERD,
as President of Petroleum Resources Management Corp.

This 1st day of October 2020.

WITNESS my hand and official seal.

My Commission Expires:

9/13/2024

Jon Watts
Notary Public

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MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

Petroleum Resource Mgmt Corp.
1110 South Vine Street

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 30th day of NOV, 2021.

Patricia Pepler

Address: P.O. Box 482
Mead CO 80542

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Colorado)
) ss.
COUNTY OF Boulder)

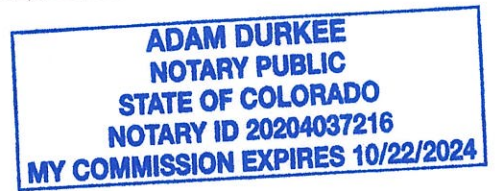
The foregoing instrument was acknowledged before me by Patricia Pepler.

This 30th day of November, 2021.

WITNESS my hand and official seal.

My Commission Expires:

10/22/24



Adam Durkee
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____,

as _____ of _____.

This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Patricia Pepler
P O Box 482

Mead, CO 80542

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 17 day of December, 2021.

James H. Colen

Jacqueline L. Anderson

Address: 2401 Statehood Dr
Bluffdale, UT 84065

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Utah)
) ss.
COUNTY OF Salt Lake)

The foregoing instrument was acknowledged before me by James H. & Jacqueline L. Anderson
as trustees of Anderson Living Trust

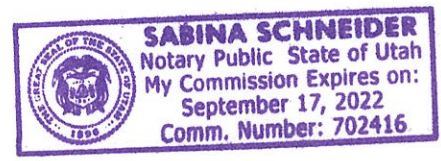
This 17th day of December, ²⁰²¹2020.

WITNESS my hand and official seal.

My Commission Expires:

09/17/2022

Sabina Schneider
Notary Public



Anderson Living Trust
James H & Jacqueline L Anderson, Trustees
2401 Statehood Dr.
Bluffdale, UT 84065

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MAR 04 2022

Bureau of Land Manager
WHPD / Casper Field Of

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 5 day of February, 2021. 2022

Clinton A Biggs IV

Biggs Heirs LLC

Address: 5475 S Lowell
Littleton CO
80123

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2021.

WITNESS my hand and official seal.

My Commission Expires:

_____ Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
) ss.
COUNTY OF Arapahoe)

The foregoing instrument was acknowledged before me by Clinton A. Biggs
as Partner of Biggs Heirs LLC.

This 08 day of February, 2022 aa VW

WITNESS my hand and official seal.

My Commission Expires:

01/07/2023

VICKI L. WEISS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20104052605
MY COMMISSION EXPIRES 01/07/2023

Vicki L. Weiss
Notary Public

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

C.A. Biggs III
5475 S Lowell

Biggs Heirs LLC

Littleton, CO 80123

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 20th day of December, 2021.

Janet Lovejoy

Address: 521 West St., Unit 13
Duxbury MA 02332

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Massachusetts)
COUNTY OF Plymouth) ss.

The foregoing instrument was acknowledged before me by Janet Lovejoy.

This 20th day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

2/6/2026

Susan C. Pieri

Notary Public



SUSAN C. PIERI
NOTARY PUBLIC - MASSACHUSETTS
My Commission Expires February 6, 2026

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,

as _____ of _____.

This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Janet Lovejoy
521 West Street, Unit 13
Duxbury, MA 02332

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 17 day of Dec., 2021.

Kay M. Miller

Address: 896 Julie Ct
San Marcos
Ca. 92069

INDIVIDUAL ACKNOWLEDGMENT

STATE OF California)
COUNTY OF San Diego) ss.

The foregoing instrument was acknowledged before me by Kathleen M. Schwartz, Notary Public

This 17 day of December, 2021.

WITNESS my hand and official seal.

My Commission Expires:

03/08/2024



Kathleen M. Schwartz
Notary Public

Please see attached notarial certificate.

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me by _____,

as _____ of _____.

This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED

MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office

Kay M. Miller
896 Julie Court
San Marcos, TX 92069

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Diego

On December 17, 2021 before me, Kathleen M. Schwartz, Notary Public
(insert name and title of the officer)

personally appeared Kay M. Willer
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Kathleen M. Schwartz (Seal)

RECEIVED
MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 10 day of Dec, 2021.

Pritchett Living Trust dtd 5/2/01
[Signature]
Trustee

April A Pritchett, Trustee

Address: 4281 Tee Shot Dr
Colorado Springs Co
80922

INDIVIDUAL ACKNOWLEDGMENT

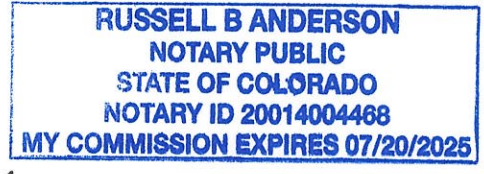
STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me by ROLAND & APRIL PRITCHETT.

This 10 day of DECEMBER, 2021.

WITNESS my hand and official seal.

My Commission Expires:
07/20/2025



[Signature]
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____,

as _____ of _____.

This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

RECEIVED
MAR 04 2022

Roland D & April D Pritchett, Trustees
4281 Tee Shot Drive
Colorado Springs, CO 80922

Bureau of Land Management
WHPD / Casper Field Office

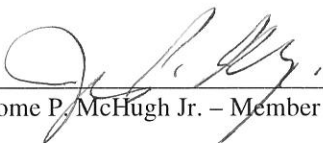
RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 2nd day of March, 2022.


Jerome P. McHugh Jr. – Member Manager

Address: Classical Gas & Oil LLC
1499 Blake St Suite 10C
Denver, CO 80202

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Jerome P McHugh, Jr
as Member Manager of Classical Gas & Oil LLC
This 2nd day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:
9/13/2024


Notary Public

LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024

RECEIVED
MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 13 day of October, 2021.

Charles A. Shear

Address: 330 Grand Ave.
Suite B
Grand Jct, CO 81501

INDIVIDUAL ACKNOWLEDGMENT

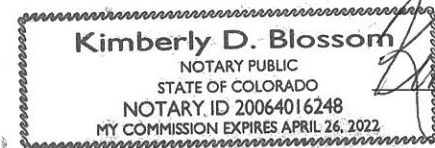
STATE OF Colorado)
) ss.
COUNTY OF Mesa)

The foregoing instrument was acknowledged before me by Charles A. Shear.
This 13 day of October, 2021.

WITNESS my hand and official seal.

My Commission Expires:

April 26, 2022



Kimberly D. Blossom
Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____,
as _____ of _____.
This _____ day of _____, 2020.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Charles A. Shear
330 Grand Ave., Suite B
Grand Junction, CO 81501

RECEIVED
MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

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 *Lindrith East (Deep) Unit, Rio Arriba County, New Mexico* dated _____, 2022 in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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

EXECUTED this 14th day of MARCH, 2022.

R&R Royalty, Ltd.
By: Magnum O&G, Inc., General Partner

By: 
Avinash C. Ahuja, President

Address: 500 N. Shoreline Blvd., Suite 501
Corpus Christi, TX 78401

RECEIVED
MAR 18 2022

Bureau of Land Management
WHPD / Casper Field Office

(11)

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by

_____ This _____ day _____, 2022.

Notary Public

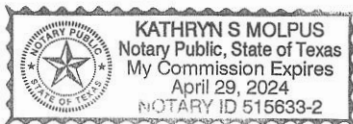
Printed Name

My Commission expires _____

CORPORATE/TRUST/PARTNERSHIP ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF NUECES)

The foregoing instrument was acknowledged before me this 14th day MARCH, 2022,
by Avinash C. Ahuja, President of Magnum O&G, Inc., said corporation acting as General Partner of R&R
Royalty, Ltd., a Texas limited partnership on behalf of said limited partnership.



Kathryn S. Molpus
Notary Public

KATHRYN S. MOLPUS
Printed Name

My Commission expires 4-29-2024

RECEIVED
MAR 18 2022
Bureau of Land Management
WHPD / Casper Field Office

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 31st day of March 2022.

C. D. Newell
Address: 621 17th Street
Suite 2300
Denver CO 80293

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

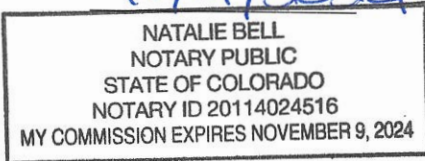
STATE OF Colorado)
COUNTY OF Denver) ss.

The foregoing instrument was acknowledged before me by Cranford D. Newell, Jr
as Land Manager of Robert L. Bayless, Producer LLC
This 31st day of March 2022.

WITNESS my hand and official seal.

My Commission Expires:

11/9/2024



Natalie Bell
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ____ day of _____, 2022, before me personally appeared _____
_____, to me known to be the person(s) described in, and who executed, the
foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Robert L Bayless, Producer LLC
621 17th Street, Suite 2300
Denver, CO 80293

RECEIVED

APR 06 2022

Bureau of Land Management
WHPD / Casper Field Office

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 30th day of March, 2022.

[Signature]
Address: Lindenmuth and Associates, Inc.
510 Hearn St., Ste. 200
Austin, TX 78703

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Travis) ss.

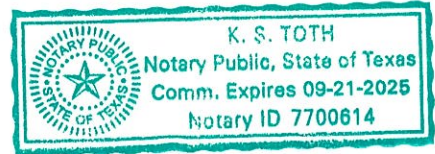
The foregoing instrument was acknowledged before me by Gerald Lindenmuth, as President of Lindenmuth and Associates, Inc.

This 30th day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:

9-21-2025



[Signature]
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ___ day of _____, 2022, before me personally appeared _____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Lindenmuth & Assoc.
510 Hearn St, Ste 200
Austin, TX 78703

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APR 06 2022

Bureau of Land Management
WHPD / Casper Field Office

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 31st day of March, 2022.

dh

Address: Blackstone Energy Company
1001 Fannin Suite 2020
Houston TX 77002

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me by C. Ibad Montgomery
as Vice President of Black Stone Minerals.

This 31 day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:



Irene G. Abarca
Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ____ day of _____, 2022, before me personally appeared _____

_____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

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APR 06 2022

Bureau of Land Management
WHPD / Casper Field Office

Black Stone Energy Company, L.L.C.
1001 Fannin, Suite 2020
Houston, TX 77002

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 Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, 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, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

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 any lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 31st day of March, 2022.

Address: O'Connell Holdings LLC
1001 Fannin Suite 2020
Houston TX 77002

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Texas)
COUNTY OF Harris) ss.

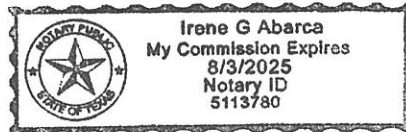
The foregoing instrument was acknowledged before me by C. Chad Montgomery,
as Vice President of Black Stone Minerals.

This 31 day of March, 2022.

WITNESS my hand and official seal.

My Commission Expires:

8/3/2025



Irene G. Abarca

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) ss.

On this ____ day of _____, 2022, before me personally appeared _____

_____, to me known to be the person(s) described in, and who executed, the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

O'Connell Holdings, L.L.C.
1001 Fannin, Suite 2020
Houston, TX 77002

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Bureau of Land Management
WHPD / Casper Field Office

7

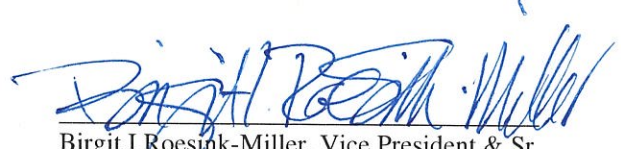
RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 5th day of April, 2022.


Birgit I Roesink-Miller, Vice President & Sr
Regional Manager

Address: **Wells Fargo Bank N.A.**, F/K/A Norwest
Bank of Grand Junction, Trustee, F/K/A
Intrawest Bank of Grand Junction, Trustee
F/K/A U.S. Bank of Grand Junction, Trustee
of the Intermountain Enterprises Revocable
Trust

1740 Broadway
MAC 7300-10E
Denver, CO 80274

Denver, CO 80202

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____.

This _____ day of _____, 2022.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

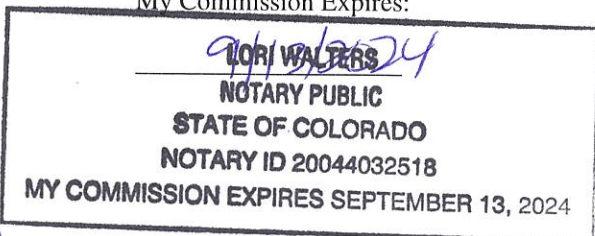
STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me by Birgit I Roesink-Miller,
as Vice-President of Wells Fargo.

This 5th day of April, 2022.

WITNESS my hand and official seal.

My Commission Expires:


LORI WALTERS
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044032518
MY COMMISSION EXPIRES SEPTEMBER 13, 2024



Notary Public

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Bureau of Land Management
WHPD / Casper Field Office

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico, dated September 21st, 2021, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

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 or gas interest.

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

EXECUTED this 4th day of Feb., 2022.

A Kimbrough Davis, Trustee

Address: 2002 Summit Boulevard NE
Suite 300
Atlanta, Georgia 30319

CORPORATE / LLC / PARTNERSHIP / TRUST / ACKNOWLEDGMENT

STATE OF Georgia)
COUNTY OF DeKalb) ss.

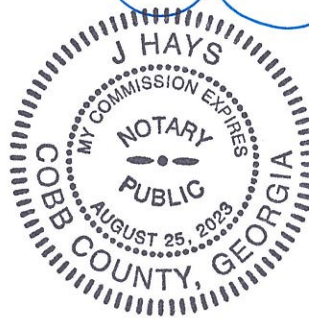
The foregoing instrument was acknowledged before me by A. Kimbrough Davis
as Trustee of MH Hill - Al G Hill III Trust

This 4 day of Feb, 2022.

WITNESS my hand and official seal.

My Commission Expires:

[Signature]
Notary Public



Margaret Hunt Hill-Albert G Hill III Trust
A Kimbrough Davis, Trustee
Kanner Bakker, LLC
2002 Summit Blvd, NE, Ste 300
Atlanta, GA 30319

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Bureau of Land Management
WHPD / Casper Field Office



March 3, 2022

via Federal Express

Chief, Reservoir Management Group
 Bureau of Land Management
 301 Dinosaur Trail
 Santa Fe, NM 87508

RE: Lindrith East (Deep) Unit Area
 Rio Arriba County, New Mexico

Dear Sir:

Pursuant to your letter of September 21, 2021, your office designated 8,800.00 acres, more or less, in Rio Arriba County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, to be known as the Lindrith East (Deep) Unit Area.

We now enclose for your consideration and final approval, three (3) copies of the proposed Unit Agreement for the Development and Operation of the Lindrith East (Deep) Unit Area, which have been executed on behalf of San Juan Resources, Inc. and ratification and joinder instruments executed by the following working interest owners:

- San Juan Basin Properties LLC
- DJR Nominee Corp
- Robert L. Bayless, Producer LLC
- Rio Arriba Holdings LLC
- Lindenmuth & Assoc.
- Black Stone Energy Co. LLC
- O'Connel Holdings LLC
- Dugan Production Corp.
- Enduring Resources IV LLC
- Shear, Inc.
- R&R Royalty Ltd
- Texakoma Exploration & Production LLC
- Lowell D. Stevenson
- Steve L. Stevenson
- Winifred L. Stevenson
- Charles L. House
- William W. Bramlett
- Wells Fargo Bank, N.A., Trustee

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MAR 04 2022

Bureau of Land Management
 WHPD / Casper Field Office

Lindrith East (Deep) Unit Area
Page 2

We are also enclosing one (1) copy of the unit operating agreement executed by San Juan Resources, Inc..

All parties to the Lindrith East (Deep) Unit and Unit Operating Agreements have been offered the opportunity to commit their interest. In response to the evidence required as set forth in your letter of September 21, 2021, please refer to the attached, marked Exhibit "A-1".


As requested in your letter of September 21, 2021, the Exhibit "B" to the Unit Agreement includes the latest status of all Federal acreage, reflecting the current record owners of all issued leases, there being no federal leases in application status within the unit area, and likewise showing all current overriding royalty interest owners.

As reflected by Exhibit "B", the unit area of 8,800.00 acres is composed of 7,600.00 acres (86.36%) Federal Lands and 1,200.00 acres (13.64%) Patented Lands.

We respectfully request your consideration of the attached unit agreement and its final approval, if satisfactory, at your earliest convenience. Upon approval, we request that all copies of the attached unit agreement not retained by your office be returned to me at our letterhead address.

Sincerely,

SAN JUAN RESOURCES, INC.


By: Jerome P. McHugh, Jr.

enclosures

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WHPD / Casper Field Office

Lindrith East (Deep) Unit Area
Page 3

EXHIBIT "A-1"

All parties to the Lindrith East (Deep) Unit and Unit Operating Agreements have been invited to commit their interest to the unit. In this regard, please refer to the following:

My letter of October 5, 2021, addressed to the working interest owners transmitting a copy of the Lindrith East (Deep) Unit and Unit Operating Agreements, Ratification and Joinder instruments thereto, and inviting them to commit their interest or furnish a letter declining to join the unit.

My letter of October 5, 2021, addressed to the royalty interest owners transmitting a copy of the Lindrith East (Deep) Unit Agreement, Ratification and Joinder instruments thereto, and inviting them to commit their interest or furnish a letter declining to join the unit.

We are not enclosing Ratification and Joinder instruments executed by:

WORKING INTEREST OWNERS:

1. Charles B. Gonsales, working interest owner in Tract 4.
Charles B. Gonsales has not yet indicated if they will join the unit at this time.
2. Peggy P. Jennings, working interest owner in Tract 5.
Peggy P. Jennings has not yet indicated if they will join the unit at this time.
3. Margaret Hill Marital Trust, record title and working interest owner in Tract 6.
Margaret Hill Marital Trust has not yet indicated if they will join the unit at this time.
4. Albert G. Hill III Trust, record title and working interest owner in Tract 6.
Albert G. Hill III Trust has not yet indicated if they will join the unit at this time.
5. Cody McArthur Trust, record title and working interest owner in Tract 6.
Cody McArthur Trust has not yet indicated if they will join the unit at this time.
6. Elisa Margaret Hill Trust, record title and working interest owner in Tract 6.
Elisa Margaret Hill Trust has not yet indicated if they will join the unit at this time.
7. Heather Victoria Hill Trust, record title and working interest owner in Tract 6.
Heather Victoria Hill Trust has not yet indicated if they will to join the unit at this time.

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WHPD / Casper Field Office**

Lindrith East (Deep) Unit Area
Page 4

- 8. Michael Hill Wisenbaker Trust, record title and working interest owner in Tract 6. Michael Hill Wisenbaker Trust has not yet indicated if they will join the unit at this time.
- 9. Wesley Hill Wisenbaker Trust, record title and working interest owner in Tract 6. Wesley Hill Wisenbaker Trust has not yet indicated if they will join the unit at this time.
- 10. Margretta Hill Wikert Trust, record title and working interest owner in Tract 6. Margretta Hill Wikert Trust has not yet indicated if they will join the unit at this time.
- 11. Woodfill Ranch, Inc., working interest owner in Tract 18. Woodfill Ranch, Inc. has not yet indicated if they will join the unit at this time.
- 12. Hilcorp Energy Company, working interest owner in Tract 20. Hilcorp Energy Company has not yet indicated if they will join the unit at this time.

BASIC ROYALTY INTEREST OWNERS:

- 1. Leased basic royalty interest owners: Linda Adkins, royalty interest owner in Tract 20 has indicated they will not join the unit at this time.

THE FOLLOWING PARTIES WERE NOT LOCATED:

James H. Gardner
John F. Brown
John R Cartmill
Joshua Holmes

Kyle Rudderow
Laird K. Smith Sr.
Laird K. Smith, Jr.
Leroy Bacon Marital Trust,C/O Lois Feil
Martin A.Pierce, c/o Martin & Beverly LLC - Steve & Susan Nelson
Mesa Grande Resources, Inc.
Milton Oil Corp
Preston Rudderow
Robin Rudderow 1994 Revoc. Living Trust
Sal Lee Oz Anderson

Samuel Ray Carnes

Silmon Biggs MD
T.E. Duff Trust
Trans Delta Oil & Gas Co., Inc.
Virginia Allyn Lovejoy

Wesley Hill Wisenbaker Trust
Willie S. Gardner
Winifred L. Stevenson
Rebecca Switzer
Ann Mary White

Charles R. Gilmore
Darrah Stephen
Frank Dunn Jr.
Gardner Petroleum
H.E. & Goldie Milliken, JT

Hendrik S. Holmes

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MAR 04 2022

Bureau of Land Management
WHPD / Casper Field Office



October 5, 2021

TO: WORKING INTEREST OWNERS

RE: **Lindrith East (Deep) Unit Area**
Rio Arriba County, New Mexico

Ladies and Gentlemen:

San Juan Resources, Inc. is forming the Lindrith East (Deep) Unit Area, covering 8,800.00 acres in Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico. A check of public records indicates you own a working interest or a record title on a lease, or leases, within the unit area, and you are cordially invited to join your interest to this cooperative exploration effort.

As you review the enclosed unit and unit operating agreements and Exhibits thereto, dated September 21, 2021, you will note the proposed Lindrith East (Deep) Unit Area will be a divided-type, federal exploratory unit, with the initial test well, required under Section 9 of the unit agreement, being scheduled to be drilled with a horizontal lateral of at least 2,600 in Mancos. San Juan Resources, Inc. plans to drill this well with a surface location in the NW/4SW/4 of Section 24, Township 24 North, Range 2 West, N.M.P.M.

Should you elect to commit your interest to the proposed Lindrith East (Deep) Unit and Unit Operating Agreements, please execute all five (5) copies of the enclosed ratification and joinder instrument, have your signature attested, if necessary, and acknowledged by a Notary Public. Then, return four (4) originally executed copies to us for further handling.

Prior to returning the enclosed ratification and joinder instruments, please examine the Exhibit "B" to make sure that your interest is set out correctly. The title, as shown on this exhibit, has been compiled from federal records, as they pertain to Federal lands, and from county records, as they pertain to Patented lands. Please advise of any pending assignments, or assignments of overriding royalty, so that they may be properly reflected. Concurrent with this letter, all royalty owners are being supplied with copies of the unit agreement, with exhibits thereto, and are also being invited to commit their interests to the agreement.

RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

Lindrith East (Deep) Unit Area
Page Two

Please note that it is the goal of San Juan Resources, Inc. to obtain final Bureau of Land Management approval of the Lindrith East (Deep) Unit Agreement as soon as possible. Therefore, your special attention to this matter would be greatly appreciated. Should you elect not to commit your interest, please so advise in writing as soon as possible.

Sincerely,

San Juan Resources, Inc.



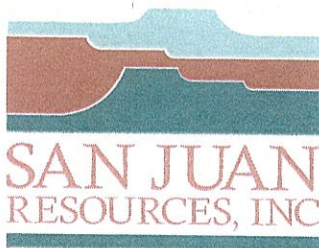
Jerome P. McHugh, Jr.
President

TKW/
Enclosures

RECEIVED

MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**



October 5, 2021

TO: ROYALTY AND RECORD TITLE INTEREST OWNERS

RE: **Lindrith East (Deep) Unit Area**
Rio Arriba County, New Mexico

Ladies and Gentlemen:

San Juan Resources, Inc. is forming the Lindrith East (Deep) Unit Area, covering 8,800.00 acres in Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico. A check of public records indicates you own a royalty interest or record title interest on a lease, or leases, within the unit area, and you are cordially invited to join your interest to this cooperative exploration effort.

Enclosed, for your consideration, are copies of the Lindrith East (Deep) Unit Agreement, dated, September 21, 2021 with a plat of the unit area, attached as Exhibit "A", and a schedule of ownership, attached as Exhibit "B".

The purpose of this type of agreement is to allow orderly exploration of the unit area under guidelines established by Federal law, as cited on page 1, paragraph 3 and Section 1, of the unit agreement. Before becoming effective, the agreement must be approved by the Bureau of Land Management, U. S. Department of the Interior, as being necessary, or advisable, to conserve natural resources in the public interest. The BLM makes this determination based on the area's geologic merits and the percentage of oil and gas interests committed to the agreement; then, following final approval of the unit agreement, supervises operations within the unit area.

Should you elect to commit your royalty interest or record title to the proposed Lindrith East (Deep) Unit Agreement, please execute all five (5) copies of the enclosed ratification and joinder instrument, and have your signature attested, if necessary, and acknowledged by a Notary Public. Then, return four (4) originally executed copies to us in the enclosed, self-addressed, postage-paid envelope.

Your early consideration of joinder to the Lindrith East (Deep) Unit will be appreciated. Should you elect not to commit your interest, please so advise in writing as soon as possible. If you have any questions regarding any of the enclosures, please feel free to call Jerry McHugh, Jr. at (303) 573-6333.

Sincerely,

San Juan Resources, Inc.

Jerome P. McHugh, Jr.
President

TKW/
Enclosures

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MAR 04 2022

**Bureau of Land Management
WHPD / Casper Field Office**

ROCKY MOUNTAIN UNIT OPERATING AGREEMENT

Form 2 – Divided Interest

1994

UNIT OPERATING AGREEMENT

LINDRITH EAST (DEEP) UNIT AREA
RIO ARRIBA COUNTY

Copyright © 1994. All Rights Reserved
Rocky Mountain Mineral Law Foundation
7039 East 18th Avenue
Denver, Colorado 80220
(303) 321-8100

THIS FORM HAS BEEN PREPARED ONLY AS A GUIDE AND MAY NOT CONTAIN ALL OF THE NECESSARY OR APPROPRIATE PROVISIONS. EACH PROVISION AND EXHIBIT OF THIS FORM SHOULD BE CAREFULLY REVIEWED AND ADAPTED TO THE SPECIFIC FACTS AND CIRCUMSTANCES SURROUNDING THE PARTICULAR TRANSACTION AND THE RELATIONSHIP OF THE PARTIES. PARTIES USING THIS FORM SHOULD CONSULT WITH THEIR LEGAL, TAX AND ACCOUNTING ADVISORS. PARTIES USING THIS FORM DO SO AT THEIR OWN RISK, AND THE ROCKY MOUNTAIN MINERAL LAW FOUNDATION SHALL HAVE NO LIABILITY FOR LOSSES OR DAMAGES THAT MAY RESULT FROM THE USE OF THIS FORM OR ANY PORTION OR VARIATION THEREOF.

-i-

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MAR 04 2022
Bureau of Land Management
WHPD / Casper Field Office

ROCKY MOUNTAIN UNIT OPERATING AGREEMENT
Form 2 (Divided Interest) 1994

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ROCKY MOUNTAIN UNIT OPERATING AGREEMENT
Form 2 (Divided Interest) 1994

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Bureau of Land Management
WHPD / Casper Field Office

ROCKY MOUNTAIN UNIT OPERATING AGREEMENT
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**UNIT OPERATING AGREEMENT
LINDRITH EAST (DEEP)
UNIT AREA**

THIS AGREEMENT (this "Agreement") dated as of the _____ day of _____, _____, by and among the parties that execute or ratify this Agreement or a counterpart hereof,

WITNESSETH:

WHEREAS, the Parties have entered into that certain Unit Agreement for the Development and Operation of the **Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico** (the "Unit Agreement"), dated as of the _____ day of _____, establishing the _____ Unit (the "Unit") and covering the lands described in Exhibit B thereto attached (the "Unit Area"); and

WHEREAS the Parties enter into this Agreement pursuant to Section 7 of the Unit Agreement,

NOW, THEREFORE, in consideration of the covenants herein contained, it is agreed as follows:

**ARTICLE I
DEFINITIONS**

1.1 Definitions. The definitions contained or used in the Unit Agreement are adopted for all purposes of this Agreement. In addition, whenever used in this Agreement the terms "Agreement," "Unit," "Unit Agreement," and "Unit Area" shall have the meanings set forth above and the following terms shall have the following meanings:

"Acreage Basis," when used to describe the basis of participation by the Parties within the Unit Area, a participating area, or other area designated pursuant to this Agreement in voting, consenting to operations, or sharing in Costs, or Production, means participation by each Party in the proportion that the acreage of its Committed Working Interests in the area bears to the total acreage of the Committed Working Interests of all Parties therein. For the purposes of this definition: (a) the acreage of the Committed Working Interest in a tract within the Unit Area shall be the acreage of the tract as set forth in Exhibit B to the Unit Agreement, (b) if there are two or more undivided Committed Working Interests in a tract, there shall be apportioned to each Committed Working Interest that portion of the acreage of the tract that the Committed Working Interest bears to the entire Committed Working Interest in the tract, and (c) when ownership is divided as to formation, strata, or horizon, any vote as to a particular formation, strata or horizon shall be determined by ownership within that particular formation, strata, or horizon.

"Approval of the Parties" or "Direction of the Parties" means an approval, authorization, or direction which receives the affirmative vote of the Parties entitled to vote on the giving of the Approval or Direction specified in Section 14.2.

"Authorized Officer" means the person responsible for the administration of the applicable Federal Regulations.

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1 "Commingled Completion" means a Completion of a well in such a manner that unitized
2 substances from two or more separate sources are produced from the well without segregation.
3

4 "Committed Working Interest" means a working interest in a tract of land which is shown
5 on Exhibit B to the Unit Agreement as owned by a Party and which is committed to the Unit Agreement.
6

7 "Complete" means to perform all operations, commencing with the running and setting of
8 the production pipe, reasonably necessary and incident to the production of unitized substances from a well
9 and equipping through the wellhead connections, if productive of unitized substances or plugging and
10 abandoning (including reclamation of the surface), if dry.
11

12 "Costs" means all costs and expenses incurred in the development and operation of the Unit
13 Area pursuant to this Agreement or the Unit Agreement and all other expenses that are chargeable as costs, in
14 accordance with the Accounting Procedure attached hereto as Exhibit 1.
15

16 "Deepen" means to perform all operations reasonably necessary and incident to Drilling a
17 well below its original projected depth including testing and logging but excluding Completing and Equipping
18 operations.
19

20 "Development Well" means a well Drilled within a participating area and projected to the
21 pool or zone for which the participating area was established.
22

23 "Drill" means to perform all operations, including directional control and intentional
24 deviation of the well other than Sidetracking, reasonably necessary and incident to the drilling of a well to its
25 projected depth, including preparation of roads and drill site, testing, and logging, but excluding Completion
26 operations.
27

28 "Drilling Party," "Completing Party," and "Participating Party" all mean the Party or Parties
29 obligated to bear Costs incurred in the Drilling, Completing, or Deepening, Sidetracking or Plugging Back,
30 respectively, of a well at the commencement of the operation.
31

32 "Dual Completion" means a Completion of a well in such a manner that multiple
33 Completions within two or more separate sources of unitized substances are separately produced from the
34 well through separate strings, liners, or pipe and separately measured at the surface.
35

36 "Equip" means to perform all operations reasonably necessary and incident to the
37 equipping of a well for production beyond the wellhead connections, including without limitation, installation
38 of heater treaters, compressors, separators, flowlines, tanks, motors, and other lease equipment necessary for
39 the proper operation of the well. The term "Equip" shall not include gas plants or other facilities which
40 process Production into products or otherwise significantly alter its makeup.
41

42 "Exploratory Well" means a well other than a Development Well Drilled after discovery of
43 unitized substances in Paying Quantities in the Unit Area.
44

45 "Initial Test Well" means the test well or wells provided for in Section 9 of the Unit
46 Agreement and in Exhibit 2 attached hereto.
47

48 "Lease Burdens" means the royalty reserved to the lessor in an oil and gas lease, an
49 overriding royalty, a production payment, and any similar burden, but does not include a carried working
50 interest, a net profits interest, or any other interest which is payable out of profits.
51

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1 "Non-Drilling Party," "Non-Completing Party," and "Non-Participating Party" all mean the
2 Party or Parties that had the optional right to participate in the Drilling, Completing, Deepening, Sidetracking,
3 or Plugging Back, respectively, of a well and that elected not to participate therein.
4

5 "Party" means a party to this Agreement, including the Party acting as Unit Operator when
6 acting as an owner of a Committed Working Interest. Whenever reference is made to a Party "in" or "within"
7 the Unit Area, a participating area, or other area designated pursuant to this Agreement, the reference shall
8 mean a Party owning a Committed Working Interest in a tract of land within the relevant area.
9

10 "Paying Quantities" means the quantities of unitized substances defined as "paying
11 quantities" in Section 9 of the Unit Agreement.
12

13 "Production" means all unitized substances produced and saved from the Unit Area except
14 so much thereof as is used in the conduct of operations under the Unit Agreement and this Agreement.
15

16 "Plug Back" means to perform all operations reasonably necessary and incident to plugging
17 back a well to a shallower depth, including testing and logging, but excluding completion operations.
18

19 "Salvage Value" means the value of the materials and equipment in or appurtenant to a
20 well, determined in accordance with Exhibit 1, less the reasonably estimated Costs of salvaging the same and
21 plugging and abandoning (including reclamation of the surface) the well.
22

23 "Sidetracking" means to perform all operations reasonably necessary and incident to the
24 directional control and intentional deviation of a well so as to change the bottom hole location of the well to a
25 point outside the Drilling Block, including testing and logging, but excluding Completion operations.
26

27 "Subsequent Test Well" means a test well Drilled after the Drilling of the Initial Test Well
28 and before discovery of unitized substances in Paying Quantities in the Unit Area.
29

30 "Subsequently Created Interest" means an overriding royalty, production payment, net
31 profits, carried, or any other interest created out of a Party's Committed Working Interest subsequent to the
32 date of this Agreement.
33

34 "Unit Operator" means San Juan Resources, Inc. and its successors, as the Unit Operator
35 designated in accordance with the Unit Agreement, acting in that capacity and not as an owner of a
36 Committed Working Interest.
37

38 Other Definitions:
39
40

41 **ARTICLE 2**
42 **EXHIBITS**
43

44 **2.1 Exhibits.** The following Exhibits are incorporated herein by reference:
45

46 X Exhibit 1. Accounting Procedure.
47

48 X Exhibit 2. Initial Test Well.
49

50 X Exhibit 3. Insurance.
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- 1 X Exhibit 4. Regulatory Compliance.
- 2
- 3 X Exhibit 5. Form Oil and Gas Lease.
- 4
- 5 X Exhibit 6. Gas Balancing Agreement.
- 6
- 7 ~~Exhibit 7. Tax Partnership Provisions.~~
- 8
- 9 X Exhibit 8. Recording Supplement.
- 10
- 11 ~~Exhibit 9. Dual Completion and Commingled Completion Provisions.~~
- 12
- 13 Other
- 14 Exhibits: _____
- 15
- 16 _____
- 17

In the event of a conflict or inconsistency between the provisions of an Exhibit and the provisions of this Agreement, the provisions of this Agreement shall control, except with respect to Exhibits 6 and 7, if attached hereto, the provisions of which shall control over the provisions of this Agreement.

**ARTICLE 3
INITIAL TEST WELL**

3.1 Location. Unit Operator shall begin to Drill the Initial Test Well within the time required by Section 9 of the Unit Agreement, or any extension thereof, at the location specified in Exhibit 2.

3.2 Costs of Drilling. Subject to the investment adjustment provisions of Article 13, the Costs of Drilling the Initial Test Well shall be shared by the Parties in the manner and in the proportions specified in Exhibit 2.

**ARTICLE 4
SUBSEQUENT TEST WELLS**

4.1 Right to Drill. The Drilling of any Subsequent Test Well shall be upon such terms and conditions as may be agreed to by the Parties; provided, however, that in the absence of agreement, the well may be Drilled under the provisions of Article 9.

**ARTICLE 5
ESTABLISHMENT, REVISION, AND CONSOLIDATION
OF PARTICIPATING AREAS**

5.1 Proposal. Unit Operator shall initiate each proposal for the establishment or revision of a participating area by submitting the proposal in writing to each Party at least 20 days before filing the same with the Authorized Officer. The date of proposed filing must be shown in the proposal. If, within the 20-day period above provided, the proposal receives the Approval of the Parties within the proposed participating area or no written objections are received, then the proposal shall be filed on the date specified.

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1 **6.2 Ownership and Costs Outside Participating Area or Unit Area.** If a well Drilled
2 (including the Deepening, Sidetracking, or Plugging Back thereof) within a Drilling Block established under
3 the provisions of either Article 9 or Article 10 is completed as a producer but not in a formation included
4 within a participating area, then the following provisions shall be applicable:
5

6 **A. When All Drilling Block Parties Participate.** If all Parties within the
7 Drilling Block shall have elected to participate in Drilling and Completing the well, then the
8 well, the Production therefrom, and the materials and equipment therein or appurtenant thereto
9 shall be owned by such Parties; and all Costs incurred in the operation of the well and all
10 Lease Burdens payable with respect to Production from the well shall be borne and paid by
11 such Parties. Apportionment among said Parties of ownership, Costs and Lease Burdens shall
12 be in the same proportions in which Costs incurred in Drilling the well were borne.
13

14 **B. When Less Than All Drilling Block Parties Participate.** If any Party
15 within the Drilling Block elects not to participate in Drilling or Completing the well, then the
16 provisions of Article 12 shall be applicable thereto; and the relinquished interest of the Non-
17 Drilling Party shall revert to it in the same manner and under the same conditions as provided
18 in Section 12.5 with respect to a well which results in the establishment or enlargement of a
19 participating area, except that the proceeds if sold, or market value if not sold but used off the
20 premises, to be used in determining when the reversion shall occur shall be the proceeds or
21 market value (after making the deductions provided for in Section 12.5) of that portion of the
22 Production obtained from the well which, had the Non-Drilling Party elected to participate in
23 the Drilling or Completing thereof, would have been allocable, on an Acreage Basis within the
24 Drilling Block, to the Non-Drilling Party. Upon reversion of the relinquished interest of the
25 Non-Drilling Party in the well, the provisions of Section 12.6 shall become applicable.
26

27 **C. Upon Termination of the Unit Agreement or Elimination of Any Lands**
28 **from the Unit Area.** Any well being operated and produced that has been excluded from the
29 Unit Area as a result of the termination of the Unit Agreement or the elimination of lands from
30 the Unit Area shall continue to be operated under the terms of this Agreement so far as
31 applicable, without change in the ownership of the equipment and the production therefrom
32 until a new operating agreement is entered into or the well is plugged and abandoned and
33 settlement has been made for all production and equipment, the site reclaimed and all
34 obligations among and between the parties owning interests in the well have been met or
35 satisfied. This Subdivision C of Section 6.2 shall apply only to the pool or zone in which the
36 well is completed and the applicable spacing unit therefor, if any.
37

38 **6.3 Cost Liability of Subsequently Created Interests.** Subsequently Created Interests
39 shall be made expressly subject to the terms and provisions of this Section 6.3 and of Section 12.9. If the
40 Party that creates a Subsequently Created Interest fails to pay, when due, its share of Costs, and the proceeds
41 from its share of Production are insufficient to cover such Costs, then the Subsequently Created Interest shall
42 be chargeable with a pro rata share of such Costs as if the Subsequently Created Interest were a Committed
43 Working Interest; and Unit Operator and all other Parties hereto shall have the right to enforce against the
44 Subsequently Created Interest the lien, security interest, and all other rights granted in Section 28.3 and
45 Section 28.4 for the purpose of collecting Costs chargeable to the Subsequently Created Interest.
46

47 **6.4 Taking in Kind.** Each Party shall take in kind or separately dispose of its
48 proportionate share of Production. Any extra expenditure incurred in taking in kind or separate disposition
49
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1 by any Party of its proportionate share of the Production shall be borne by that Party. Any Party taking its
2 share of Production in kind shall be required to pay for only its proportionate share of the part of the Unit's
3 surface facilities that it uses. Each Party shall execute such division orders and contracts as may be necessary
4 for the sale of its interest in Production from the Unit Area, and, except as provided in Article 28, shall be
5 entitled to receive payment directly from the purchaser thereof for its share of all Production.
6

7 **6.5 Failure to Take in Kind.** Should any party fail to take in kind or separately dispose
8 of its share of Production, the following provisions shall apply:
9

10 **A. Disposition of Oil.** If any Party fails to take in kind or separately dispose
11 of its proportionate share of the oil produced from the Unit Area, Unit Operator shall have the
12 right (which right is subject to revocation at will by the non-taking Party), but not the
13 obligation, to purchase such oil or sell it to others at any time and from time to time for the
14 account of the non-taking Party, after first giving the non-taking Party 10-days' written notice
15 of the intended purchase or sale and the price to be paid or the pricing basis to be used. An
16 owner of oil production shall always have the right, exercisable at any time, to take in kind,
17 or separately dispose of, its share of all oil not previously committed to a purchaser. Any
18 purchase or sale by Unit Operator shall be only for such reasonable periods of time as are
19 consistent with the minimum needs of the industry under the particular circumstances, but in
20 no event for a period in excess of 1 year. Any purchase or sale by Unit Operator shall be in
21 a manner commercially reasonable under the circumstances, but Unit Operator shall have no
22 duty to share any existing market or transportation arrangement or to obtain a price or
23 transportation fee equal to that received under any existing market or transportation
24 arrangement. Unit Operator may discontinue the purchase or sale of oil for any non-taking
25 Party by giving the non-taking Party 10-days' prior written notice. The sale or delivery by Unit
26 Operator of a non-taking Party's share of oil Production under the terms of any contract of
27 Unit Operator shall not give the non-taking Party any interest in or make the non-taking Party
28 a party to the contract. Unit Operator may deduct from the revenue payable to the non-taking
29 Party the actual costs that Unit Operator incurs for making the oil marketable and delivering
30 the oil to market, as well as any Lease Burdens and production and severance taxes paid for
31 the non-taking Party's account that are attributable to the non-taking Party's proportionate
32 share of oil Production.
33

34 **B. Disposition of Gas.** If any Party fails to take in kind or separately dispose
35 of its proportionate share of gas produced from the Unit Area, Unit Operator shall have the
36 right (which right is subject to revocation at will by the non-taking Party) but not the
37 obligation, to purchase such gas or sell it to others at any time and from time to time, for the
38 account of the non-taking Party, after first giving the non-taking Party 30-days' written notice
39 of the intended purchase or sale and the price to be paid or the pricing basis to be used. An
40 owner of gas Production shall always have the right, exercisable at any time, to take in kind,
41 or separately dispose of, its share of gas not previously committed to a purchaser. Any
42 purchase or sale by Unit Operator shall be only for such reasonable periods of time as are
43 consistent with the minimum needs of the industry under the particular circumstances, but in
44 no event for a period in excess of 1 year. Any purchase or sale by Unit Operator shall be in
45 a manner commercially reasonable under the circumstances, but Unit Operator shall have no
46 duty to share any existing market or transportation arrangement or to obtain a price or
47 transportation fee equal to that received under any existing market or transportation
48 arrangement. Unit Operator may discontinue the purchase or sale of gas Production for any
49 non-taking Party by giving the non-taking Party 30-days' prior written notice. The sale or
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1 delivery by Unit Operator of a non-taking Party's share of gas Production under the terms of
2 any contract of Unit Operator shall not give the non-taking Party any interest in or make the
3 non-taking Party a party to the contract. Unit Operator may deduct from the revenue payable
4 to the non-taking Party the actual costs that Unit Operator incurs for making the gas
5 marketable and delivering the gas to market, as well as any Lease Burdens and production and
6 severance taxes paid for the non-taking Party's account that are attributable to the non-taking
7 Party's proportionate share of gas Production. If any of the Parties have entered into a gas
8 balancing agreement, whether such an agreement is attached as Exhibit 6 or is a separate
9 agreement, and one or more of such Parties take gas from one or more participating areas
10 within the Unit which results in a Party taking more or less than its proportionate share of gas
11 produced from each participating area in any given month, then, the balancing and accounting
12 of the respective accounts of the Parties to the gas balancing agreement shall be made in
13 accordance with the agreement.
14

15 **6.6 Gas Marketing Arrangements.** Each Party that is taking a share of gas Production
16 in kind from the Unit Area shall, within 5 days before the end of each month, notify Unit Operator of its gas
17 marketing arrangements for the following month, excluding price, and shall notify Unit Operator immediately
18 in the event of a change in such arrangements. In addition, each Party that is taking a share of the gas
19 Production in kind from the Unit Area shall notify Unit Operator in a timely manner of the volume of gas
20 taken by it from each participating area in the preceding month.
21

22 **6.7 Surplus Materials and Equipment.** Materials and equipment owned by the Parties
23 or by any of them pursuant to this Agreement may be classified as surplus by Unit Operator when deemed
24 by it to be no longer needed in operations hereunder by giving to each Party owning an interest therein notice
25 thereof. Such surplus materials and equipment shall be disposed of as follows:
26

27 **A. Items Divisible In Kind.** Each Party owning an interest in surplus materials
28 and equipment (including tubular goods) shall have the right to take in kind its share of such
29 materials and equipment which are divisible in kind, by notice given to Unit Operator within
30 30 days after classification thereof as surplus, except that such right shall not apply to junk or
31 to any item (other than tubular goods) having a replacement cost of less than \$7,500.00.
32

33 **B. Items Not Divisible In Kind.** Surplus materials and equipment not divisible
34 in kind, other than junk and any item (other than tubular goods) having a replacement cost of
35 less than \$7,500.00, shall be sold to the highest bidder or bidders.
36

37 **C. Other Items.** Surplus materials and equipment not disposed of in
38 accordance with this Section 6.7 shall be disposed of as provided in Exhibit 1.
39

40 **6.8 Lease Burdens.** Payment of Lease Burdens shall be made in the following manner,
41 except as may otherwise be provided in any gas balancing agreement between the Parties, whether attached
42 as Exhibit 6 or otherwise:
43

44 ~~Option No. 1: Each Party entitled to receive a share of Production shall be~~
45 ~~responsible for any and all payments, whether in cash or in kind, accruing to any and all Lease~~
46 ~~Burdens, net profits interests, carried interests and any other interest payable with respect to~~
47 ~~such share or the proceeds thereof; provided, however, at any time any Party entitled to~~
48 ~~receive Production is not taking in kind or separately disposing of its share thereof, that~~
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~~portion of such Production or the proceeds thereof (at the option of such Party) accruing to the Lease Burdens shall, upon request, be distributed to such Party.~~

X Option No. 2: Unit Operator shall make landowner royalty payments on all Production as set forth in this Section 6.8. Any other Lease Burdens or net profits carried, or any other interest shall be paid by the Party from whom the payment is due according to the terms of the grantor reservation of the interest. Each Party taking in kind or separately disposing of Production shall promptly pay Unit Operator that share of the proceeds from the sale of such Production if sold, or the market value thereof if not sold but used off the premises, equal to the amount of the landowner royalty payable out of such Production. Unit Operator shall make landowner royalty payments on all Production based upon the amounts so received. Each Party shall provide to Unit Operator sufficient information to allow Unit Operator to make all required royalty payments and shall, on not less than a monthly basis, advise Unit Operator of all sales of Production made by such Party specifying purchaser, price, volume, gross proceeds, all costs deducted, and net proceeds. On a quarterly basis, Unit Operator shall forward to all Parties a statement of royalty accounting showing the amounts received by Unit Operator from each Party and the landowner royalty payments made by Unit Operator.

**ARTICLE 7
PLANS OF DEVELOPMENT**

7.1 Submittal of Plans. Each plan for the development and operation of the Unit Area shall be submitted by Unit Operator to the Authorized Officer in accordance with the Unit Agreement and the further provisions of this Article.

7.2 Proposed Plan. At least 30 days before filing a proposed plan, or supplement thereto, with the Authorized Officer, Unit Operator shall provide each Party with a copy thereof. If, within the 30-day period, the plan receives the Approval of the Parties or no written objections are received, then the plan shall be filed.

7.3 Objections to Plan. Within the 30-day period above provided; any Party may submit to Unit Operator written objections to the plan. If, despite the objections, the plan receives the Approval of the Parties, then the Party making the objections may renew the same before the Authorized Officer.

7.4 Revised Plan. If the plan does not receive the Approval of the Parties, and Unit Operator receives written objections thereto, then Unit Operator shall submit to the Parties a revised plan, taking into account the objections, if any, made to the first plan. If no plan receives the Approval of the Parties within 60 days from submission of the first plan, then Unit Operator shall file with the Authorized Officer a plan reflecting as nearly as practicable the views expressed by the Parties.

7.5 Rejection of Plan. If a plan filed by Unit Operator as above provided is rejected by the Authorized Officer, Unit Operator shall initiate a new plan in the same manner as provided in Section 7.2, and the procedure with respect thereto shall be the same as in the case of an initial plan.

7.6 Notice of Approval or Disapproval. If and when a plan has been approved or disapproved by the Authorized Officer, Unit Operator shall give prompt notice thereof to each Party.

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1 **7.7 Supplemental Plans.** If any Party or Parties have elected to proceed with a Drilling,
2 Deepening, Sidetracking, or Plugging Back operation in accordance with the provisions of this Agreement,
3 and the operation is not provided for in the then current plan of development approved by the Authorized
4 Officer, Unit Operator shall either (a) submit to the Authorized Officer for approval a supplemental plan
5 providing for the conduct of the operation or (b) request the Authorized Officer to consent to the operation,
6 if the consent is sufficient.

7
8 **7.8 Cessation of Operations Under the Plan.** If any plan approved by the Authorized
9 Officer provides for the cessation of any Drilling or other operation therein provided for on the happening
10 of a contingency and the contingency occurs, Unit Operator shall promptly cease the Drilling or other
11 operation and shall not incur any additional Costs in connection therewith unless and until the Drilling or
12 other operation is again authorized, in accordance with this Agreement, by the Parties chargeable with such
13 Costs and the Authorized Officer.

14
15
16 **ARTICLE 8**
17 **DEVELOPMENT WELLS**
18

19 **8.1 Development Well Procedure.** This Article sets forth the procedure for Drilling and
20 Completing a Development Well.

21
22 **8.2 Drilling of Development Wells.** The Drilling of Development Wells shall be
23 governed by the following provisions:

24
25 **A. Approval Required.** The Drilling of a Development Well shall be subject
26 to the Approval of the Parties unless the Drilling of the proposed well is necessary to prevent
27 the loss of a Committed Working Interest in the tract of land on which the proposed well is
28 to be Drilled. A vote by any Party in favor of the Drilling of any Development Well shall not,
29 however, be deemed an election by the Party to participate in the Costs thereof but shall mean
30 only that the Party considers the Drilling of the well to be consistent with the efficient and
31 economic development of the participating area involved and has no objection to the Drilling
32 thereof.

33
34 **B. Notice of Proposed Drilling.** Subject to the provisions of Subdivision A of
35 this Section 8.2, any Party within a participating area may propose the Drilling of a
36 Development Well therein by giving to each of the other Parties within the participating area
37 notice, specifying the surface and bottomhole locations, projected depth, objective formation,
38 and estimated costs of Drilling and Completing the proposed well, which location shall
39 conform to any applicable spacing pattern then existing or an approved exception thereto.

40
41 **C. Response to Notice.** Within 30 days after receipt of the notice, each Party
42 within the participating area shall advise all other Parties therein whether or not it wishes to
43 participate in Drilling the proposed well. If any Party fails to give advice within the 30-day
44 period, it shall be deemed to have elected not to participate in Drilling the proposed well. If
45 all Parties within the participating area advise that they wish to participate in Drilling the
46 proposed well, then Unit Operator shall Drill the well for the account of all such Parties. All
47 Parties that elect to participate in the proposed operation shall be committed to participate
48 therein provided the operations are commenced within the time period hereafter set forth, and
49 Unit Operator shall, no later than 90 days after expiration of the notice period of 30 days (or
50 as promptly as practicable after the expiration of the 48-hour period when a drilling rig is on

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1 location, as the case may be), actually commence the proposed operation and thereafter
2 complete it with due diligence at the risk and expense of the Parties participating therein;
3 provided, however, the commencement date may be extended upon written notice of same by
4 Unit Operator to the other Parties, for a period of up to 30 additional days if, in the sole
5 opinion of Unit Operator, such additional time is reasonably necessary to obtain permits from
6 governmental authorities, surface rights (including rights-of-way) or appropriate drilling
7 equipment, or to complete title examination or curative matter required for title approval or
8 acceptance. If the actual operation has not been commenced within the time provided
9 (including any extension thereof as specifically permitted herein or in the force majeure
10 provisions of Section 29.10) and if any Party hereto still desires to conduct the operation,
11 written notice proposing same must be resubmitted to the other Parties in accordance herewith
12 as if no prior proposal had been made.
13

14 **D. Notice of Election to Proceed.** Unless all Parties within the participating
15 area agree to participate in Drilling the well, then, within 15 days after expiration of the 30-day
16 period specified in Subdivision C of this Section 8.2, each Party within the participating area
17 then desiring to have the proposed well Drilled shall give to all other Parties therein notice of
18 its election to proceed with the Drilling of the well. Failure to give notice shall be deemed an
19 election not to participate in Drilling the well.
20

21 ~~**E. Subsequent Election.** If election to Drill the proposed well is made, any
22 Party within the participating area that had not previously elected to participate therein may
23 do so by giving notice to Unit Operator at any time before the well is spudded, in which event
24 the Party shall be included as a Drilling Party. The Party however, shall be bound by any and
25 all Directions and Approvals previously given by the Drilling Party concerning the Drilling
26 of the well.~~
27

28 **F. Effect of Election.** If one or more, but not all, of the Parties within the
29 participating area elect to proceed with the Drilling of the well, Unit Operator shall Drill the
30 well for the account of such Party or Parties, who shall constitute the Drilling Party, on an
31 Acreage Basis among themselves, or on such other basis as such Parties may agree.
32

33 **G. Rights and Obligations of Drilling Party and Non-Drilling Party.**
34 Whenever a Development Well is Drilled otherwise than for the account of all Parties within
35 the participating area involved, the provisions of Article 12 shall be applicable to the
36 operation.
37

38 **8.3 Attempted Completion.** The attempted Completion of a Development Well Drilled
39 to its objective formation or projected depth shall be governed by the following provisions:
40

41 **A. Notice by Unit Operator.** After a Development Well has reached its
42 projected depth and been tested, logged, and logs furnished to each Drilling Party, but before
43 production pipe has been set, Unit Operator shall give notice thereof to each Drilling Party.
44

45 **B. Right to Attempt Completion.** Each Drilling Party shall have the right to
46 initiate a proposal to attempt the Completion of the well and also shall be entitled to participate
47 in the Completion attempt.
48

49 **C. Time and Manner of Initiating Proposal.** A period of 24 hours (exclusive
50 of Saturdays, Sundays, and legal holidays) from and after receipt of the notice given pursuant
51 to Subdivision A of this Section 8.3 shall be allowed within which a Party entitled to do so
52 may initiate a proposal to Complete. Any proposal shall be initiated by giving notice thereof

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to Unit Operator and to each Drilling Party. If no proposal is initiated within the period and no other proposal is initiated pursuant to Article 11, Unit Operator shall plug and abandon the well for the account of the Drilling Party.

D. Election. If a proposal to Complete is initiated, each Drilling Party shall have a period of 24 hours (exclusive of Saturdays, Sundays, and legal holidays) from and after receipt of the proposal within which to notify Unit Operator whether or not it elects to participate in the Completion attempt. The failure of a Party to signify its election within the 24-hour period shall be deemed an election not to participate in the Completion attempt.

E. Effect of Election. The Party or Parties electing to participate in an attempt to Complete a well as above provided shall constitute the Completing Party for the operation. Each Party that was entitled to make the election but failed to do so as above provided shall be a Non-Completing Party with respect to the operation. The operation shall be conducted by Unit Operator for the account of the Party or Parties constituting the Completing Party, on an Acreage Basis among themselves, or on any other basis as the Completing Party may agree. The operation, if successful, shall include Equipping the well for production.

F. Rights and Obligations of Completing Party and Non-Completing Party. Upon the commencement of a Completion operation otherwise than for the account of all Drilling Parties, the provisions of Article 12 shall be applicable to the operation.

G. Notice Prior to Plugging. Before plugging and abandoning any Development Well which was Drilled to its projected depth and not completed as a producer of unitized substances, Unit Operator shall give the notice specified in Section 11.1 A, unless every Party entitled to the notice has consented to the plugging and abandonment of the well, in which event Unit Operator shall plug and abandon the well for the account of the Completing Party. Upon the giving of the notice, the provisions of Article 11 shall apply.

H. Proposals for Dual or Commingled Completion. A Dual Completion or a Commingled Completion may be conducted only if the operation complies with the procedures set forth in Exhibit 9, if any.

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ARTICLE 9
EXPLORATORY WELLS

9.1 Exploratory Well Procedure. This Article sets forth the procedure for Drilling and Completing an Exploratory Well.

9.2 Drilling of Exploratory Wells. The Drilling of Exploratory Wells shall be governed by the following provisions:

A. Notice of Proposed Drilling. Any Party desiring the Drilling of an Exploratory Well on land in which it owns a Committed Working Interest shall designate an area, herein called a Drilling Block, not to exceed 1,280.00 acres, which on the basis of available geological information will, in its judgment, be proved productive by the Drilling of the well. The Party shall notify Unit Operator and each Party owning a Committed Working Interest within the Drilling Block of the designation, which notification shall include a plat and description of the area so designated, the surface and bottomhole locations, projected depth, objective formation, and estimated costs to Drill and Complete the proposed well. The location of the proposed well shall conform to any applicable spacing

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1 pattern then existing or an approved exception thereto. The Drilling Block shall not include
2 any land that is included in (i) an established participating area for the objective formation for
3 the proposed well, (ii) a proposal for establishment or revision of a participating area
4 previously filed with the Authorized Officer, or (iii) an active, previously designated Drilling
5 Block for the formation. The Drilling Block shall be considered active for 90 days after the
6 designation thereof unless withdrawn at the Direction of the Parties in the Drilling Block or
7 extended pursuant to Subdivision D of this Section 9.2 and, if the actual Drilling of a well is
8 commenced thereon within the period specified in Subdivision D of this Section 9.2, until
9 either:

10
11 (1) The filing with the Authorized Officer of a proposal for the
12 establishment or revision of a participating area if the Completion of the well results
13 in the filing of the proposal; or
14

15 (2) The Completion of the well if the Completion does not result in the
16 filing of a proposal for the establishment or revision of the participating area.
17

18 **B. Basis of Participation.** Each Party within the Drilling Block shall be
19 entitled to participate in a proposed well thereon by sharing in the costs of Drilling the
20 proposed well on an Acreage Basis in the objective formation for the Drilling Block if it
21 notifies the other Parties within the Drilling Block of its willingness to participate as
22 hereinafter provided in this Article 9; but a Party shall not be required to participate in the
23 proposed well.
24

25 **C. Exclusion of Land from Designated Drilling Block.** Within 30 days after
26 giving notice of a proposed well on a designated Drilling Block, any part of the land included
27 in the designated Drilling Block may be excluded therefrom at the Direction of the Parties
28 receiving the notice. In such event the designated Drilling Block, as reduced by the exclusion
29 of the land, shall be established as the Drilling Block effective as of the first day following the
30 30-day period. In the absence of any direction given within the 30-day period, the designated
31 Drilling Block shall be established as the Drilling Block effective as of the first day following
32 the 30-day period. In like manner, the surface and bottomhole locations of the proposed well
33 may be changed at the Direction of the Parties receiving the notice within the 30-day period,
34 provided the bottomhole location remains in the designated Drilling Block and the objective
35 formation.
36

37 **D. Preliminary Notice to Join in Drilling.** Within 10 days after the
38 establishment of the Drilling Block, each Party within the Drilling Block shall advise all other
39 Parties therein whether or not it wishes to participate in Drilling the proposed well. If any
40 Party fails to give advice within the 10-day period, it shall be deemed to have elected not to
41 participate in Drilling the proposed well. If all Parties within the Drilling Block advise that
42 they wish to participate in Drilling the proposed well, then Unit Operator shall Drill the well
43 for the account of all such Parties. All Parties that elect to participate in the proposed operation
44 shall be committed to participate therein provided the operations are commenced within the
45 time period hereafter set forth, and Unit Operator shall, no later than 90 days after expiration
46 of the notice period of 30 days (or as promptly as practicable after the expiration
47 of the 48-hour period when a drilling rig is on location, as the case may be), actually
48 commence the proposed operation and thereafter complete it with due diligence at the risk and
49 expense of the Parties participating therein; provided, however, the commencement date may
50 be extended upon written notice of same by Unit Operator to the other Parties, for a period of
51 up to 30 additional days if, in the sole opinion of Unit Operator, additional time is reasonably
52 necessary to obtain permits from governmental authorities, surface rights (including rights-of-

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1 way) or appropriate drilling equipment, or to complete title examination or curative matter
2 required for title approval or acceptance. If the actual operation has not been commenced
3 within the time provided (including any extension thereof as specifically permitted herein or
4 in the force majeure provisions of Section 29.10) and if any Party hereto still desires to
5 conduct the operation, written notice proposing same must be resubmitted to the other Parties
6 in accordance herewith as if no prior proposal had been made.
7

8 **E. Notice of Election to Proceed.** If less than all Parties within the established
9 Drilling Block elect to participate in the drilling of the proposed well, the Party that designated
10 the Drilling Block shall promptly notify the Parties that elected to participate in the Drilling
11 of the proposed well of the total Committed Working Interest of the Parties electing to so
12 participate and shall make its recommendation as to whether the Drilling should proceed.
13 Within 10 days after receiving the notice, each Drilling Party shall advise the Party that
14 proposed the well, the Unit Operator, and all other Parties of its desire to (1) limit its
15 participation to its interest in the Drilling Block, or (2) carry its proportionate share of the
16 Non-Participating Parties' interests. Failure to advise the Unit Operator and all other Drilling
17 Parties shall be deemed an election by a Party to limit its participation to its interest in the
18 Drilling Block. At any time more than 5 days after expiration of the 10-day period and prior
19 to obtaining 100% subscription to the proposed Drilling, the Party that designated the Drilling
20 Block may withdraw the proposal and shall promptly notify all Parties of the decision. Any
21 interest of a Non-Participating Party that is not carried by a Participating Party shall be
22 deemed to be carried by the Party that proposed the well if such Party does not withdraw its
23 proposal, provided any other Participating Party may elect to take its proportionate share
24 thereof by giving notice to the Party that proposed the well within 5 days after expiration of
25 the 10-day period. If 100% subscription to the proposed Drilling is obtained, the Party that
26 proposed the well shall promptly notify the Unit Operator and the Participating Parties of each
27 Party's interest in the Drilling Block. Unit Operator shall then commence operations for
28 Drilling as provided in Subdivision D of this Section 9.2.
29

30 ~~F. Subsequent Election. If election to Drill the proposed well is made by any
31 Party or Parties, such Party or Parties shall constitute the Drilling Party and any other Party
32 having the right to participate within the Drilling Block that had not previously elected to
33 participate therein may do so by giving notice to the Drilling Party within the Drilling Block
34 at any time before the well is spudded, in which event the Party shall be included in the
35 Drilling Party, but only to the extent of the Party's Committed Working Interest in the Drilling
36 Block. Such Party however, shall be bound by any and all Directions and Approvals
37 theretofore given by the Drilling Party concerning the Drilling of the well.~~
38

39 **G. Effect of Election.** If one or more, but not all, of the Parties within the
40 Drilling Block elect to proceed with the Drilling of the well, Unit Operator shall Drill the well
41 for the account of the Drilling Party on an Acreage Basis among those constituting the Drilling
42 Party or on any other basis as such Parties may agree.
43

44 **H. Rights and Obligations of Drilling Party and Non-Drilling Party.**
45 Whenever an Exploratory Well is Drilled otherwise than for the account of all Parties within
46 the Drilling Block for the well, the provisions of Article 12 shall be applicable to the
47 operation.
48

49 **9.3 Attempted Completion.** The attempted Completion of an Exploratory Well Drilled
50 to its objective formation or projected depth shall be governed by the following provisions:
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A. Notice by Unit Operator. After an Exploratory Well has reached its objective formation or projected depth and has been tested, logged, and logs furnished to each Drilling Party, but before production pipe has been set, Unit Operator shall give notice thereof to each Drilling Party.

B. Right to Initiate Proposal. Each Drilling Party shall have the right to initiate a proposal for the Completion of the well in the objective formation and also shall be entitled to participate in the Completion attempt.

C. Time and Manner of Initiating Proposal. A period of 24 hours (exclusive of Saturdays, Sundays, and legal holidays) from and after receipt of the notice given pursuant to Subdivision A of this Section 9.3 shall be allowed within which a Party entitled to do so may initiate a proposal to Complete. Any such proposal shall be initiated by giving notice thereof to Unit Operator and to each Drilling Party, which notice shall include an estimate of Completion Costs. If no proposal is initiated within the period and no other proposal is initiated pursuant to Article 11, Unit Operator shall plug and abandon the well for the account of the Drilling Party.

D. Election. If a proposal to Complete is initiated, each Party entitled to participate in the Completion attempt shall have a period of 24 hours (exclusive of Saturdays, Sundays, and legal holidays) from and after receipt of the proposal within which to notify Unit Operator whether or not it elects to participate in the Completion attempt. The failure of a Party to signify its election within the 24-hour period shall be deemed an election not to participate in the Completion attempt.

E. Effect of Election. The Party or Parties electing to participate in an attempt to Complete a well as above provided shall constitute the Completing Party for the operation. Each Party that was entitled to make the election but failed to do so as above provided shall be a Non-Completing Party with respect to the operation. The operation shall be conducted by Unit Operator for the account of the Completing Party on an Acreage Basis among the Parties constituting the Completing Party or on any other basis as the Completing Party may agree. The operation, if successful, shall include Equipping the well for production.

F. Rights and Obligations of Completing Party and Non-Completing Party. Upon the commencement of a Completion operation otherwise than for the account of all Drilling Parties, the provisions of Article 12 shall be applicable to the operation.

G. Notice Prior to Plugging. Before plugging and abandoning any Exploratory Well in which a Completion attempt was made and which was not completed as a producer of unitized substances, Unit Operator shall give the notice specified in Section 11.1 A, unless every Party entitled to the notice has consented to the plugging and abandonment of the well, in which event Unit Operator shall plug and abandon the well for the account of the Completing Party. Upon the giving of the notice, the provisions of Article 11 shall apply.

H. Proposals for Dual or Commingled Completions. A Dual Completion or a Commingled Completion may be proposed only if the proposed Drilling, Deepening, Sidetracking or Plugging Back operation complies with the procedures set forth in Exhibit 9, if any.

ARTICLE 10

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REQUIRED WELLS

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10.1 Definition. For the purpose of this Article, a well shall be deemed a Required Well if the Drilling thereof is required by a final order of the Authorized Officer. The order shall be deemed final upon expiration of the time allowed for appeal therefrom without the commencement of appropriate appeal proceedings or, if the proceedings are commenced within the time, upon the final disposition of the appeal. Whenever Unit Operator receives any such order, it shall promptly mail a copy thereof to each Party. If any order is appealed, the Party appealing shall give prompt notice thereof to Unit Operator and to each of the other Parties, and, upon final disposition of the appeal, Unit Operator shall give each Party prompt notice of the result thereof.

10.2 Election to Drill. Any Party desiring to Drill, or to participate in the Drilling of, a Required Well shall give to Unit Operator notice thereof within 30 days after the order requiring the well becomes final or within such lesser time as may be required to insure compliance with the order. If the notice is given within the period, Unit Operator shall Drill the Required Well for the account of the Party or Parties giving the notice; provided, however, if the Required Well is a Development Well, it shall not be Drilled unless it receives the Approval of the Parties within the participating area involved. All rights and obligations with respect to the ownership of the well, the operating rights therein, the Production therefrom, and the bearing of Costs incurred therein shall be the same as if the well had been Drilled under Article 8, if the same is a Development Well, or under Article 9, if the same is an Exploratory Well or a Subsequent Test Well.

10.3 Alternatives to Drilling. If no Party elects to Drill a Required Well within the period allowed for the election, and if any of the following alternatives is available, the first alternative that is available shall be followed:

A. Compensatory Royalties. If compensatory royalties may be paid in lieu of Drilling the well and if payment thereof receives, within the period, the Approval of the Parties that would be chargeable with the Costs incurred in Drilling the well if the well were Drilled as provided in Section 10.4, Unit Operator shall pay the compensatory royalties for the account of said Parties; or

B. Contraction. If the Drilling of the well may be avoided, without other penalty, by contraction of the Unit Area, Unit Operator shall make a reasonable effort to effect the contraction; or

C. Termination. If the Required Well is a Subsequent Test Well, the Parties shall join in termination of the Unit Agreement in accordance with its provisions.

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1 **10.4 Required Drilling.** If none of the foregoing alternatives is available, Unit Operator
2 shall Drill the Required Well under whichever of the following provisions is applicable:
3

4 **A. Development Well.** If the Required Well is a Development Well, it shall
5 be Drilled by Unit Operator for the account of all Parties within the participating area in which
6 the well is Drilled; or
7

8 **B. Exploratory Well.** If the Required Well is an Exploratory Well, the Drilling
9 Block for the well shall consist of all 40-acre subdivisions and lots of the Public Land Survey
10 of which more than one-half of the surface area is within a distance of 2,640 feet from the
11 proposed bottom hole location of the well but excluding therefrom all lands within any
12 participating area previously established for the pool or zone to which the well is to be Drilled.
13 Unit Operator shall Drill the well for the account of all the Parties owning Committed Working
14 Interests within the Drilling Block, on an Acreage Basis among themselves; and no such Party
15 shall have the right to elect not to participate in the Drilling of the well.
16

17
18 **ARTICLE 11**
19 **DEEPENING, SIDETRACKING, PLUGGING BACK, AND ABANDONMENT**
20

21 **11.1 Attempted Deepening, Sidetracking, or Plugging Back of a Well not Completed**
22 **as a Producer in its Objective Formation.** The attempted Deepening, Sidetracking, or Plugging Back of
23 a well drilled to its objective formation or projected depth and not Completed as a producer of unitized
24 substances (or as a well capable of producing unitized substances) in its objective formation shall be governed
25 by the provisions of this Section 11.1 and Section 11.2, unless every Party entitled to the notice provided for
26 in Subdivision A of this Section 11.1 has consented to the plugging and abandonment of the well:
27

28 **A. Notice by Unit Operator.** Before abandoning any well that has been Drilled
29 to its objective formation or projected depth but not completed as a producer of unitized
30 substances (or as a well capable of producing unitized substances), Unit Operator shall give
31 notice of its intention to plug and abandon the well to each Drilling Party, Non-Drilling Party,
32 and any other Party owning a Committed Working Interest in the tract of land on which the well
33 is located.
34

35 **B. Right to Initiate Proposal.** Each Drilling Party that received notice given
36 in accordance with Subdivision A of this Section 11.1 and any other Party owning a Committed
37 Working Interest in the tract of land on which the well is located may initiate a proposal to
38 attempt to Deepen, Sidetrack, or Plug Back the well; provided, however, if the well was Drilled
39 as a Development Well, a proposal to Deepen, Sidetrack, or Plug Back may be initiated only by
40 a Party owning a Committed Working Interest in the tract of land on which the well is located.
41

42 **C. Right to Participate.** To be entitled to participate in a Deepening,
43 Sidetracking, or Plugging Back operation, a Party must have the right to initiate the same or
44 must own a Committed Working Interest in (i) the Drilling Block previously established for
45 Drilling the well, or (ii) if no Drilling Block was previously established for Drilling the well or
46 if a Sidetracking operation is proposed, the Drilling Block that shall be established automatically
47 in accordance with the provisions of Subdivision B of Section 10.4 for the proposed operation
48 in the well.
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D. Time and Manner of Initiating Proposal. A Party entitled to initiate a proposal to Deepen, Sidetrack, or Plug Back may do so within a period of 24 hours (exclusive of Saturdays, Sundays, and legal holidays) after receipt of the notice given pursuant to Subdivision A of this Section 11.1. The proposal shall be initiated by giving notice thereof to Unit Operator and to each Party entitled to participate in the proposed operation. If no proposal is initiated within the period, Unit Operator shall plug and abandon the well for the account of the Drilling Party or for the account of the Completing Party if a Completion attempt was made.

E. Election. If a proposal to Deepen, Sidetrack, or Plug Back a well is initiated, each Party entitled to participate in the operation proposed shall have a period of 48 hours (exclusive of Saturdays, Sundays, and legal holidays) after receipt of the proposal within which to notify Unit Operator whether or not it elects to participate in the proposed operation. The failure of a Party to signify its election within the 48-hour period shall be deemed an election not to participate in the proposed operation.

F. Effect of Election. The Party or Parties electing to participate in an operation to Deepen, Sidetrack, or Plug Back a well as above provided shall constitute the Participating Party for the operation. Each Party that was entitled to make the election but failed to do so as above provided shall be a Non-Participating Party with respect to the operation. The operation shall be conducted by Unit Operator for the account of the Participating Party on an Acreage Basis among the Parties constituting the Participating Party, subject, however, to the provisions of Section 11.2 and Section 11.3. If the Participating Party does not proceed with the operation, Unit Operator shall plug and abandon the well for the account of the Completing Party if a Completion attempt was made or, if not, then for the account of the Drilling Party. Participating Parties hereunder that proceed with the operation shall assume all responsibility for the costs of plugging and abandoning (including reclamation of the surface) the well and shall pay Salvage Value of the well to any Non-Participating Party entitled thereto. Each Non-Drilling Party electing to participate in the Deepening, Sidetracking, or Plugging Back shall, in addition to those obligations set forth in this Subdivision F of Section 11.1, be assessed its share of the Costs of Drilling the proposed well on an Acreage Basis to the depth at which the Deepening, Sidetracking, or Plugging Back operation proposed under this Section 11.1 begins. For the purposes of this Section 11.1, the depth at which Plugging Back or Sidetracking begins shall be the depth at which the Plug Back Completion attempt, or Sidetracking deviation occurs. The payment shall be made to the Unit Operator that shall promptly distribute the monies received to the original Drilling Parties proportionately on the Acreage Basis under which the well was drilled.

G. Rights and Obligations of Participating Party and Non-Participating Party. Upon the commencement of a Deepening, Sidetracking or Plugging Back operation otherwise than for the account of all Parties entitled to participate therein, the provisions of Article 12 shall be applicable to the operation.

11.2 Deepening, Sidetracking, or Plugging Back to Participating Area. If a well is to be Deepened, Sidetracked, or Plugged Back to the pool or zone for which a participating area was established, the operation, including the Completion of the well, may be conducted only if it receives the Approval of the Parties within the participating area, and only upon the terms and conditions as may be specified in the Approval of the Parties, and upon such further terms and conditions as may be agreed to by the Parties owning interests in the well immediately prior to the commencement of the operation.

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1 **11.3 Conflicts.** If conflicting elections to attempt to Deepen, Sidetrack, or Plug Back are
2 made in accordance with the provisions of this Article 11, preference shall be given first to Deepening, then
3 to the Sidetracking or Plugging Back operation that would be conducted at the deepest depth. Should the
4 preferred operation not result in completion of the well as a producer of unitized substances, Unit Operator
5 shall again give notice in accordance with Subdivision A of Section 11.1 before plugging and abandoning
6 the well.

7
8 **11.4 Attempted Completion.** Except as otherwise provided in Section 11.2, the attempted
9 Completion of a well Deepened, Sidetracked, or Plugged Back to the depth projected for the Deepening,
10 Sidetracking, or Plugging Back operation shall be governed by the provisions of Section 9.3.

11
12 **11.5 Abandonment of a Producing Well Completed in a Participating Area.** A well
13 completed as a producer of unitized substances within a participating area shall be plugged and abandoned
14 when the operation receives the Approval of the Parties within the participating area in accordance with
15 Section 14.2, subject, however, to the provisions of Section 11.7.

16
17 **11.6 Abandonment of a Producing Well Not Completed in a Participating Area.** The
18 abandonment of a well completed as a producer of unitized substances not within a participating area shall
19 be governed by the following provisions:

20
21 **A. Consent Required.** The well shall not be plugged and abandoned without
22 the consent of all Parties then owning interests in the well. Failure by any Party to respond to a
23 proposal to abandon a well on or before thirty (30) days from receipt of the notice proposing
24 abandonment shall be deemed to be a consent to the abandonment.

25
26 **B. Abandonment Procedure.** If the abandonment of the well is not consented
27 to by all Parties, then owning interests in the well, Unit Operator shall give notice thereof to
28 each Party that did not consent thereto. Any non-consenting Party may elect to take over and
29 continue operations on the well by giving notice thereof to Unit Operator and all other Parties
30 then having interests in the well, provided the notice is given within 30 days after receipt of the
31 notice given by Unit Operator. Each Party electing to take over and continue operations on the
32 well shall be referred to as a "Non-Abandoning Party" and the other Parties owning interest in
33 the well shall be referred to as the "Abandoning Parties." If an election to take over and continue
34 operations on the well is so made, the Non-Abandoning Party shall forthwith pay to the
35 Abandoning Parties their respective shares of the Salvage Value of the well. Upon making the
36 payment, the Abandoning Parties shall be deemed to have relinquished to the Non-Abandoning
37 Party all their operating rights and working interest in the well, but only with respect to the pool
38 or zone in which it is then Completed, and all their interest in the materials and equipment in or
39 pertaining to the well. If there is more than one Non-Abandoning Party, the interests so
40 relinquished shall be owned by each Non-Abandoning Party in the proportion that its respective
41 interest in the well bears to the total of the interests of each Non-Abandoning Party therein
42 immediately prior to relinquishment.

43
44 **C. Rights and Obligations of Non-Abandoning Party.** After the
45 relinquishment as above provided, the well shall be operated by Unit Operator for the account
46 of the Non-Abandoning Party, that shall own all Production from the pool or zone in which the
47 well is then completed and shall bear all Lease Burdens and other burdens thereafter incurred
48 and Costs in operating the well and plugging it when abandoned (unless the well is taken over
49 for Deepening, Sidetracking, or Plugging Back) and also the Costs of any additional tankage,
50 flow lines, or other facilities needed to measure separately the unitized substances produced
51 from the well. Costs shall include an overhead charge computed at the highest per
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well rate applicable to the operation of a single producing well in accordance with Exhibit 1 if the rate is provided.

D. Option to Repurchase Materials. If a well taken over by the Non-Abandoning Party is plugged and abandoned within 6 months after relinquishment by the Abandoning Parties of their interests therein, each Abandoning Party shall have the right at its option to repurchase that portion of the materials and equipment salvaged from the well that is equal to the interest relinquished by it to the Non-Abandoning Party, at the value previously fixed therefor. The option may be exercised only by notice given to Unit Operator and to the Non-Abandoning Party within 15 days after receipt of the notice given by Unit Operator pursuant to Section 11.7.

11.7 Deepening, Sidetracking, or Plugging Back Abandoned Producing Wells. Before plugging any well authorized to be plugged and abandoned pursuant to Section 11.5 and Section 11.6, Unit Operator shall give notice to each Party owning a Committed Working Interest in the tract of land upon which the well is located, which Parties, for the further purposes of this Section 11.7, shall constitute the Parties entitled to initiate and participate in a proposed Deepening, Sidetracking, or Plugging Back operation. Within 10 days after receipt of the notice, any such Party desiring to Deepen, Sidetrack, or Plug Back the well shall give notice thereof to Unit Operator and to each Party entitled to participate in the proposed operation; and all the provisions of Subdivisions E, F, and G of Section 11.1 shall apply in the same manner as if the proposed Deepening, Sidetracking, or Plugging Back were a proposal for the Drilling of an Exploratory Well, subject, however, to the provisions of Section 11.2 and Section 11.3. If no such Party gives notice of its desire to Deepen, Sidetrack, or Plug Back the well within the 10-day period, or if the notice is given but no Party elects to proceed with the operation within the time specified therefor, Unit Operator shall plug and abandon the well for the account of the Party or Parties owning the well.

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**ARTICLE 12
RIGHTS AND OBLIGATIONS OF DRILLING PARTY
AND NON-DRILLING PARTY**

12.1 Use of Terms. As used in this Article, the terms "Drilling Party" and "Non-Drilling Party" shall include "Completing Party" and "Non-Completing Party" and "Participating Party" and "Non-Participating Party," respectively, as such terms are used in Articles 8, 9, and 11.

12.2 Scope of Article. The rights and obligations of the Drilling Party and Non-Drilling Party with respect to any Drilling, Deepening, Sidetracking, Plugging Back, or Completion operation conducted otherwise than for the account of all Parties entitled to participate therein shall be governed by this Article 12.

12.3 Relinquishment of Interest by Non-Drilling Party. When any Drilling, Deepening, Sidetracking, Plugging Back, or Completion operation is conducted otherwise than for the account of all Parties entitled to participate therein, each Non-Drilling Party, upon the commencement of the operation, shall be deemed to have relinquished to the Drilling Party, and the Drilling Party shall own, all of the Non-Drilling Party's operating rights and working interest in and to the well in which such operation is being conducted. Upon the commencement of such operation each Non-Drilling Party shall also be deemed to have relinquished to the Drilling Party, and the Drilling Party shall own, all of such Non-Drilling Party's share of production obtained from the operation being conducted. In the case of a Deepening, Sidetracking, or Plugging Back operation, if a Non-Drilling Party in the operation owned an interest in the well immediately prior to the Deepening, Sidetracking, or Plugging Back, then the Drilling Party for the operation shall pay to such Non-Drilling Party its share of the Salvage Value of the well, the payment to be made at the time the

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1 well is taken over by the Drilling Party for Deepening, Sidetracking, or Plugging Back. Relinquishment by
2 a Non-Drilling Party hereunder relinquishes such Non-Drilling Party's operating rights and working interest
3 only as to the well in which the operation is being conducted and is not, and shall not be deemed to be, a
4 relinquishment of acreage or an assignment of title to any acreage or leasehold estate.
5

6 **12.4 Rights and Obligations of Drilling Party.** The Drilling Party for whom a well is
7 Drilled, Deepened, Sidetracked, Plugged Back, or Completed shall pay and bear all Costs incurred therein
8 and shall own the well and the materials and equipment in the well or pertaining thereto, subject to the
9 reversion to each Non-Drilling Party of its relinquished interest in the well. If the well is a Development Well
10 or results in the establishment or enlargement of a participating area to include the well, then, until reversion
11 to a Non-Drilling Party of its relinquished interest, the Drilling Party shall own that portion of the Production
12 obtained from the well after the relinquishment that is allocated, from time to time, to all the acreage of such
13 Non-Drilling Party in the participating area involved and shall be charged with and pay (a) that portion of the
14 Costs incurred in operating the well that otherwise would be chargeable to such Non-Drilling Party, (b) all
15 Lease Burdens that are payable with respect to that portion of the Production from the well that is allocated
16 from time to time to all the acreage of such Non-Drilling Party in the participating area involved, and (c) that
17 portion of the Value of the well under Article 13 that would otherwise be allocated and charged to such Non-
18 Drilling Party on an Acreage Basis based on all the acreage of such Non-Drilling Party in the affected
19 Resulting Area (as defined in Subdivision B of Section 13.1). If the Drilling Party includes two or more
20 Parties, the burdens imposed upon and the benefits accruing to the Drilling Party shall be shared by such
21 Parties on an Acreage Basis among themselves.
22

23 **12.5 Reversion of Relinquished Interest.** If, as a result of any Drilling, Deepening,
24 Sidetracking, Plugging Back, or Completion operation conducted otherwise than for the account of all Parties
25 entitled to participate therein, a well (i) is completed as a producer of unitized substances; (ii) is a
26 Development Well or results in the establishment or enlargement of a participating area to include the well;
27 and (iii) there is included in the participating area any land within the Drilling Block for the well in which
28 a Non-Drilling Party owns a Committed Working Interest, then the operating rights and working interest
29 relinquished by such Non-Drilling Party shall revert to it at such time as the proceeds if sold, or the market
30 value if not sold but used off the premises, of that portion of the Production obtained from the well after the
31 relinquishment which is allocated to all the acreage of such Non-Drilling Party in the participating area in
32 which the well is completed (after deducting from the proceeds or market value all Lease Burdens and all
33 taxes upon or measured by Production) shall equal the total of the following:
34

35 A. **100%** of that portion of the Costs incurred in Equipping the well and in
36 operating the well during the period of time that would have been charged to such Non-Drilling
37 Party had the well been Drilled, Deepened, Sidetracked, Plugged Back, or Completed and
38 Equipped for the account of all Parties entitled to participate therein.
39

40 B. **400%** of that portion of the Costs incurred in Drilling, Deepening,
41 Sidetracking, Plugging Back, or Completing the well that would have been charged to such
42 Non-Drilling Party had the well been Drilled, Deepened, Sidetracked, Plugged Back, or
43 Completed and Equipped for the account of all Parties entitled to participate therein.
44

45 The Drilling Party shall be deemed to have recouped the Costs out of the proceeds or market value of that
46 portion of Production in the following order: first, the Costs allocated under Subdivision A of this
47 Section 12.5; second, the percentage of Costs in excess of 100% of the Costs allocated under Subdivision B
48 of this Section 12.5; and third, the first 100% of the Costs allocated under Subdivision B of this Section 12.5.
49 If, however, the operation conducted is a Deepening, Sidetracking, or Plugging Back operation, then (1) any
50 payment made to such Non-Drilling Party as its share of the Salvage Value of the well in accordance with
51 Section 12.3 shall be added to and deemed part of the Costs incurred under Subdivision A of this
52 Section 12.5, and (2) if such Non-Drilling Party did not participate in the initial Drilling of the well, but the

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1 Drilling Party did participate therein, and if the interest relinquished by such Non-Drilling Party upon the
2 initial Drilling of the well has not reverted to it before the Deepening, Sidetracking, or Plugging Back is
3 commenced, then as to Costs under Subdivision B of this Section 12.5, (i) where a Plugging Back is
4 conducted, there shall be added to and deemed part of the Costs incurred in the Plugging Back the then
5 unrecovered portion of the Costs incurred in the initial Drilling of the well down to the pool or zone in which
6 the well is completed as a producer of unitized substances as a result of the Plugging Back; (ii) where
7 Sidetracking is conducted, there shall be added to and deemed part of the Costs incurred in the Sidetracking
8 the then unrecovered portion of the Costs incurred in the initial Drilling of the well down to the point of
9 intentional deviation from vertical; and (iii) where Deepening is conducted, there shall be added to and
10 deemed part of the Costs incurred in the Deepening the then unrecovered portion of the Costs incurred in
11 Drilling the well prior to commencement of the Deepening.
12

13 **12.6 Effect of Reversion.** From and after reversion to a Non-Drilling Party of its
14 relinquished interest in a well, such Non-Drilling Party shall share, on an Acreage Basis, in the ownership
15 of the well, the operating rights and working interests therein, the materials and equipment in or pertaining
16 to the well, the Production therefrom, and the Costs of operating the well.
17

18 **12.7 Accounting Due Non-Drilling Party.** Upon relinquishment of the interest of a Non-
19 Drilling Party in a well and Production therefrom, Unit Operator shall furnish each Non-Drilling Party, upon
20 its request, all information referred to in Subdivision G of Section 16.1 and, in addition, the following:
21

22 A. An itemized statement of the Costs of the operation in which the Non-
23 Drilling Party did not participate; and
24

25 B. Until reversion occurs, a quarterly itemized statement of the Costs incurred
26 in operating the well, the quantity of Production obtained therefrom, the proceeds received from
27 the sale of such Production, or the market value thereof if not sold but used off the premises, and
28 any Lease Burdens and all ad valorem and severance taxes paid with respect thereto.
29

30 **12.8 Stand-By Rig Time.** Stand-by time for the rig on a well for the period of time
31 allowed for the initiation of a proposal for conducting further operations therein and for the response thereto
32 shall be charged and borne as part of the Costs incurred in the operation just completed. Stand-by time
33 subsequent to the period of time shall be charged to and borne as Costs incurred in the proposed operation
34 if any Party elects to participate therein; otherwise as a Cost incurred in the just completed operation.
35

36 **12.9 Subsequently Created Interests.** If a Party that creates a Subsequently Created
37 Interest becomes a Non-Drilling Party with respect to any operation conducted under this Agreement, then
38 the Drilling Party entitled to receive the share of Production to which the Non-Drilling Party would otherwise
39 be entitled shall receive the same free and clear of any such Subsequently Created Interest. Such Non-Drilling
40 Party shall be solely responsible for any obligations due under the Subsequently Created Interest and shall
41 hold the Drilling Party harmless with respect thereto.
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ARTICLE 13
ADJUSTMENT ON ESTABLISHMENT OR
CHANGE OF PARTICIPATING AREA

13.1 **Definitions.** As used in this Article 13 the following terms shall have the following meanings:

A. **“Drilling Party”** and **“Non-Drilling Party”** shall include **“Completing Party”** and **“Non-Completing Party”** and **“Participating Party”** and **“Non-Participating Party,”** respectively.

B. **“Resulting Area”** means the area resulting from the establishment of a participating area, any revision by contraction or enlargement of the participating area, or the combination of two or more participating areas.

C. **“Usable Well”** means a well within a Resulting Area that is either (1) completed in and capable of producing unitized substances from a pool or zone for which the Resulting Area was created or (2) used as a disposal well, injection well, or otherwise in connection with the production of unitized substances from such Resulting Area. For the purposes of this Article 13, all Costs of a Usable Well shall be deemed to have been incurred on the date the well was Completed.

D. **“Intangible Value”** of a Usable Well within a Resulting Area means all Costs that contribute to the production of unitized substances from the Resulting Area, that were incurred in Drilling, Completing, and Equipping the well, down to the pool or zone for which such Resulting Area was created, and that are properly classified as intangible costs in conformity with accounting practices generally accepted in the industry. Such Costs shall be reduced at the following rates for each month during any part of which the well was operated prior to the Effective Date of such Resulting Area:

(1) 0.5% per month for a cumulative total of 60 months, and

(2) None % per month for each month in excess of the cumulative total.

E. **“Tangible Property”** means any kind of tangible personal property (whether or not in or pertaining to a well) serving a Resulting Area that has been acquired for use in connection with the production of unitized substances from such Resulting Area or any portion thereof when the cost of the property has been charged as Costs pursuant to this Agreement.

F. **“Tangible Value”** means the Costs incurred in the construction or installation of Tangible Property (except installation costs properly classified as intangible costs incurred in connection with a well), reduced, in the case of depreciable Tangible Property (as determined by generally accepted accounting practices), at the rate of 0.5 % per month for each month during any part of which the well has been operated prior to the Effective Date of such Resulting Area.

G. **“Effective Date”** of a Resulting Area is the date the establishment, revision, or combination of a participating area creating such Resulting Area becomes effective under the Unit Agreement.

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1 H. "Excluded Interest" means a Committed Working Interest in land excluded
2 from a participating area by contraction of the participating area.
3

4 I. "Value" of a Usable Well is the sum of the Intangible Value of the well and
5 the Tangible Value of the Tangible Property in or pertaining thereto.
6

7 **13.2 When Adjustment Made.** Whenever a Resulting Area occurs under the Unit
8 Agreement, an adjustment shall be made in accordance with the provisions of this Article 13, as of the
9 Effective Date of such Resulting Area.
10

11 **13.3 Method of Adjustment on Establishment or Enlargement of a Participating**
12 **Area.** As promptly as reasonably practicable after the Effective Date of a Resulting Area created by the
13 establishment or enlargement of a participating area or the combination of two or more participating areas,
14 and effective as of the Effective Date, an adjustment shall be made as follows:
15

16 A. The Intangible Value of each Usable Well within such Resulting Area on
17 the Effective Date thereof shall be credited proportionately to each Party owning an interest in
18 the well immediately prior to the Effective Date. Except as provided in Section 13.6, the
19 Intangible Value of each Usable Well shall be charged to all Parties within the Resulting Area
20 on an Acreage Basis.
21

22 B. The Tangible Value of each item of Tangible Property serving the Resulting
23 Area on the Effective Date thereof shall be credited proportionately to the Parties owning the
24 item immediately prior to the Effective Date. Except as provided in Section 13.6, the Tangible
25 Value of the Tangible Property serving the Resulting Area shall be charged to all Parties within
26 the Resulting Area on an Acreage Basis.
27

28 C. If a Resulting Area, on the Effective Date thereof, is served by any Tangible
29 Property or Usable Well that also serves a participating area not included in the Resulting Area,
30 the Tangible Value of such Tangible Property and the Intangible Value of such Usable Well
31 shall be apportioned between such Resulting Area and the participating area; provided the
32 apportionment receives the Approval of the Parties in the Resulting Area and the participating
33 area. That portion of the Tangible Value of such Tangible Property and the Intangible Value of
34 such Usable Well that is apportioned to the Resulting Area shall be included in the adjustment
35 made as of the Effective Date of such Resulting Area in the same manner as is the Tangible
36 Value of Tangible Property serving only the Resulting Area.
37

38 D. Separate adjustments shall be made by Unit Operator in the above credits
39 and charges for (i) the Intangible Value of each Usable Well and (ii) the Tangible Value of
40 Tangible Property. Except as provided in Section 13.7, on each adjustment, each Party that is
41 charged an amount in excess of the amount credited to it shall pay to Unit Operator the amount
42 of the excess, which shall be considered as Costs chargeable to such Party for purposes of this
43 Agreement. Each such amount received by Unit Operator shall be distributed or credited to the
44 Parties entitled to credits in excess of charges.
45

46 **13.4 Method of Adjustment on Contraction of a Participating Area.** As promptly as
47 reasonably practicable after the Effective Date of a Resulting Area created by contraction of a participating
48 area, an adjustment shall be made for each Party that owns an Excluded Interest as follows:
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50
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1 A. Separate adjustments for Intangible Value and Tangible Value shall be made
2 in accordance with Section 13.4.B and Section 13.4.C.
3

4 B. Credits and charges with respect to Intangible Value shall be as follows:
5 (1) Each Party that owns an Excluded Interest shall be credited with the sum of (a) the total
6 charges against such Party with respect to such Excluded Interest, pursuant to the provisions of
7 Exhibit 1, as intangible Costs incurred in the development and operation of the participating area
8 prior to the Effective Date of such Resulting Area, and (b) the total charges against such Party
9 with respect to such Excluded Interest as Intangible Value of each Usable Well in the Resulting
10 Area in any previous adjustment or adjustments made upon the establishment or revision of the
11 participating area. (2) Each Party that owns an Excluded Interest shall be charged with the sum
12 of (a) the proceeds received from the sale of, or market value of, that portion of the Production
13 from the participating area which, prior to the Effective Date of the contraction, was delivered
14 to such Party with respect to such Excluded Interest, less the amount of Lease Burdens and taxes
15 paid or payable on said portion of Production, and (b) the total amount credited to such Party
16 with respect to such Excluded Interest as Intangible Value of each Usable Well in any previous
17 adjustment. Any difference between the amount of the charge and the amount of the credit shall
18 be adjusted as hereinafter provided.
19

20 C. Credits and charges with respect to Tangible Value shall be as follows:
21 (1) Each Party that owns an Excluded Interest shall be credited with the sum of (a) the total
22 amount theretofore charged against such Party with respect to such Excluded Interest, pursuant
23 to the provisions of Exhibit 1, as Costs other than intangible Costs incurred in the development
24 and operation of the participating area prior to the effective date of the contraction, (b) the total
25 amount charged against such Party with respect to its Excluded Interest as Tangible Value of
26 Tangible Property in any previous adjustment or adjustments made upon the establishment or
27 revision of the participating area, and (c) the excess, if any, of the credit provided for in
28 Subdivision B of this Section 13.4 over the charge provided for therein. (2) Each Party that
29 owns an Excluded Interest shall be charged with the sum of (a) the excess, if any, of the charge
30 provided for in Subdivision B of this Section 13.4 over the credit provided for therein, and
31 (b) the total amount credited to such Party with respect to its Excluded Interest as Tangible
32 value of Tangible Property in any previous adjustment or adjustments made upon the
33 establishment or revision of the participating area.
34

35 D. If the charge provided for in Subdivision C of this Section 13.4 is equal to
36 or greater than the credit provided for therein, no adjustment shall be made with respect to such
37 Party. If, however, the credit provided for in Subdivision C of Section 13.4 is in excess of the
38 charge provided for therein, the excess shall be charged on an Acreage Basis against the
39 Committed Working Interests of the Parties that remain in the participating area after the
40 contraction and, except as provided in Section 13.7, shall be paid by the owners of such
41 Committed Working Interests to Unit Operator upon receipt of invoices therefor. The payments
42 received by Unit Operator shall be paid or credited to the owner of such Excluded Interest.
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44 **13.5 Ownership of Wells and Tangible Property.** From and after the Effective Date of
45 a Resulting Area, all Usable Wells within the Resulting Area and all Tangible Property serving the Resulting
46 Area shall be owned by the Parties owning Committed Working Interests in the Resulting Area on an Acreage
47 Basis, except that (a) in the case of Tangible Property serving a participating area in addition to the
48 participating area constituting the Resulting Area, only that undivided interest in such Tangible Property
49 which is proportionate to that portion of the Tangible Value thereof included in the adjustment
50 made when the Resulting Area occurred shall be owned by the Parties owning Committed Working Interests
51 in the Resulting Area on an Acreage Basis, and (b) if a Party owning a Committed Working Interest in the
52 Resulting Area was a Non-Drilling Party in a Usable Well within the Resulting Area on the Effective Date

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1 thereof, and the relinquished interest of such Non-Drilling Party in the well that was relinquished by it
2 pursuant to Section 12.3 is owned by the Drilling Party pursuant to Section 12.4 and has not reverted to the
3 Non-Drilling Party prior to the Effective Date, the Drilling Party for the well shall own the interest therein
4 until reversion of the relinquished interest to such Non-Drilling Party.
5

6 **13.6 Relinquished Interest of Non-Drilling Parties.** If an interest was relinquished by
7 a Non-Drilling Party in a well pursuant to Section 12.3 that has not reverted to it and is owned by a Drilling
8 Party pursuant to Section 12.4 and the well is a Usable Well within a Resulting Area on the Effective Date
9 thereof, the adjustments provided for in Section 13.3 insofar, but only insofar, as they relate to the well shall
10 be subject to the following provisions:
11

12 A. The Drilling Party for the well shall be charged with that portion of the
13 Value of the well that would otherwise be chargeable to such Non-Drilling Party's Committed
14 Working Interest in the Resulting Area.
15

16 B. The Drilling Party for the well shall be credited with that portion of the
17 Value of the well that would otherwise be credited to such Non-Drilling Party's Committed
18 Working Interest in the Resulting Area if it had participated in the drilling of the well.
19

20 C. If the portion of the Value of the well charged to the Drilling Party for the
21 interest relinquished by the Non-Drilling Party exceeds the portion of the Value of the well
22 credited to the Drilling Party for the interest relinquished by the Non-Drilling Party, the excess
23 shall be considered to be an operating Cost and shall increase the reimbursement to which the
24 Drilling Party is entitled out of Production that would otherwise accrue to such Non-Drilling
25 Party. If the portion of the Value of the well credited to the Drilling Party for the Non-Drilling
26 Party's relinquished interest exceeds the portion of the Value of the well charged to the Drilling
27 Party for the Non-Drilling Party's relinquished interest, the excess shall decrease the
28 reimbursement to which the Drilling Party is entitled out of Production that would otherwise
29 accrue to such Non-Drilling Party. If less than all of the excess of Value credited to the Drilling
30 Party results in full reimbursement, the balance of the excess shall be paid or credited to such
31 Non-Drilling Party by Unit Operator.
32

33 **13.7 Election to be Carried on an Adjustment Charge.** In the event a Party is required
34 to make payment to the Unit Operator under Subdivision D of Section 13.3 or Subdivision D of Section 13.4,
35 such Party may elect to be a non-paying Party in lieu of making the payment and shall thereby be deemed
36 to have relinquished all its operating rights and working interests in the Resulting Area and the Production
37 allocated to all the acreage of the non-paying Party in the Resulting Area to the Party or Parties to whom the
38 payment should be made. The relinquishment shall include all of non-paying Party's Voting Rights on any
39 matter concerning the Resulting Area. The election must be made in writing within 30 days after the Unit
40 Operator furnishes the Party having the election a written summary of the charges and credits attributable to
41 its interest pursuant to this Article 13. The relinquished interest shall revert to the non-paying Party at such
42 time as the proceeds of the Production, if sold, or the market value if not sold but used off the premises,
43 attributable thereto (after deducting therefrom all Lease Burdens and all taxes upon or measured by such
44 Production, all operating costs incurred in operating the wells in the Resulting Area existing at the time of
45 relinquishment and all costs of transporting such Production) equals 500 % of the otherwise
46 required payment.
47
48

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ARTICLE 14
SUPERVISION OF OPERATIONS BY PARTIES

14.1 **Right of Supervision.** Each operation conducted by Unit Operator under this Agreement, or the Unit Agreement shall be subject to supervision and control by the Parties that are chargeable with the Costs thereof in accordance with the succeeding provisions of this Article 14.

14.2 **Voting Control.** In the supervision of an operation conducted by Unit Operator, the Parties chargeable with the Costs of the operation shall have the right to vote in proportion to their respective obligations for such Costs. The Parties having the right to vote on any other matter shall vote thereon on an Acreage Basis. Except as provided for in the Unit Agreement and except as otherwise specified in this Agreement the affirmative vote of Parties having 65 % or more of the voting power on any matter that is proper for action by them shall be binding upon all Parties entitled to vote thereon; provided, however, if one Party voting in the affirmative has 65 % or more but less than 75 % of the voting power, the affirmative vote of such Party shall not be binding upon the Parties entitled to vote thereon unless its vote is supported by the affirmative vote of at least one additional Party; and provided further, that if one Party voting in the negative or failing to vote has more than 35 % but less than 50% of the voting power, the affirmative vote of the Parties having a majority of the voting power shall be binding upon all Parties entitled to vote unless there is a negative vote of at least one additional Party. In the event only two Parties are entitled to vote, the vote of the one with the greater interest shall prevail. If only one Party is entitled to vote, such Party's vote shall control. A Party failing to vote shall not be deemed to have voted either in the affirmative or in the negative. Any Approval or Direction provided for in this Agreement which receives the affirmative vote above specified shall be deemed given by and shall be binding upon all Parties entitled to vote thereon, except where the vote of a larger percentage is specifically required.

14.3 **Meetings.** Any matter that is proper for consideration by the Parties, or any of them, may be considered at a meeting held for that purpose. A meeting may be called by Unit Operator at any time, and a meeting shall be called by Unit Operator upon written request of any Party having voting power on any matter to be considered at the meeting. At least 10 days in advance of each meeting, Unit Operator shall give each Party entitled to vote at such meeting notice of the time, place, and purpose of the meeting. Unit Operator's representative shall be the Chairman of the meeting. Any Party that is not represented at a meeting may vote on any agenda item by notice delivered to Unit Operator prior to the vote at the meeting.

14.4 **Action Without Meeting.** In lieu of calling a meeting, Unit Operator may submit any matter that is proper for consideration by the Parties, or any of them, by giving to each Party notice, describing in adequate detail the matter so submitted. Each Party entitled to vote on any matter so submitted shall communicate its vote thereon to Unit Operator within the period as may be designated in the notice given by Unit Operator (which period shall be not less than 10 nor more than 30 days); provided, however, if, within 10 days after submission of the matter, request is made for a meeting in accordance with Section 14.3, the matter shall be considered only at a meeting called for that purpose. If a meeting is not required, then, at the expiration of the period designated in the notice given by it, Unit Operator shall give to each Party entitled to vote thereon notice, stating the tabulation and result of the vote.

14.5 **Representatives.** Promptly after execution of this Agreement, each Party, by notice to all other Parties, shall designate a representative authorized to vote for such Party and may designate an alternate authorized to vote for such Party in the absence of its representative. Any designation of a representative or alternate representative may be revoked at any time by notice given to all other Parties, provided the notice designates a new representative or alternate representative, as the case may be.

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1 **15.5 Use of Unit Operator's Drilling Equipment.** Any Drilling, Deepening,
 2 Sidetracking, or Plugging Back operation conducted hereunder may be conducted by Unit Operator with its
 3 own tools and equipment, provided that the rates to be charged and the applicable terms and conditions are set
 4 forth in a drilling contract that receives the Approval of the Party or Parties chargeable with the Costs of the
 5 operation, except that in any case where Unit Operator alone constitutes the Drilling Party, Unit Operator shall
 6 obtain the Approval of the Parties within the participating area or other designated area for the well prior to
 7 the commencement of the operation.

8
 9 **15.6 Rights as Party.** As an owner of a Committed Working Interest, the Party acting as
 10 Unit Operator shall have the same rights and obligations hereunder as if it were not Unit Operator. In each
 11 instance where this Agreement requires or permits a Party to give notice, consent, or approval to Unit
 12 Operator, the notice, consent, or approval shall be deemed properly given by the Party acting as Unit Operator
 13 if and when given to all other Parties entitled to give or receive the notice, consent, or approval.

14
 15
 16 **ARTICLE 16**
 17 **UNIT OPERATOR'S DUTIES**

18
 19 **16.1 Specific Duties.** In the conduct of operations hereunder, Unit Operator shall:

20
 21 **A. Conduct.** Unit Operator shall conduct its activities under this Agreement
 22 as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and
 23 dispatch, in accordance with good oilfield practice.

24
 25 **B. Drilling of Wells.** Drill, Deepen, Sidetrack, Plug Back, or Complete a well
 26 or wells only in accordance with the provisions of this Agreement.

27
 28 **C. Compliance with Laws and Agreements.** Comply with the provisions of
 29 the Unit Agreement, all applicable laws, and governmental regulations (whether Federal, State,
 30 or local), and Directions of the Parties pursuant to this Agreement. In case of conflict between
 31 Directions of the Parties and the provisions of the Unit Agreement or such laws or regulations,
 32 the provisions of the Unit Agreement or such laws or regulations shall govern.

33
 34 **D. Consultation with Parties.** Consult freely with the Parties within the area
 35 affected by any operation hereunder and keep them advised of all matters arising in operations
 36 hereunder which Unit Operator deems important, in the exercise of its best judgment.

37
 38 **E. Payment of Costs.** Pay all costs incurred in operations hereunder promptly
 39 as and when due and payable and keep the Committed Working Interests and all property used
 40 in connection with operations under this Agreement free from liens which may be claimed for
 41 the payment of such costs, except any lien which it disputes, in which event Unit Operator may
 42 contest the disputed lien upon giving notice thereof to the Parties affected thereby.

43
 44 **F. Records.** Maintain complete and accurate records (1) of all Costs incurred
 45 and of all controllable materials and equipment, which records, and receipts and vouchers in
 46 support thereof, shall be available for inspection by authorized employees or agents of the
 47 Parties at reasonable intervals during normal business hours at the office of Unit Operator, and
 48 (2) showing the monthly and cumulative gas volumes produced from each participating area in
 49 the Unit and the monthly and cumulative gas volumes taken for each Party's account from each
 50 participating area in the Unit, which records shall be available for inspection by authorized
 51 employees or agents of the Parties at reasonable intervals during normal business hours at the
 52 office of Unit Operator.

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1
2 **G. Information.** Furnish promptly to each Party chargeable with Costs of the
3 operation involved and to each additional Party that makes timely written request therefor
4 (1) copies of Unit Operator's authorizations for expenditures or itemizations of estimated
5 expenditures in excess of \$ 50,000.00 , (2) copies of all
6 drilling reports, well logs, and State and Federal reports, (3) samples of cores and cuttings taken
7 from wells Drilled hereunder, to be delivered at the well in containers furnished by the Party
8 requesting same, and (4) such other and additional information or reports as may be required
9 by Direction of the Parties within the area affected. If multiple copies of any materials are
10 requested by any Party, Unit Operator may charge the cost thereof directly to the requesting
11 Party.

12
13 **H. Access to Unit Area.** Permit each Party, participating in each well Drilled,
14 Deepened, Plugged Back, Reworked, Sidetracked or Completed or being Drilled Deepened,
15 Sidetracked, Reworked or Plugged Back hereunder, through its authorized employees or
16 agents, but at such Party's sole risk and expense, to have access to the Unit Area at all times,
17 including the derrick floor of each well Drilled, Deepened, Plugged Back, Sidetracked, or
18 Completed or being Drilled, Deepened, Sidetracked, or Plugged Back hereunder, for the purpose
19 of observing operations conducted hereunder and inspecting materials, equipment, or other
20 property used in connection with such Drilling, Deepening, Plugging Back, Reworking,
21 Sidetracking or Completion operations under this Agreement and to have access at reasonable
22 times to information and data in the possession of Unit Operator concerning Unit operations
23 in which such Party is a Participating Party. Any Party accessing the Unit Area shall follow
24 and comply with the Unit Operator's safety rules, regulations, and operating policies at all times.
25

26 **I. Scheduling and Delivery of Gas Production Taken In Kind.** To the extent
27 not addressed in a gas balancing agreement, whether attached as Exhibit 6 or a separate
28 agreement, if any, Unit Operator shall comply with the reasonable requests of the Parties
29 regarding the nomination, scheduling, delivery, and reporting of gas Production that a Party
30 desires to take in kind. Unit Operator shall be required to follow only those requests that are
31 consistent with the rights of the Party making such requests. Notwithstanding the foregoing,
32 Unit Operator shall not be required to assume any duties or obligations or incur additional
33 liabilities in relation to any person buying, shipping, or transporting Production.
34

35 **J. Notice of First Gas Sale From Each Well.** Unit Operator shall give notice
36 to all Parties of the first sale of gas from each well operated under the terms of this Agreement.
37

38 **16.2 Insurance.**

39
40 **A. Unit Operator's.** Unit Operator shall comply with the worker's
41 compensation law of the state in which the Unit Area is located. Unit Operator shall also
42 maintain in force at all times with respect to operations hereunder such other insurance, if any,
43 as may be required by law. In addition, Unit Operator shall maintain such other insurance, if
44 any, as is described in Exhibit 3 or as receives the Approval of the Parties from time to time.
45 Unit Operator shall carry no other insurance for the benefit of the Parties, except as above
46 specified. Upon request of any Party, Unit Operator shall furnish evidence of insurance carried
47 by it with respect to operations hereunder.
48

49 **B. Contractors'.** Unit Operator shall require all contractors engaged in
50 operations under this Agreement to comply with the worker's compensation law of the state
51
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1 in which the Unit Area is located and to maintain such other insurance as may be required by
2 Unit Operator or at Direction of the Parties.
3

4 C. **Automotive Equipment.** In the event Automobile Public Liability insurance
5 is specified in Exhibit 3 or subsequently receives the Approval of the Parties, no direct charge
6 shall be made by Unit Operator for premiums paid for such insurance for Unit Operator's
7 automotive equipment.
8

9 **16.3 Regulatory Compliance.** In connection with the performance of work under this
10 Agreement, Unit Operator agrees to comply with the provisions of Exhibit 4. Unit Operator agrees to insert
11 such provisions in all contracts and subcontracts hereunder, as required by law or regulation.
12

13 **16.4 Drilling Contracts.** Each Drilling, Deepening, Sidetracking, Plugging Back, or
14 Completing operation conducted hereunder, and not performed by Unit Operator with its own equipment in
15 accordance with Section 15.5, shall be performed by a reputable drilling contractor having suitable equipment
16 and personnel, under written contract between Unit Operator and the contractor, at the most favorable rates
17 and on the most favorable terms and conditions bid, if bids were obtained, but otherwise at rates and on terms
18 and conditions receiving the Approval of the Parties.
19

20 **16.5 Uninsured Losses.** Any and all payments made by Unit Operator in the settlement
21 or discharge of any liability to third persons (whether or not reduced to judgment) arising out of an operation
22 conducted hereunder and not covered by insurance herein provided for shall be charged as Costs and borne
23 by the Party or Parties for whose account the operation was conducted.
24

25
26 **ARTICLE 17**
27 **LIMITATIONS ON UNIT OPERATOR**
28

29 **17.1 Specific Limitations on Unit Operator.** In the conduct of operations hereunder,
30 Unit Operator shall not, without first obtaining the Approval of the Parties:
31

32 A. **Change in Operations.** Make any substantial change in the basic method
33 of operation of any well, except in the case of an emergency.
34

35 B. **Limit on Expenditures.** Undertake any project reasonably estimated to
36 require an expenditure in excess of \$ 100,000.00; provided,
37 however, that (1) Unit Operator is authorized to make all usual and customary operating
38 expenditures that are required in the normal course of producing operations, (2) whenever Unit
39 Operator is authorized to conduct a Drilling, Completing, or Deepening, Sidetracking, or
40 Plugging Back operation, or to undertake any other project in accordance with this Agreement,
41 Unit Operator shall be authorized to make all reasonable and necessary expenditures in
42 connection therewith, and (3) in case of emergency, Unit Operator may make such immediate
43 expenditures as may be necessary for the protection of life or property, but notice of the
44 emergency shall be given to all Parties as promptly as reasonably practicable.
45

46 C. **Partial Relinquishment.** Make any partial relinquishment of its rights as
47 Unit Operator, appoint any sub-operator, or execute any Designation of Agent.
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D. Settlement of Claims. Pay in excess of \$ 100,000.00 in settlement of any claim (other than worker's compensation claims) for injury to or death of persons or for loss of or damage to property.

E. Determinations. Make any of the determinations provided in the Unit Agreement to be made by Unit Operator, except as otherwise specified in this Agreement.

17.2 Resignation or Removal and Selection of a Successor Unit Operator. The following provisions shall govern the resignation or removal of Unit Operator and the selection of a successor:

A. Resignation. Unit Operator may resign at any time either prior to or after the establishment of a participating area upon compliance with the provisions of Section 5 of the Unit Agreement. If Unit Operator terminates its legal existence, no longer owns a Committed Working Interest in the Unit Area, or is no longer capable of serving as Unit Operator, Unit Operator shall be deemed to have resigned without any action of the other Parties, except the selection of a successor, and Unit Operator shall, and any Party may, give notice of the resignation to the Authorized Officer as provided in Section 5 of the Unit Agreement.

B. Removal. Upon default or failure in performance of its duties or obligations under the Unit Agreement, Unit Operator may be removed by the Approval of the Parties after excluding the voting interest of the Unit Operator, and the Parties shall, or any Party may, promptly give written notice to the Unit Operator of such Approval of the Parties to remove the Unit Operator detailing the default or failure in performance. If Unit Operator fails to cure the default or failure within 30 days from its receipt of the notice or, if the default or failure concerns an operation then being conducted, within 48 hours of its receipt of the notice, Unit Operator shall be removed without any further action on behalf of the Parties and any Party may give notice thereof to the Authorized Officer as provided in Section 5 of the Unit Agreement. If, however, Unit Operator cures the default or failure within the applicable period, Unit Operator shall be deemed reinstated, and the Approval of the Parties shall be of no force or effect.

C. Selection of Successor. Upon the resignation or removal of Unit Operator under any provision of this Agreement or the Unit Agreement, a successor Unit Operator shall be selected by the Approval of the Parties; provided, however, if a Unit Operator that has been removed or is deemed to have resigned but owns a Committed Working Interest fails to vote or votes only to succeed itself, the successor Unit Operator shall be selected by the Approval of the Parties after excluding the voting interest of the Unit Operator that was removed or deemed to have resigned. The selection of the successor Unit Operator shall become effective upon compliance with the requirements of Section 6 of the Unit Agreement.

D. Effect of Bankruptcy. If Unit Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by the Parties, except the selection of a successor. If a petition for relief under the bankruptcy laws is filed by or against Unit Operator, and the removal of Unit Operator is prevented by the bankruptcy laws, all Parties including Unit Operator shall, subject to approval of the Authorizing Officer, comprise an interim operating committee to serve until Unit Operator has elected to reject or assume this Agreement pursuant to the bankruptcy laws. An election to reject this Agreement

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1 by Unit Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a
2 resignation as Unit Operator without any action by the other Parties, except the selection of
3 a successor.
4

5 **E. Appointment of Common Agent.** In the event Unit Operator resigns or is
6 removed after establishment of a participating area, a common agent shall be appointed by the
7 Approval of the Parties to represent them in any action to be taken under the Unit Agreement
8 prior to the acceptance of a successor by the Authorizing Officer as provided in the Unit
9 Agreement; provided, however, if a Unit Operator that has been removed or has resigned fails
10 to vote or votes only for itself as common agent, the common agent shall be appointed by the
11 Approval of the Parties after excluding the voting interest of the Unit Operator that was
12 removed or deemed to have resigned.
13

14
15 **ARTICLE 18**
16 **TITLES**
17

18 **18.1 Representation of Ownership.** Each Party represents to all other Parties that, to the
19 best of its knowledge and belief, its ownership of Committed Working Interests in the Unit Area is that set
20 out in Exhibit B to the Unit Agreement. If it develops that the ownership is incorrectly stated, the rights and
21 responsibilities of the Parties shall be governed by the provisions of this Article 18, but the incorrect
22 statement shall not be a cause for canceling or terminating this Agreement.
23

24 **18.2 Title Papers to be Furnished.**
25

26 **A. Lease Papers.** Upon Unit Operator's request, each Party, after executing this
27 Agreement, shall promptly furnish Unit Operator with copies of all leases, assignments, options,
28 and other contracts which it has in its possession relating to title to its Committed Working
29 Interests.
30

31 **B. Title Papers for Initial Test Well.** Within 30 days after the effective date
32 of this Agreement each Party within the area described as the title examination area in Exhibit 2
33 shall, at its own expense but without responsibility for the accuracy thereof, furnish Unit
34 Operator with the following title materials then in its possession or control relating to all lands
35 within such area in which it owns Committed Working Interests:
36

37 (1) Abstracts of title based upon the County records;
38

39 (2) All lease papers, or copies thereof, mentioned in Subdivision A of
40 this Section 18.2 which the Party has in its possession and which have not been
41 previously furnished to Unit Operator;
42

43 (3) Copies of any title opinions which the Party has in its possession;
44

45 (4) If Federal lands are involved, status reports, setting forth the entries
46 found in the BLM State Office for such lands, and also certified copies of the serial
47 register pages and case abstracts for the Federal leases involved;
48

49 (5) If State lands are involved, status reports, setting forth the entries
50 found in the State records for such lands; and
51

52 (6) If Indian lands are involved, status reports, setting forth the entries
found in the Bureau of Indian Affairs Agency Realty Office having jurisdiction over

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1 such lands and in the Bureau of Indian Affairs Land Titles and Records Office
2 having jurisdiction over such lands.
3

4 **C. Title Papers for Subsequent Wells.** Any Party that proposes the Drilling of
5 a Subsequent Test Well or Exploratory Well shall, at the time of giving notice for the
6 proposed well, designate a title examination area not exceeding 1,280.00 acres
7 and not including any lands within a participating area. When the Drilling of a Development
8 Well receives the Approval of the Parties within the participating area in which it is to be
9 Drilled, a title examination area covering lands outside any participating area may be designated
10 by the Approval of said Parties. Within 30 days of the designation or Approval, each Party
11 within the title examination area shall, at its own expense, furnish Unit Operator with the title
12 materials listed in Subdivision B of this Section 18.2 not previously furnished, relating to all
13 lands within the area in which it owns Committed Working Interests.
14

15 **D. Title Papers on Establishment or Enlargement of a Participating Area.**
16 Within 30 days after the establishment or the enlargement of a participating area, each Party
17 shall furnish Unit Operator all the title materials in its possession or control listed in
18 Subdivision B of this Section 18.2 not previously furnished, relating to all its Committed
19 Working Interests in the lands lying within the participating area as established or enlarged.
20

21 **18.3 Title Examination.** Promptly after all title materials delivered pursuant to
22 Section 18.2 have been received, Unit Operator shall deliver the same to an attorney or attorneys approved
23 by the Parties within the title examination area. At the expiration of the 30-day period in which the Parties
24 are required to furnish materials pursuant to Section 18.2, the Unit Operator shall obtain any title materials
25 not so furnished by the Parties necessary or convenient for the examination of title. All costs of obtaining
26 such title materials shall be borne by the Party or Parties owning the Committed Working Interest to which
27 the title materials relate on a tract basis. Unit Operator shall arrange to have such title materials examined
28 promptly by the attorney or attorneys and shall distribute copies of title opinions to all Parties within the title
29 examination area as soon as they are received. Each Party shall be responsible, at its expense, for curing its
30 own titles. After a reasonable time, not exceeding 30 days from the distribution of the title opinions, has been
31 allowed for any necessary curative work, Unit Operator shall submit to each Party written recommendations
32 for approval or disapproval of the title to each Committed Working Interest involved, and thereafter the
33 Parties shall advise Unit Operator in writing, within 15 days after receipt of the recommendations, of approval
34 or disapproval of titles.
35

36 **18.4 Option for Additional Title Examination.** Any Party that furnishes materials for
37 title examination pursuant to Section 18.2 shall have the right to examine all materials furnished Unit
38 Operator. If additional, independent title examination is elected, it shall be at the sole cost and expense of the
39 Party electing to perform the same; and such Party shall bear any expense that may be necessary to reproduce
40 title materials for its use, if required. Whether or not additional title examination is elected, each Party shall
41 have the right to approve or disapprove titles according to the provisions of this Article 18.
42

43 **18.5 Approval of Titles Prior to Drilling.** Where the Committed Working Interests
44 within a title examination area are owned by more than one Party, no Drilling shall be conducted in the area
45 until titles to the Committed Working Interests therein have received the Approval of the Parties as
46 hereinafter in this Section 18.5 provided. If a Drilling Block has been designated for the Drilling of a well, the
47 well shall not be Drilled until titles to the Committed Working Interests within the title examination area
48 established for the well have received the Approval of the Parties within the Drilling Block for the well.
49 Approval of title to lands within a Drilling Block shall be binding upon all Parties owning Committed
50 Working Interests within the Drilling Block. If lands outside a participating area are included in the title
51 examination area for a Development Well, the well shall not be Drilled until titles to the Committed Working
52 Interests within the title examination area have received the Approval of the Parties therein. In the event

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1 Approval of the Parties is not obtained as provided in this Section 18.5, the Drilling Party (whether one or
2 more) may proceed with the Drilling of the well; but such Drilling Party (a) shall, by so proceeding, assume
3 all risk attending the failure to obtain such approval to the same extent as if approval of titles to all lands
4 within the Drilling Block (if one has been established) or within the title examination area (in all other
5 instances) had been obtained, and (b) shall also be deemed to have given its approval to the titles to all lands
6 within the Drilling Block (if one has been established) or within the title examination area (in all other
7 instances).
8

9 **18.6 Approval of Titles Prior to Inclusion of Land in a Participating Area.** Where the
10 Committed Working Interests within a participating area are owned by more than one Party, no Committed
11 Working Interest shall be included within the participating area or be entitled to participate in the Production
12 of unitized substances from the participating area until title to such Committed Working Interest has received
13 the Approval of the Parties within the participating area. Approval of titles to lands within a participating area
14 shall be binding upon all Parties within the participating area and all Parties coming within such participating
15 area upon any enlargement thereof.
16

17 **18.7 Failure of Title to Committed Working Interest Before Approval.** If title to a
18 Committed Working Interest shall fail in whole or in part prior to receiving the Approval of the Parties, the
19 Parties that improperly claimed the interest shall sustain the entire loss occasioned by the failure of title and
20 do hereby expressly relieve and indemnify Unit Operator and all other Parties from and against any and all
21 liability on account thereof.
22

23 **18.8 Failure of Title to Committed Working Interest After Approval.** If title to a
24 Committed Working Interest which has received the Approval of the Parties under Section 18.5 fails in whole
25 or in part at a time when the tract affected thereby is within an active Drilling Block or within a Drilling
26 Block upon which a well has been completed otherwise than as a producer of unitized substances in Paying
27 Quantities, or if title to a Committed Working Interest which has received the Approval of the Parties under
28 Section 18.6 fails in whole or in part at a time when the tract affected thereby is within a participating area,
29 then:
30

31 A. The loss, the cost of litigation, and any ensuing liability shall be borne by
32 ~~the Parties having interests in the affected participating area or Drilling Block including~~ the
33 Party whose Committed Working Interest has been lost and including the acreage of such
34 Committed Working Interest;

35 B. ~~There shall be relinquished to the Party whose Committed Working Interest~~
36 ~~has been lost the proportionate part of each of the other Committed Working Interests in the~~
37 ~~lands within the affected participating area or Drilling Block, subject to a like proportion of their~~
38 ~~respective Lease Burdens, as may be necessary to make the loss of such Committed Working~~
39 ~~Interest a joint loss of the Parties within the participating area or Drilling Block; and~~
40

41 *If the proportionate interest of the other Parties hereto in any Drilling Block*
42 *or participating area is increased by reason of the title failure, the Party who bore the costs*
43 *incurred in connection with such Drilling Block or participating area interest which has failed*
44 *shall receive the proceeds attributable to the increase in such interest (less costs and burdens*
45 *attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection*
46 *with such Drilling Block or participating area attributable to such failed Lease or interest.*
47

48 C. The relinquished portions of said Committed Working Interests (subject to
49 their proportionate part of the Lease Burdens attributable thereto) shall be deemed owned by the
50 Party receiving same once the Party whose title failed has received the proceeds attributable to
51 its forfeited interest.

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**ARTICLE 21
TAXES**

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21.1 Payment. Any and all ad valorem and severance taxes payable upon Committed Working Interests (and upon Lease Burdens which are not payable by the owners thereof) or upon materials, equipment, or other property acquired and held by Unit Operator hereunder, and any and all taxes (other than income taxes) upon or measured by unitized substances produced from the Unit Area which are not payable by the purchaser or purchasers thereof or by the owner of Lease Burdens shall be paid by Unit Operator as and when due and payable.

21.2 Apportionment. Taxes upon materials, equipment, and other property acquired and held by Unit Operator hereunder shall be charged to and borne by the Parties owning the same in proportion to their respective interests therein. All taxes paid by Unit Operator upon or measured by the value of Production shall be charged to and borne by the Parties taking and selling the same in the same proportions as the assessed values of their respective portions of the Production bear to the whole thereof. All other taxes paid by Unit Operator shall be charged to and borne by the Parties in proportion to their ownership in the Committed Working Interests or unitized substances (as the case may be) upon which or with respect to which such taxes are paid. All reimbursements from owners of Lease Burdens, whether obtained in cash or by deduction from Lease Burdens, on account of any taxes paid for such owners shall be paid or credited to the Parties in the same proportions as such taxes were charged to such Parties.

21.3 Transfer of Interests. In the event of a transfer by one Party to another under the provisions of this Agreement of any Committed Working Interest or of any other interest in any well or in the materials and equipment in any well, or in the event of the reversion of any relinquished interest as in this Agreement provided, the taxes above mentioned assessed against the transferred or reverted interest for the taxable period in which the transfer or reversion occurs shall be apportioned among said Parties so that each shall bear the percentage of the taxes which is proportionate to that portion of the taxable period during which it owned the interest.

21.4 Notices and Returns. Each Party shall promptly furnish Unit Operator with copies of all notices, assessments, levies, or tax statements it receives pertaining to the taxes to be paid by Unit Operator. Unit Operator shall make such returns, reports, and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the Parties upon request. Unit Operator shall notify the Parties of any tax which it does not propose to pay before the tax becomes delinquent.

21.5 Election. If, for federal income tax purposes, this Agreement and the operations hereunder are regarded as a partnership, and if the Parties have not otherwise agreed to form a tax partnership pursuant to Exhibit 7 or other agreement between them, each Party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is authorized and directed to execute on behalf of each Party hereby affected such evidence of this election as 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, all of the returns, statements, and the data required by Treasury Regulations § 1.761. Should there be any requirement that each Party hereby affected give further evidence of this election, each Party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No Party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located, or any future income tax laws of the United States contain provisions similar

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1 to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that
2 provided by Section 761 of the Code is permitted, each Party thereby affected shall make such election as
3 may be permitted or required by such laws. In making the foregoing election, each Party states that the
4 income derived from operations hereunder can be adequately determined without the computation of
5 partnership taxable income.
6
7

8 **ARTICLE 22**
9 **WITHDRAWAL OF TRACTS AND UNCOMMITTED INTERESTS**

10
11 **22.1 Right of Withdrawal.** If the owner of any substantial interest in a tract within the
12 Unit Area fails or refuses to join in the Unit Agreement, then the tract may be withdrawn from the Unit
13 Agreement, as provided in the Unit Agreement.
14

15 **22.2 Non-Withdrawal.** Should the Party or Parties having the right under the Unit
16 Agreement to withdraw a tract from the Unit Agreement fail to exercise such right, then all payments and
17 liabilities accruing to the owners of uncommitted interests in the tract shall be paid and borne by such Party
18 or Parties.
19

20
21 **ARTICLE 23**
22 **COMPENSATORY ROYALTIES**
23

24 **23.1 Notice.** Whenever demand is made in accordance with the Unit Agreement for the
25 payment of compensatory royalties, Unit Operator shall give notice thereof to each Party affected by the
26 demand.
27

28 **23.2 Demand for Failure to Drill a Development Well.** If the demand for compensatory
29 royalties results from the failure to have Drilled a Development Well and the well is not Drilled, then Unit
30 Operator shall pay the compensatory royalties. The payment shall be charged as Costs incurred in operations
31 within the participating area involved.
32

33 **23.3 Demand for Failure to Drill a Well Other Than a Development Well.** If the
34 demand for compensatory royalties results from the failure to have Drilled a well other than a Development
35 Well and the well is not Drilled, then Unit Operator shall pay the compensatory royalties. The payment shall
36 be chargeable to and borne by the Parties that would be obligated to bear the Costs of the well if the well were
37 Drilled as a Required Well under Subdivision B of Section 10.4.
38
39

40 **ARTICLE 24**
41 **SEPARATE MEASUREMENT AND SALVAGE**
42

43 **24.1 Separate Measurement.** If a well completed as a producer of unitized substances
44 is in or becomes included in a participating area but is not owned on an Acreage Basis by all the Parties
45 within the participating area, such as by way of example and not limitation, a well drilled under Article 12,
46 and if, within 30 days after request therefor by any interested Party, a method of measuring the Production
47 from the well without the necessity of additional facilities does not receive the Approval of the Parties, then
48 Unit Operator shall install such additional tankage, flow lines, or other facilities for separate measurement
49 of the unitized substances produced from the well as Unit Operator may deem necessary. The Costs of the
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1 facilities for separate measurement shall be charged to and borne by the Drilling Party for the well and treated
2 as Costs incurred in operating the well, notwithstanding any other provisions of this Agreement.
3

4 **24.2 Salvaged Materials.** If any materials or equipment are salvaged from a well
5 completed as a producer after being Drilled, Deepened, Plugged Back, Sidetracked, or Completed otherwise
6 than for the account of all the Parties entitled to participate therein before reversion to the Non-Drilling Party
7 of its relinquished interest in the well, the proceeds derived from the sale thereof or, if not sold, the Salvage
8 Value thereof, shall be treated in the same manner as proceeds of Production from the well for the purpose
9 of determining reversion to the Non-Drilling Party of its relinquished interest in the well.
10

11 **ARTICLE 25**
12 **ENHANCED RECOVERY AND PRESSURE MAINTENANCE**
13

14 **25.1 Approval Required.** Unit Operator shall not undertake any program of secondary
15 or tertiary recovery or other enhanced recovery or pressure maintenance procedures involving injection of
16 gas, water, or other substance by any method, whether now known or hereafter devised, without first
17 obtaining the Approval of the Parties owning, on an Acreage Basis, not less than 80 % of the Committed
18 Working Interests in the participating area affected by the program. This limitation shall not apply to
19 procedures customarily used by industry to improve or prolong primary productions, such as by way of
20 example and not limitation, fracturing, acidizing, and other well reworking or stimulation techniques. After
21 the Parties have voted to undertake a program of enhanced recovery or pressure maintenance in accordance
22 with this Section 25.1, the conduct of the program shall be subject to supervision by the Parties as set forth
23 in Article 14.
24

25 **25.2 Above-Ground Facilities.** This Agreement shall not be deemed to require or allow
26 any Party to participate in the construction or operation of any gasoline plant, sulphur recovery plant,
27 dewaxing plant, or other above-ground facilities to process or otherwise treat Production, other than such
28 facilities as may be required for treating Production in ordinary lease operations and such facilities as may
29 be required in the conduct of operations authorized under Section 25.1.
30

31 **ARTICLE 26**
32 **TRANSFERS OF INTEREST**
33

34 **26.1 Sale by Unit Operator.** If Unit Operator sells or otherwise transfers all its
35 Committed Working Interests, it shall resign, and a new Unit Operator shall be selected as provided in the
36 Unit Agreement.
37

38 **26.2 Assumption of Obligations.** No transfer of any Committed Working Interest shall
39 be effective unless the same is made expressly subject to the Unit Agreement and this Agreement and the
40 transferee agrees in writing to assume and perform all obligations of the transferor under the Unit Agreement
41 and this Agreement insofar as they relate to the interest assigned. An assumption of obligations shall not be
42 required in the event a Party grants a lien on or security interest in all or any portion of its interest in the Unit
43 Area by mortgage, deed of trust, security agreement, or otherwise; provided that such lien or security interest
44 shall be subject to the terms of the Unit Agreement and this Agreement, and any purchaser or transferee at
45 a foreclosure sale pursuant thereto or transfer in lieu thereof shall agree in writing to assume and perform all
46 obligations of the Party that granted the lien and security interest under the Unit Agreement and this
47 Agreement.
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ARTICLE 28
LIABILITY, LIENS, AND REMEDIES

28.1 **Liability.** The liability of the Parties hereunder shall be several and not joint or collective. Each Party shall be responsible only for its obligations as herein set out.

28.2 **Relationship of Parties.** It is not the intention of the Parties to create, nor shall this Agreement or the Unit Agreement be construed as creating, a mining or other partnership, joint venture, trust, or association between the Parties or as rendering them liable as partners, co-venturers, or principals. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries or to have established a confidential relationship, but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the Parties to act in good faith in their dealings with each other with respect to activities hereunder.

28.3 **Liens and Security Interests.** Each Party grants to the other Parties hereto a lien on and security interest in any interest it now owns or hereafter acquires in oil and gas rights in any tract within the Unit Area and any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations and duties under this Agreement, including without limitation, payment of Costs, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interests as required hereunder, and the proper performance of operations hereunder. The lien and security interest shall include each Party's Committed Working Interest together with all leasehold, working, operating rights, mineral, royalty, overriding royalty, and other interests in the Unit Area now owned or hereafter acquired, the Production therefrom and equipment situated thereon or used or obtained for use in connection therewith, and all accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Production at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products thereof.

A. **Recording Supplement.** To perfect the lien and security interest provided herein, each Party agrees to execute and acknowledge a recording supplement in the form attached hereto as Exhibit 8 and any financing statement prepared and submitted by any Party hereto in conjunction therewith, and Unit Operator is authorized to file this Agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Unit Area is situated and such other states as Unit Operator shall deem appropriate to perfect the security interest granted hereunder. Any Party may file this Agreement, the recording supplement executed herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and a financing statement with the proper officer under the Uniform Commercial Code.

B. **Priority of Lien and Security Interest.** Each Party represents and warrants to the other Parties that the lien and security interest granted by such Party to the other Parties shall be a first and prior lien and security interest, and each Party hereby agrees to maintain the priority of the lien and security interest against all persons acquiring an interest in oil and gas interests covered by this Agreement by, through, or under such Party. All parties acquiring an interest in oil and gas interests covered by this Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted herein as to all obligations and duties attributable to the interest hereunder whether or not the obligations arise before or after the interest is acquired.

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C. Remedies. To the extent that the Parties have a security interest under the Uniform Commercial Code of the state in which the Unit Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under such code. The bringing of a suit and the obtaining of judgment by a Party for any sum due hereunder shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof.

D. Notification to Purchasers of Production. In addition, upon default by any Party in the payment of its share of expenses, interests, or fees, or upon the improper use of funds by Unit Operator, the other Parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting Party's share of Production until the amount owed by such Party, plus interest as provided in Exhibit 1 has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting Party's share of Production. All purchasers of Production may rely on a notification of default from the non-defaulting Party or Parties stating the amount due as a result of the default, and all Parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

E. Make-Up of Defaulting Party's Share. If any Party fails to pay its share of Costs within 120 days after rendition of a statement therefor by Unit Operator, the failure shall be deemed to be a default by such Party and the non-defaulting Parties, including Unit Operator, shall, upon request by Unit Operator, pay the unpaid amount in the proportion that the interest of each such Party bears to the interest of all such Parties. The amount paid by each Party so paying its share of the unpaid amount shall be secured by the liens and security interest described in this Section 28.3, and each paying Party may independently pursue any remedy available hereunder or otherwise.

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

G. Statutory Liens. Each Party agrees that the other Parties shall be entitled to utilize the provisions of oil and gas lien law or other lien law of any state in which the Unit Area is situated to enforce the obligations of each Party hereunder. Without limiting the generality of the foregoing, to the extent not prohibited by applicable law, the Parties agree that Unit Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Unit Area is situated in order to secure the payment to Unit Operator of any sum due hereunder for services performed or materials supplied by Unit Operator.

28.4 Defaults and Remedies. If any Party fails to discharge any financial obligation under this Agreement within the period required for a payment hereunder, then in addition to the remedies provided elsewhere in this Agreement, the remedies specified in this Section 28.4 shall be available. For purposes of this Section 28.4, all notices and elections shall be delivered only by Unit Operator, except that Unit Operator shall deliver any notice and election requested by a non-defaulting Party, and when Unit Operator is the Party

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1 in default, the applicable notices and elections may be delivered by a Party that is not the Unit Operator.
2 Election of any one or more of the following remedies shall not preclude the subsequent use of any other
3 remedy specified below or otherwise available to a non-defaulting Party.
4

5 **A. Suspension of Rights.** Any Party may deliver to the Party in default a notice
6 of default, which shall specify the default, specify the action to be taken to cure the default, and
7 specify that failure to take the action will result in the exercise of one or more of the remedies
8 provided in this Article. If the default is not cured within 30 days of the delivery of the notice
9 of default, all of the rights of the defaulting Party granted by this Agreement may upon notice
10 be suspended until the default is cured, without prejudice to the right of the non-defaulting Party
11 or Parties to continue to enforce the obligations of the defaulting Party previously accrued or
12 thereafter accruing under this Agreement. If Unit Operator is the Party in default, Unit Operator
13 shall be subject to removal pursuant to the provisions of the Unit Agreement. The rights of a
14 defaulting Party that may be suspended hereunder at the election of the non-defaulting Parties
15 shall include without limitation the right to receive information as to any operation conducted
16 hereunder during the period of default, the right to elect to participate in any operation proposed
17 under this Agreement, the right to participate in any operation being conducted under this
18 Agreement even if the Party has previously elected to participate in the operation, the right to
19 receive proceeds of production from any well subject to this Agreement, and any voting rights.
20

21 **B. Suit for Damages.** Non-defaulting Parties or Unit Operator for the benefit
22 of non-defaulting Parties may sue (at joint account expense) to collect the amounts in default,
23 plus interest accruing on the amounts recovered from the date of default until the date of
24 collection at the rate specified in Exhibit 1. Nothing herein shall prevent any Party from suing
25 any defaulting Party to collect consequential damages accruing to such Party as a result of the
26 default.
27

28 **C. Deemed Non-Consent.** Upon approval of the non-defaulting Parties, Unit
29 Operator shall deliver a written notice of non-consent election to the defaulting Party at any time
30 after the expiration of the 30-day cure period following delivery of the notice of default, in
31 which event if the billing is for the Drilling, Sidetracking, Plugging Back, or Deepening of a
32 well that is to be or has been plugged as a dry hole, or for the Completion of any well, the
33 defaulting Party will be conclusively deemed to have elected not to participate in the operation
34 and to be a non-consenting Party with respect thereto under Article 12, and the defaulting Party
35 shall be subject to Subdivision A and Subdivision B of Section 12.5 to the extent of the Costs
36 unpaid by such Party, notwithstanding any election to participate theretofore made. If election
37 is made to proceed under this provision, then the non-defaulting Parties shall not be entitled to
38 sue for the unpaid amount pursuant to this Agreement. Until the delivery of the notice of non-
39 consent election to the defaulting Party, such Party shall have the right to cure its default
40 by paying its unpaid share of costs plus interest at the rate set forth in Exhibit 1; provided,
41 however, the payment shall not prejudice the rights of the non-defaulting Parties to pursue
42 remedies for damages incurred by the non-defaulting Parties as a result of the default. Any
43 interest relinquished pursuant to this Article 28.4 shall be credited to the non-defaulting Parties
44 in proportion to their interests, and the non-defaulting Parties shall be required to contribute
45 their shares of the defaulted amount.
46

47 **D. Cumulative Rights.** The rights, powers, and remedies conferred in this
48 Section 28.4 and elsewhere in this Article 28 are cumulative, and not exclusive of (1) any and
49 all other rights, powers, and remedies conferred in this Agreement, (2) any and all rights,
50 powers, and remedies existing at law or in equity, and (3) any and all other rights, powers, and
51 remedies provided in any other agreement between the Parties.
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1 **E. Costs and Attorneys' Fees.** In the event any Party brings legal proceedings
2 to enforce any financial obligation of a Party hereunder, the prevailing Party shall be entitled
3 to recover all court costs, costs of collection, and reasonable attorneys' fees, which the lien and
4 security interest provided for herein shall also secure.
5

6
7 **ARTICLE 29**
8 **MISCELLANEOUS**
9

10 **29.1 Notices.** All notices authorized or required between the Parties by any of the
11 provisions of this Agreement, unless otherwise specifically provided, shall be in writing and delivered in
12 person or by United States mail, courier service, telegram, telex, telecopier, or any other form of facsimile,
13 postage, or charges prepaid, and addressed to the Parties at the addresses set forth under or opposite their
14 signatures hereto. The originating notice given under any provision hereof shall be deemed delivered only
15 when received by the Party to whom the notice is directed, and the time for such Party to deliver any notice
16 in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this
17 Agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the
18 address of the Party to be notified in accordance with this Agreement, or to the telecopy, facsimile, or telex
19 machine of such Party. The second or any responsive notice shall be deemed delivered when deposited in the
20 United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy,
21 or facsimile, or when personally delivered to the Party to be notified. Each Party shall have the right to
22 change its address at any time by giving written notice thereof to all other Parties. Whenever a rig is on
23 location every notice and every response shall be given orally, whether by telephone or in person. All oral
24 notices permitted by this Agreement shall be confirmed immediately thereafter by written notice. If a Party
25 is not available to receive notice aurally, the notice may be delivered in writing by any other method specified
26 herein and shall be deemed delivered in the same manner provided above for any responsive notice.
27

28 **29.2 Counterparts.** This Agreement may be executed in counterparts, and all
29 counterparts taken together shall be deemed to constitute one and the same instrument.
30

31 **29.3 Ratification.** This Agreement may be executed by the execution and delivery of a
32 good and sufficient instrument of ratification, adopting and entering into this Agreement. A ratification shall
33 have the same effect as if the Party executing it had executed this Agreement or a counterpart hereof.
34

35 **29.4 Effect of Signature.** When this Agreement is executed by two Parties, execution by
36 each shall be deemed consideration for execution by the other, and each Party theretofore or thereafter
37 executing this Agreement shall thereupon become and remain bound hereby until the termination of this
38 Agreement. If, however, the Unit Agreement does not become effective within 12 months from and after the
39 date of this Agreement, then, at the expiration of the period, this Agreement shall terminate.
40

41 **29.5 Successors and Assigns.** This Agreement shall be binding upon and shall inure to
42 the benefit of all Parties signing the same, their heirs, devisees, personal representatives, successors, and
43 assigns, and their successors in interest, whether or not it is signed by all the Parties listed below. The terms
44 hereof shall constitute covenants running with the lands and the Committed Working Interests of the Parties.
45

46 **29.6 Headings.** The Table of Contents and the headings used in this Agreement are
47 inserted for convenience only and shall be disregarded in construing this Agreement.
48

49 **29.7 References.** All references in this Agreement to Exhibits, Articles, Sections,
50 Subsections, and Subdivisions refer to the Exhibits, Articles, Sections, Subsections, and Subdivisions of this
51 Agreement unless expressly provided otherwise. The words "this Agreement," "herein," "hereof," "hereby,"
52 "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular

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1 provision unless expressly so limited. The phrases "this Article," "this Section," "this Subsection," "this
2 Subdivision," and similar phrases refer only to the Articles, Sections, Subsections, or Subdivisions hereof in
3 which the phrase occurs. The word "or" is not exclusive. Pronouns in masculine, feminine, and neuter gender
4 shall be construed to include any other gender. Words in the singular form shall be construed to include the
5 plural, and words in the plural form shall be construed to include the singular, unless the context otherwise
6 requires.

7
8 **29.8 Right of Appeal Not Waived.** Nothing contained in this Agreement shall be deemed
9 to constitute a waiver by any Party of any right it would otherwise have to contest the validity of any law or
10 any order or regulation of governmental authority (whether Federal, State, or local) relating to or affecting
11 the conduct of operations within the Unit Area or to appeal from any such order.

12
13 **29.9 Subsequent Joinder.** Prior to the commencement of actual Drilling operations for
14 the Initial Test Well under the Unit Agreement, all owners of working interests in the Unit Area that have
15 joined the Unit Agreement shall be privileged to execute or ratify this Agreement. After commencement of
16 operations under the Unit Agreement, any working interest in land within the Unit Area that is not then
17 committed hereto may be committed to this Agreement and to the Unit Agreement upon such reasonable
18 terms and conditions as may receive the Approval of the Parties.

19
20 **29.10 Force Majeure.** If any Party is rendered unable, wholly or in part, by force majeure
21 to carry out its obligations under this Agreement, other than the obligations to indemnify or make money
22 payments or furnish security, that Party shall give to all other Parties prompt written notice of the force
23 majeure with reasonably full particulars concerning it; thereupon, the obligations of the Party giving the
24 notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the
25 continuance of the force majeure. The term "force majeure," as used here, shall mean an act of God, strike,
26 lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire,
27 storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction,
28 unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or
29 otherwise, which is not reasonably within the control of the Party claiming suspension. The affected Party
30 shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The
31 requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the
32 settlement of strikes, lockouts, or other labor difficulty by the Party involved, contrary to its wishes; how all
33 such difficulties shall be handled shall be entirely within the discretion of the Party concerned.

34
35 **29.11 Effective Date and Term.** This Agreement shall become effective upon the effective
36 date of the Unit Agreement, shall continue in effect during the term of the Unit Agreement, and, except as
37 set forth in Subdivision C of Section 6.2, shall terminate concurrently therewith. Termination of this
38 Agreement shall not relieve any Party of its obligations then accrued hereunder. Notwithstanding termination
39 of this Agreement, the provisions hereof relating to the charging and payment of Costs and the disposition
40 of materials and equipment shall continue in force until all materials and equipment owned by the Parties
41 have been disposed of and until final accounting between Unit Operator and the Parties has been made.
42 Termination of this Agreement shall automatically terminate all rights and interests acquired by virtue of this
43 Agreement in lands within the Unit Area, except transfers of Committed Working Interests as have been
44 evidenced by formal written instruments of transfer.

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ARTICLE 30

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OTHER PROVISIONS

1
2
3 **30.1 Additional Definitions.** As used in this agreement the following words and terms
4 shall have the following meaning ascribed therein:

- 5 1. The term "Affiliate" shall mean a company, partnership, or other legal entity which controls
6 or is controlled by, or which is controlled by an entity which controls a party to this
7 agreement. As used herein, the term "control" means the ownership, directly or indirectly of
8 more than 50% of the shares or voting rights in a company, partnership, or legal entity.
- 9 2. The term "Deepen" as used in conjunction with a Horizontal Well or a Multi-Lateral Well
10 shall mean an operation whereby a Lateral is drilled to a horizontal distance greater than (i)
11 the distance set out in the well proposal approved by the Drilling Parties, or (ii) the distance
12 to which the Lateral was previously drilled.
- 13 3. The terms "*initial objective*" or "*objective*" as used in conjunction with Horizontal Wells or
14 Multi-Lateral Wells shall also mean the proposed horizontal targeted total measured
15 distance.
- 16 4. The term "*Completion*" for a Horizontal Well or a Multi-Lateral Well shall also include,
17 as applicable, drilling of the horizontal drainhole component or Lateral of the well at the
18 penetration of the objective zone, running, cementing, and perforating casing,
19 performing frac or other well stimulus.
- 20 5. The term "*authorized depth*" shall mean the point when the terminus of the horizontal
21 drainhole component of the well has been reached.
- 22 6. The term "*Lateral*" shall mean the productive portion of a wellbore that deviates from
23 approximate vertical orientation and all wellbore beyond such deviation to total depth.
- 24 7. The term "*Horizontal Well*" shall mean a well containing a single Lateral in which the
25 wellbore deviates from approximate vertical orientation to approximate horizontal
26 orientation in order to drill within and test a specific geological interval, utilizing
27 deviation equipment, services, and technology.
- 28 8. The term "*Multi-Lateral Well*" shall mean a well which contains more than one Lateral
29 and in which the wellbores deviate from approximate vertical orientation to approximate
30 horizontal orientation in order to drill within and test a specific geological interval,
31 utilizing deviation equipment, services, and technology. This shall include similar
32 operations conducted in the re-entry of an existing wellbore.
- 33 9. The term "*total depth*" shall apply to all Multi-Lateral or Horizontal Wells drilled
34 pursuant to this agreement and shall mean the distance from the surface of the ground to
35 the terminus of the wellbore. Each Lateral together with the common vertical wellbore
36 shall be considered a single wellbore and shall have a corresponding total depth if the
37 production from each Lateral is to be measured separately and not commingled in the
38 vertical wellbore. If the production from each Lateral is to be commingled in the
39 common vertical wellbore, then the Lateral(s) and vertical wellbore shall be considered
40 collectively a single wellbore. When the proposed operation is the drilling of or
41 operations on a well containing a lateral component, the term "depth" wherever used in
42 this agreement shall be deemed to read "total measured depth" insofar as it applies to
43 such well.
- 44 10. The term "*Vertical Well*" means a well other than a Horizontal Well
45 or a Multi-Lateral Well.
- 46 11. The term "*Sidetrack*" when used in connection with a Horizontal or Multi-Lateral Well

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1 shall mean the directional control and intentional deviation of a well outside the existing
2 Lateral(s) so as to change the zone or radial direction of a Lateral as originally proposed,
3 unless done to straighten the hole or drill around junk in the hole or to overcome other
4 mechanical difficulties.

5
6 **30.2 Priority of Operations**

7 When a well that has been authorized under the terms of this Agreement by all Parties or by one or more
8 but less than all parties under Section 12.2 has been drilled to the objective depth or the objective
9 formation, whichever is lesser, and the Parties participating in such well cannot agree upon the sequence
10 and timing of further operations regarding such well the following elections shall control in the order
11 enumerated below:
12

13 **Horizontal and Multi-Lateral Wells**

- 14 A. Extension or deepening of any lateral.
15 B. Kick out and drill an additional lateral in the same formation.
16 C. Sidetrack the well.
17 D. Plug back the well to a formation or zone above the formation in which a
18 lateral was drilled; if there is more than one proposal to plug back, the
19 proposal to plug back to the next deepest prospective interval shall have
20 priority over a proposal to plug back to a shallower prospective interval.
21 E. Abandon the well as provided in Article 11.
22

23 **Vertical Wells**

- 24 A. An election to do additional logging, coring, or testing.
25 B. An election to attempt to complete the well at either the objective depth or
26 objective formation.
27 C. An election to plug back and attempt to complete said Well in ascending
28 order.
29 D. An election to sidetrack the well.
30 E. An election to deepen said Well.
31 F. An election to rework said Well by generally accepted stimulation
32 techniques whether or not said Well had previously produced in
33 commercial quantities or is capable of commercial production, in
34 accordance with the provisions of this Agreement.
35 G. An election to plug and abandon the well.
36

37 No party may propose any operations with respect to any Horizontal, Multi-Lateral or Vertical
38 Well while there is in progress any approved operation on such well until such approved
39 operation has been completed. Provided, however that if at any time said participating Parties
40 are considering the above elections, the hole is in such a condition that, in the opinion of a
41 reasonably prudent operator, an operator would not conduct the operation(s) contemplated by a
42 particular election for fear of placing the hole in jeopardy or losing the same prior to
43 completing the well in the objective depth or objective formation, such election shall not be

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1 given the priority hereinabove set forth. In such event, the operation which, in the opinion of
2 the Unit Operator is less likely to jeopardize the well, will be conducted. It is further
3 understood that if some, but not all Parties, elect to participate in the additional logging, coring,
4 or testing, they may do so and the Party or Parties not participating in such operations shall
5 not be entitled to the logs, cores, or the results of the tests, but shall suffer no other penalty.

6
7 **30.3 Subsequently Created Lease Burdens.**

8 Each Party burdened by a Subsequently Created Interest shall assume and alone bear, pay and
9 discharge its Subsequently Created Interest out of its share of production. If any Party or
10 Parties should conduct non-consent operations pursuant to any provisions of the Agreement
11 and as a result become entitled to receive the working interest production otherwise belonging
12 to the Non-Participating Party who created a Subsequently Created Interest, the Party or Parties
13 entitled to receive the working interest production of the Non-Participating Party shall treat
14 such Subsequently Created Interest pursuant to Article 6.3 of this Agreement.

15
16 **30.4 Unit Operator Requirements.**

17 Notwithstanding the provisions of Section 8.2.F and 9.2.G, Unit Operator shall have the option,
18 but not the obligation, to Drill any well in which the Unit Operator is not a Drilling Party. If
19 Unit Operator elects not to Drill such a well, one of the Drilling Parties in the well shall be
20 designated by the Drilling Parties to act as designated agent or sub-operator for the drilling
21 and completion of such well. The election of any such designated agent or sub-operator shall be
22 subject to the provisions of Article 17 and such designated agent or sub-operator shall
23 assume all obligations and responsibilities of Unit Operator in the subject well during its term
24 as designated agent or sub-operator. Once such well is completed, operations shall be
25 transferred from the designate agent or sub-operator to the Unit Operator.

26
27 **30.5 Payment of Taxes.**

28 Unit Operator shall pay or cause to be paid all taxes, of whatever nature,
29 except windfall profits taxes, owing or which may be payable on production from the Unit
30 Area, whether in the form of a severance or production tax; provided, however, if at any time
31 any Party is taking its share of production in kind or separately disposing of its share of
32 production, such Party shall pay or cause to be paid said taxes as to such production.

33
34 **30.6 Completion of Co-Mingled Zones.**

35 Notwithstanding anything herein contained to the contrary, a completion attempt proposed in a
36 well drilled hereunder may involve the co-mingling of multiple intervals, horizons and/or
37 formations. As the amount of time required to perforate, stimulate and adequately test each
38 interval, zone, horizon or formation prior to the eventual co-mingling of the resulting production
39 will not be known at a time such a completion is proposed, an election to participate in the
40 completion of a well where the co-mingling of multiple intervals, zones, horizons and/or
41 formations is possible, will be considered an election to participate in the completion of all
42 intervals, zones, horizons, and/or formation proposed, which give indication of containing oil
43 and/or gas in quantities sufficient to test in Unit Operator's opinion. Unit Operator will not
44 be required to provide individual elections to participate in each interval, zone, horizon and/or
45 formation.

46
47 **30.7 Unit Operator's Right to Receive and Net Out Revenues.**

48 Notwithstanding any other provisions of the Agreement to the contrary, if any Party fails to
49 timely pay its share of costs hereunder, Unit Operator, or its designated agent or sub-operator,
50 shall have the right to receive from all purchasers of production the proceeds attributable to the
51 interest of such Party and such Party hereby agrees to and hereby does authorize and direct the
purchasers of production to make direct payment to Unit Operator, or its designated agent or

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1 sub-operator, of its respective share of all proceeds from the sale of production. In such event,
2 Unit Operator, or its designated agent or sub-operator, is authorized to deduct each month from
3 the proceeds so received from the purchasers of production all operating costs and charges
4 assessable to such Party and permitted under this Agreement and remit to such Part its
5 respective net shares of the said proceeds.
6

7 **30.8 Modification of Unit Operating Agreement.**

8 The terms of this Agreement can be modified only by a written agreement duly executed by all
9 of the Parties.
10

11 **30.9 Entitlements.**

12 Except as expressly provided herein, nothing in this Agreement entitles any person or party other
13 than Parties to any claim, cause of action, remedy, or right of any kind.
14

15 **30.10 Media/News Releases.**

16 No Party shall, at any time, issue to the press or other media any news release, or distribute any
17 information or photographs, concerning the Unit Area, without the prior approval of Unit
18 Operator. When Unit Operator has reviewed such material and has approved the issuance of the
19 material, the Party desiring such release shall have the principal responsibility for its issuance.
20 The only other exception to the foregoing shall be that in the event of any emergency involving
21 extensive property damage, operations failure, loss of human life or other clear emergency, the
22 Unit Operator hereunder is authorized to furnish such minimum, strictly factual information as
23 shall be necessary to satisfy the legitimate public interest on the part of the press and duly
24 constituted authorities.
25

26 **30.11 Commencement of Operations.**

27 Unit Operator may commence activities preliminary to actual drilling operations, including
28 without limitation building location, roads and pits, delivering materials and equipment to the
29 well site, rigging up a drilling rig, and/or actual drilling operations at any time either before or
30 after giving the notice of proposed operations required by Articles 8, 9 and 10. Notwithstanding
31 the foregoing, the Parties receiving notice of proposed operations pursuant to Articles 8, 9 and 10
32 shall have the full time allowed in which to make their election(s) and shall be subject to the
33 relinquishment provisions thereof to the same extent and in the same manner as provided in
34 Article 12.5 without reference to the time that such activities were commenced relative to giving
35 notice.
36

37 **30.12 Attorney's Fees.**

38 Should any legal action or proceeding be commenced by a Party in order to enforce this
39 Agreement or any provision hereof, or in connection with any alleged dispute, breach, default, or
40 misrepresentation in connection with any provision herein contained, the prevailing party shall
41 be entitled to recover reasonable attorneys' fees and costs incurred in connection with such action
42 or proceeding, including costs of pursuing or defending any legal action, and including, without
43 limitation, any such costs arising in connection with any appeal, discovery, or negotiation and
44 preparation of settlement arrangements, in addition to such other relief as may be granted.
45

46 **30.13 Well Eliminated from Unit Area.**

47 If, upon termination of the Unit Agreement or upon elimination of any lands from the Unit
48 Agreement, any well drilled under this agreement, in which more than one party is entitled to
49 share in production and owns an interest in the equipment under the terms of this agreement is
50 being operated and produced, such well upon being eliminated from the terms of the Unit
51 Agreement shall be operated pursuant to the terms of this Unit Operating Agreement, but without
52 change in the ownership of the equipment and the production therefrom until the parties
53 relinquish such interest or the well is plugged and abandoned and settlement has been made for
54 all production and equipment.

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30.14 Uncommitted Royalty Interests.

Should the owner of a royalty interest fail or refuse to execute or become bound by the Unit Agreement and, as a result thereof, the Lease Burdens of the Party entitled to receive the production allocated to the tract or tracts of land affected are more than the Lease Burdens computed on the basis of production allocated thereto, Unit Operator, upon receipt of evidence thereof from the Party affected, shall reimburse that Party for the full amount of such excess Lease Burdens and shall treat the same as an operating cost; similarly, if the Lease Burdens are less than the Lease Burdens computed on the basis of production allocated thereto, such Party shall remit the difference to Unit Operator for distribution to all Parties.

30.15 Vertical Required Well(s).

Notwithstanding anything contained in this Agreement to the contrary, the proposal of a Required Well as set out in Article 10 hereof, shall only be applicable to Vertical Wells. Any Required Well that will be a Horizontal Well or Multi-Lateral Well will be proposed using the method for determining participating areas as applied by the Bureau of Land Management.

30.16 Multiple Laterals.

The Parties agree and understand that multiple laterals from the same surface location will not only be cost effective but will be necessary to minimize disturbance to the surface. Therefore, notwithstanding anything contained herein to the contrary, in the event any of the Parties desire to utilize an existing surface location used for a previously drilled Horizontal Well in an attempt to drill an additional well with a Lateral(s) in an azimuth not previously drilled, the Parties agree that any such new well and lateral shall for all intents and purposes be considered an Exploratory Well and a Drilling Block for such new well shall be established pursuant the applicable provisions under this Agreement. However, said proposed Drilling Block shall, except to the extent necessary to include the common surface location and such other lands as reasonably necessary to include all portions of the vertical and horizontal components of said proposed horizontal well, exclude any lands in (i) an established participating area for the objective formation for the proposed additional horizontal lateral(s), (ii) a proposal for establishment or revision of a participating area previously filed with the Authorized Officer, or (iii) an active, previously designated Drilling Block for the formation. The costs associated with drilling the additional lateral(s), will be borne by each Party entitled to participate in the proposed drilling by sharing the costs of Drilling on an Acreage Basis in the objective formation represented by said Drilling Block for the new well. As to the common surface location and such other lands as minimally necessary to include all portions of the vertical and horizontal components of said proposed horizontal well, only the Parties hereto owning the leaseholds of such lands shall be included within the Drilling Block for said proposed horizontal well and share costs as outlined above; no other Parties within the applicable existing or the proposed or revised participating area or other active Drilling Block shall be entitled to participate in such well. In other words, as if the common surface location and such other lands as minimally necessary to include all portions of the vertical and horizontal components of said proposed horizontal well were never included in the existing or the proposed or revised participating area or other active Drilling Block in the first instance. If the additional lateral is completed as a well capable of Unitized Substances in Paying Quantities as defined in Section 9 of the Unit Agreement, then the provisions of Article 13 of this Agreement will apply.

30.17 Severability and Partial Invalidity.

Whenever possible, each term, condition and provision hereof shall be interpreted in such a manner as to be effective and valid under applicable law. In case any one or more of the terms, conditions or provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the

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1 remainder of the terms, conditions and provisions hereof, unless such a construction
2 would be unreasonable; and this Agreement will be enforced to the fullest extent without the
3 invalid, illegal or unenforceable provision.
4

5 **30.18 Governing Law.**

6 This Agreement, including all exhibits and other agreements attached hereto or referred to herein, as
7 well as any disputes hereunder or thereunder, shall be governed by and construed in accordance
8 with the internal laws of the state of New Mexico without giving effect to any choice or conflict of
9 law provision or rule (whether of the state of Wyoming or any other jurisdiction) that would cause
10 the application of the laws of any jurisdiction other than those of the state of New Mexico.
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6 _____
7 By: _____
8 _____
9 Name: _____
10 _____
11 Title: _____
12 _____
13 Date of Execution: _____

14 Address:
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20 CORPORATE ACKNOWLEDGEMENT

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23 STATE OF _____)
24) ss.
25 COUNTY OF _____)
26

27 The foregoing instrument was acknowledged before me this _____ day _____,
28 2021, by _____,
29 of _____, a _____ corporation on behalf of said Corporation.
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31 _____
32 Notary Public

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34 _____
35 Printed Name
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37 My Commission expires _____
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By: _____

Name: _____

Title: _____

Date of Execution: _____

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20 CORPORATE ACKNOWLEDGEMENT
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23 STATE OF _____)

24) ss.

25 COUNTY OF _____)
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27 The foregoing instrument was acknowledged before me this _____ day _____,
28 2021, by _____,
29 of _____, a _____ corporation on behalf of said Corporation.
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31 _____
32 Notary Public
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Printed Name

37 My Commission expires _____
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WORKING INTEREST OWNERS:

By: _____
Name: _____
Title: _____
Date of Execution: _____

Address:

CORPORATE ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day _____,
2021, by _____,
of _____, a _____ corporation on behalf of said Corporation.

Notary Public

Printed Name

My Commission expires _____

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9 Name: _____
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11 Title: _____
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13 Date of Execution: _____

14 Address:
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20 CORPORATE ACKNOWLEDGEMENT

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23 STATE OF _____)
24) ss.
25 COUNTY OF _____)

26
27 The foregoing instrument was acknowledged before me this _____ day _____,
28 2021, by _____,
29 of _____, a _____ corporation on behalf of said Corporation.
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31 _____
32 Notary Public

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37 My Commission expires _____
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EXHIBIT 2

Attached to and made a part of that certain Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

Initial Test Well

1. **LOCATION:** The initial test well shall be drilled at a location whose proposed surface hole location is the NW/4SW/4 Section 24, T24N-R2W and whose proposed bottom hole location is the NW/4NW/4 Section 23, T24N-R2W.
2. **DEPTH:** The initial test well shall be drilled conformably with the terms of Article 9 of the Lindrith East (Deep) Unit Agreement which provides for a test well to evaluate the Mancos formation at a TVD of 7,000' total vertical depth and a total measured depth of approximately 9,600'. *The Mancos formation is defined as the stratigraphic equivalent of the top of the Mancos Formation at a depth of 5,280 feet as encountered in the Amoco Federal Oso #1 well located in the NW/4 of Section 24 Township 24 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico (API # 3003926672).*
3. **COSTS:** All costs and expenses incurred in connection with the initial test well, including drilling, testing and completing into the tanks, if an oil well, or through gas separator, if a gas producer, and plugging and abandoning, if a dry hole, shall be borne and paid for by San Juan Resources, Inc., and such other parties hereto as agreed to bear such costs in accordance with separate agreement among themselves and where applicable subject to the investment adjustment provisions of Article 13 of this Agreement. Any cash contributions received toward the drilling of the initial test well shall belong to the parties sustaining the risk of drilling the initial test well.
4. **TITLE EXAMINATION AREA:** The title examination area for the initial test well shall be an area surrounding the location of such well as may be designated by the Unit Operator.
5. **COST OF TITLE EXAMINATION:** The cost of title examination shall be charged as a cost of drilling the initial test well.
6. **DEEPENING, PLUGGING BACK:** In the absence of any agreement to the contrary, the attempted completion, deepening or plugging back, and abandonment of the Initial Test Well shall be governed by the provisions of this agreement.

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EXHIBIT 3

Attached to and made a part of that certain Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

INSURANCE EXHIBIT

Unit Operator shall maintain the following insurance coverage with respect to operations performed and property owned by the parties under the Unit Operating Agreement to which this Exhibit "3" is attached:

1. **WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:**
 - a. Statutory workers' compensation coverage as required by the laws of the state in which operations are conducted.
 - b. Employer's liability limit of at least \$1,000,000.
2. **COMPREHENSIVE GENERAL LIABILITY INSURANCE:**

\$1,000,000 per occurrence combined single limit bodily injury and property damage including all operations, independent contractors, completed operations and blanket contractual liability.
3. **AUTOMOBILE LIABILITY INSURANCE**

\$1,000,000 each accident combined single limit bodily injury and property damage liability including owned, non-owned and hired vehicles.
4. **UMBRELLA LIABILITY**

Limits of at least \$4,000,000 covering liability of the parties for loss or damage exceeding the insurance coverage specified above or otherwise not covered by insurance maintained by Unit Operator or any third-party contractor.

Unit Operator shall not carry physical damage insurance on jointly owned property, it being understood and agreed that each party will be responsible for its own interest in such property and will assume its proportionate share of any loss that occurs. Each party hereby waives its rights of recovery against all other parties to this agreement with regard to any loss caused by physical damage to jointly owned property and agrees that all insurance policies covering any particular party's interest in the jointly owned property will be suitably endorsed to cause this waiver.

Losses for which no insurance is required to be carried or in excess of the limits set forth above shall be borne by the parties in proportion to their respective interests herein and shall be charged to the joint account.

5. **WELL CONTROL INSURANCE:**

Each participant will automatically be included under the coverage provided by Unit Operator's policy unless within ten (10) days of commencing actual drilling operations for the affected well, Unit Operator has received a written refusal of the coverage provided by Unit Operator and proof of such refusing party's equivalent or better coverage. Joint participants afforded coverage under Unit Operator's policy will be billed for their proportionate share of insurance costs that will include both drilling and producing costs. This policy will protect from losses customarily covered by well control and operator's extra expense coverage. The policy limits afforded will depend upon the location of the well and its proposed total depth and may vary from year to year based on the price and coverage reasonably and commercially available to Unit Operator.

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EXHIBIT 4

Attached to and made a part of that certain Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

NEW MEXICO STATUTE – SECTION 28-1-7
UNLAWFUL DISCRIMINATORY PRACTICE

(1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity or national origin. The contractor will take affirmative action to ensure the 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 contractor agrees to post in conspicuous places available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this non-discrimination clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity or national origin.

(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advertising the labor union or workers' representative of the contractors' commitments under Section 28-1-7, Article 1 – Human Rights – Unlawful discriminatory practice, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The contractor will comply with all provisions of New Mexico Statute Section 28-1-7, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The contractor will furnish all information and reports required by New Mexico Statute Section 28-1-7, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts, by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in New Mexico Statute Section 28-1-7, and such other sanctions may be imposed and remedies invoked as provided in New Mexico Statute Section 28-1-7, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

(7) The contractor will include the provisions of Paragraphs A through J in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to New Mexico Statute Section 28-1-7, so that such provision will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance; provided, however, that in the event the contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

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Exhibit 5

Attached to and made a part of that certain Unit Operating Agreement for the
Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

Producer's 88-Revised 1981 New Mexico 342, Paid-Up, with Pooling

OIL & GAS LEASE

THIS AGREEMENT made this ___ day of _____, 20___, between _____, whose address is _____, hereinafter called lessor, and _____, whose address is _____, hereinafter called lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and operating for and producing oil and gas, injecting gas, waters, and other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in **Rio Arriba County, New Mexico** to wit:

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of _____ years from this date (called "primary term"), and as long thereafter as oil, gas, or other mineral is produced from said land or from land with which said land is pooled. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within one hundred eighty (180) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well $\frac{1}{6}$ th of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casing-head gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of $\frac{1}{6}$ th of the gas used, provided that on gas sold on or off the premises, the royalties shall be $\frac{1}{6}$ th of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut-in either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter, at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of one dollar (\$1.00) per net mineral acre for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well in fact were producing or be paid or tendered to the credit of such party or parties. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified of such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed. Any timely payment or tender of shut-in royalty which is made in a bona-fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee also shall have the right but not the obligation to unitize, pool, or combine all or any part of said land with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said land or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within sixty (60) days thereafter and diligently prosecutes the same, or (if be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term, oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than sixty (60) consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within thirty (30) days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

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7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipelines on cultivated lands below ordinary plow depths, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves, heaters and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until thirty (30) days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor, or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder, by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. If this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or its heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. After the expiration of the primary term or the continuous drilling program, whichever occurs last, Lessee shall execute and file of record, and deliver a recorded copy to Lessor, a release of all depths and horizons one hundred feet (100') in a vertical well and three hundred feet (300') in a horizontal well, below the stratigraphic equivalent of the deepest depth drilled by Lessee and capable of producing in paying quantities in each well drilled on said land or from land with which said land is pooled.

Executed to be effective the day and year above written.

By: _____

ACKNOWLEDGEMENT

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day _____, 2021, by _____ of Imperial Oil Company, a _____ corporation on behalf of said Corporation.

Notary Public

Printed Name

My Commission expires _____

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WHPD / Casper Field Office

EXHIBIT 6

Attached to and made a part of that certain Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

GAS BALANCING AGREEMENT

The parties to the Unit Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the leased acreage covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "B" to the Unit Agreement. Under the terms of the Operating Agreement, each party thereto has the right, subject to existing contracts, to take its share of gas produced from the leased acreage and market same. However, recognizing that one or more of the parties may be unable to take its share of the gas from time to time, and to permit each party to take and dispose of its share of gas production from the leased acreage with as much flexibility as possible, the parties agree to the balancing arrangement herein set forth. In the event there is more than one well on the leased acreage, then the terms hereof shall apply individually to each such well, based on the leased acreage, i.e., on a well- by-well basis. In the event any well subject herein is completed in multiple zones, then each zone shall be treated as a separate well.

1. *Effective Date and Term*

In the event any party hereto is not at any time taking or marketing its full share of gas or has contracted to sell its share of gas produced from the leased acreage 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 party, the terms of this Agreement shall automatically become effective on the date of initial deliveries of gas from the leased acreage and shall continue in full force and effect as long as the Operating Agreement to which it is attached remains in effect.

2. *Rights of the Parties*

The parties actually taking, or marketing gas produced from the leased acreage shall always have the option to produce, take and deliver each month all gas, which may be legally and efficiently produced, by the wells in the leased acreage. All parties hereto shall, however, share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests under and subject to the Operating Agreement to which this Agreement is attached regardless of how gas production is being allocated. If Under-Produced Party, in good faith reliance upon its engineering reserve report, believes that an overproduced party had recovered one hundred percent (100%) of such overproduced party's share of recoverable reserves, such overproduced party, upon being notified in writing of such fact by Under-Produced Party, shall cease taking gas from such well (or leased acreage) and the remaining parties shall be entitled to take one hundred percent (100%) of such production. Notwithstanding anything to the contrary herein, after an overproduced party has recovered one hundred percent (100%) of its share of the recoverable reserves as so determined by Under-Produced Party from such well (leased acreage), such overproduced party may continue to produce if such continued production is necessary for lease maintenance purposes.

3. *Accounting for Gas Sales*

On a cumulative basis, (a) each underproduced party (a party who has taken or delivered a lesser volume of gas than the quantity to which such party is entitled) shall be credited with a volume of gas equal to its full share of the gas produced from the leased acreage, less its share of gas used in leased acreage operations, vented or lost, and less that portion which such underproduced party took or delivered to its purchaser, and (b) each overproduced party (a party who has taken or delivered a greater volume of gas than the quantity to which such party is entitled) shall be debited with a volume of gas equal to the excess which it has actually taken or marketed over its full share of the gas produced from the leased acreage after deduction of its share of gas used in leased acreage operations, vented or lost. Each party taking gas shall furnish or cause to be furnished to the Operator of the leased acreage, a monthly statement of gas taken.

4. *Operator Statements*

The Operator will maintain a current account of the gas balance between the parties hereto and will furnish all parties monthly statements, mailed quarterly, showing the total quantity of gas produced, the total quantity of liquid hydrocarbons, if applicable, and the monthly and cumulative over-and-under account of each party.

5. *Current Volumetric Balancing*

After notice to Operator, any underproduced party may at any time begin taking or delivering to a purchaser its full share of the gas produced. To allow for the recovery of quantities of underproduced gas and to balance the gas account of the parties in accordance with their respective interests and subject to No. 6 below, the underproduced parties shall also be entitled to take, in addition to their full share of the gas produced a quantity of gas (the "make-up gas") of up to twenty-five percent (25%) of the overproduced parties' full share of gas produced and taken plus any portion of all gas produced and saved which is attributable to the full share of any party not taking its full share. The Operator shall allocate the make-up gas at the underproduced parties' request or, in the absence of requests, to the cumulative underproduction of the underproduced parties who have not requested less than their proportionate share. Should the underproduced parties not take all of the available make-up gas, the portion of the make-up gas not taken shall be allocated to the legal and proportionate share of overproduced parties wishing to take more gas than otherwise available to them in proportion to the ratio of their undivided interests.

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6. Winter Makeup

It is specifically agreed that no underproduced party will be allowed to take make-up gas during the months of November, December, January, or February (the "Winter Period"); provided, however, that an underproduced party will be allowed to take make-up gas during the Winter Period if the underproduced party has taken at least one hundred percent (100%) of the make-up gas to which it was entitled during the four (4) consecutive months immediately prior to the Winter Period.

7. Final Cash Balancing

Should production of gas from said zone or well be permanently discontinued before the gas accounts are balanced, the leased acreage Operator shall make a final determination of the volume of the last accrued over- and underproduction, if any, as of the date of such permanent discontinuance and the identity of the party or parties who are over- or underproduced. A cash settlement will then be made between the underproduced and overproduced parties. In making such settlement, the underproduced parties shall be paid a sum of money by the overproduced parties equal to the value, computed as hereafter set forth, of the unrecouped cumulative balance of overproduction, less applicable taxes and royalties theretofore paid.

In determining the value of the unrecouped cumulative balance of overproduction, beginning with the most recent month in which the overproduced parties took a volume of gas in excess of the quantity to which such parties were entitled, hereafter called "overage", the volume of overage during such month shall be multiplied times the actual prices received for such overage during such month. The same calculation shall be made for the next preceding month in which an overage occurred and for each preceding month (progressing backward in time) in which an overage occurred until the total volume of the overages for those months equals the total volume of the unrecouped cumulative balance of overproduction for purposes of the cash settlement herein contemplated. Within ninety (90) days of permanent discontinuance, the Operator will supply to the nonoperator final volume gas balancing statements. Within forty-five (45) days of receipt of said statements, overproduced and underproduced parties shall confirm/disconfirm their imbalance position with the Operator. Within one hundred eighty (180) days of permanent discontinuance, the overproduced parties will pay or cause to be paid to the underproduced parties their share of overage. Operator assumes no liability with respect to any such third-party payments due any underproduced party. If refunds are later required by and governmental authority, each party shall be accountable for its respective share of such refunds as finally balanced hereunder.

8. Transfer of Interests

Any overproduced party selling, assigning, exchanging, or otherwise transferring any of its interest in a proration unit covered by this Agreement shall: (a) immediately notify the Operator and all working interest owners of such transfer, and (b) cash balance within ninety (90) days with each underproduced party as if production had permanently discontinued.

9. Deliverability Tests

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser an entire well stream, if necessary, for a deliverability test not to exceed seventy-two (72) hours duration required under such party's gas sales contract.

10. Nominations

Each party shall, on a monthly basis, give Operator sufficient time and data either to nominate such party's respective share of gas to the transporting pipeline(s) or, if Operator is not nominating such party's gas, to inform Operator of the manner in which to dispatch such party's gas. Operator will use its best efforts to cause said deliveries to be made to the designated gas purchasers. It is expressly agreed that Operator shall not be responsible for any fees and/or penalties associated with imbalances charged by any pipeline to any non-operator(s).

11. Payment of Taxes and Royalties Due on Production

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 by contract (including the 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.

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

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EXHIBIT 8

Attached to and made a part of that certain Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

COUNTY OF RIO ARRIBA)
)
STATE OF NEW MEXICO)

MEMORANDUM OF UNIT OPERATING AGREEMENT

KNOW ALL MEN BY THESE PRESENTS THAT:

WHEREAS, San Juan Resources, Inc. ("Unit Operator") and the parties listed below (each an "Other Party to the Unit Operating Agreement"; collectively, the "Other Parties to Unit Operating Agreement"), have entered into that certain Operating Agreement, dated _____, with regard to lands comprising the Lindrith East (Deep) Unit Area, County of Rio Arriba, State of New Mexico ("Unit Operating Agreement"), which lands are more particularly described in Exhibit A attached hereto and made a part hereof ("Unit Area"). Unit Operator and Other Parties to Unit Operating Agreement are sometimes herein referred to individually as a "Party" or collectively as the "Parties"; and

Article 28 of the Unit Operating Agreement, entitled "Liability, Liens and Remedies" provides for the creation and attachment of a lien for default in payment of sums due under the terms of the Unit Operating Agreement. The Parties desire the right to file and perfect such a lien and, in order to enable each Party to do so, the terms of the Unit Operating Agreement are incorporated into this Memorandum for all purposes. A complete copy of the Unit Operating Agreement is maintained at the offices of the Operator.

This Memorandum is placed of record for the purpose of placing all persons on notice of the existence of the Unit Operating Agreement. The Unit Operating Agreement shall be deemed to be binding on Operator and Other Parties to Unit Operating Agreement and their successors and assigns, and in full force and effect until modified, or the Leases on the Unit Area expire. All modifications may be evidenced by an amendment to this Memorandum being placed of record.

This Memorandum is signed by Operator and Other Parties to Unit Operating Agreement as of the date of the acknowledgment of their signatures below but is deemed effective for all purposes as of the Effective Date stated above.

OPERATOR

San Juan Resources, Inc.

By: _____

Name: Jerome McHugh

Title: President

OTHER PARTIES TO UNIT OPERATING AGREEMENT

By: _____

Name:

Title:

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ACKNOWLEDGEMENT

STATE OF _____)

) ss.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
_____, 2021, by _____,

of _____, a _____ corporation on behalf of said Corporation.

Notary Public

Printed Name

My Commission expires _____

ACKNOWLEDGEMENT

STATE OF _____)

) ss.

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day
_____, 2021, by _____,

of _____, a _____ corporation on behalf of said Corporation.

Notary Public

Printed Name

My Commission expires _____

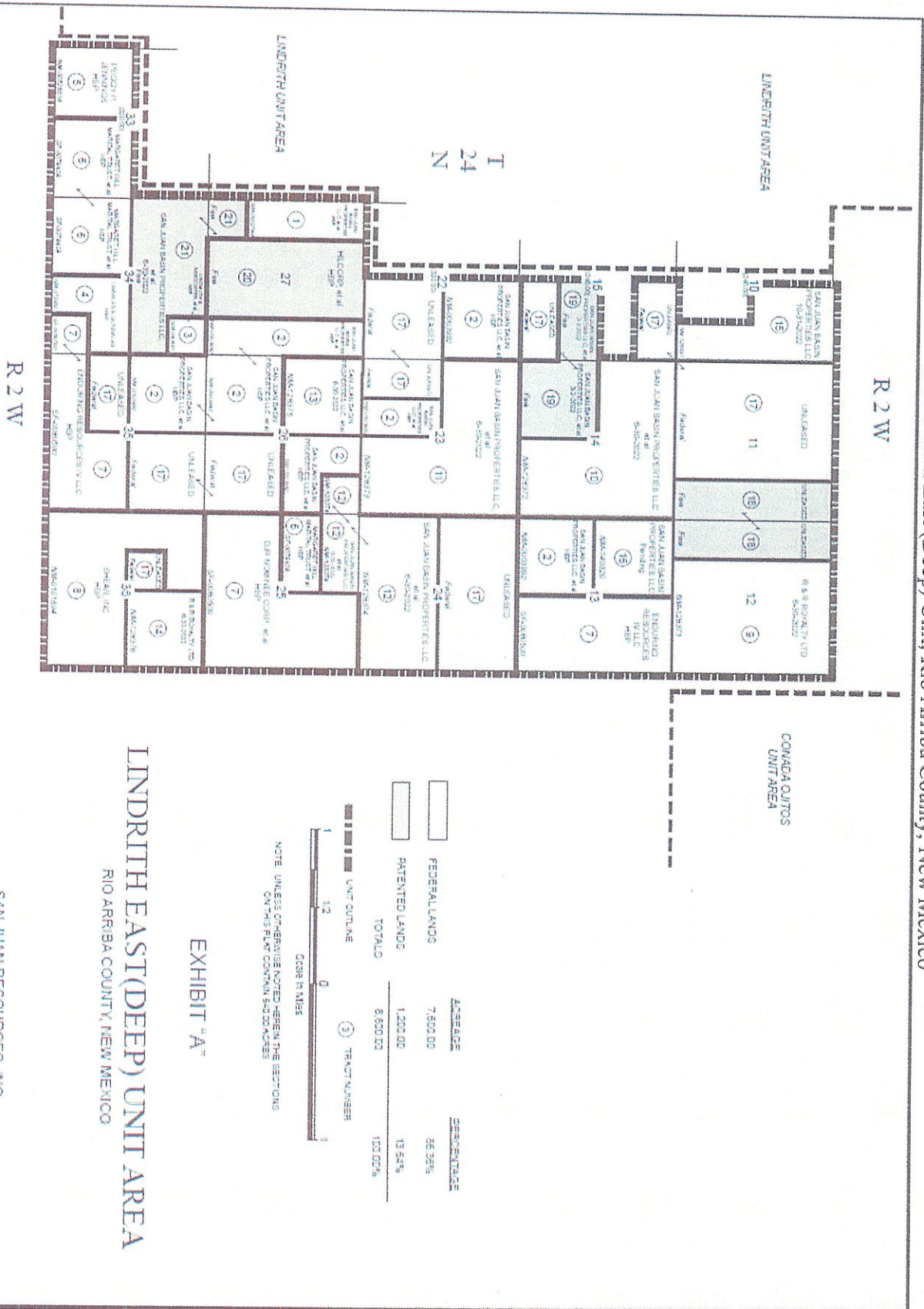
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Attached to and made a part of a certain Memorandum of Unit Operating Agreement for the Lindrith East (Deep) Unit, Rio Arriba County, New Mexico

EXHIBIT "A"



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EXHIBIT "1"
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that certain Unit Operating Agreement dated September 21, 2021, between San Juan Resources, Inc., Operator, and _____, as Non-Operators.

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

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

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents, and landowners, as an incidental part of the supervisor's operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices

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- 1 • Responsibility for field adherence to company policy
- 2 • Responsibility for employment decisions and performance appraisals for field personnel
- 3
- 4 • Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group
- 5 or team leaders.

6 **“Joint Account”** means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be

7 shared by the Parties but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

8

9 **“Joint Operations”** means all operations necessary or proper for the exploration, appraisal, development, production, protection,

10 maintenance, repair, abandonment, and restoration of the Joint Property.

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

12

13 **“Laws”** means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other

14 governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions

15 contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted,

16 promulgated or issued.

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

18

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

20

21 **“Offshore Facilities”** means platforms, surface and subsea development and production systems, and other support systems such as oil and

22 gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping,

23 heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of

24 offshore operations, all of which are located offshore.

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

26

27 **“On-site”** means on the Joint Property when in direct conduct of Joint Operations. The term “On-site” shall also include that portion of

28 Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other

29 facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

30

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

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

33 “Party.”

34

35 **“Participating Interest”** means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees,

36 or is otherwise obligated, to pay and bear.

37

38 **“Participating Party”** means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of

39 the costs and risks of conducting an operation under the Agreement.

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

41

42 **“Railway Receiving Point”** means the railhead nearest the Joint Property for which freight rates are published, even though an actual

43 railhead may not exist.

44

45 **“Shore Base Facilities”** means onshore support facilities that during Joint Operations provide such services to the Joint Property as a

46 receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication,

47 scheduling and dispatching center; and other associated functions serving the Joint Property.

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

49

50 **“Technical Services”** means services providing specific engineering, geoscience, or other professional skills, such as those performed by

51 engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint

52 Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second

53 paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator’s Affiliate, Non-

54 Operator, Non-Operator Affiliates, and/or third parties.

55

56 2. **STATEMENTS AND BILLINGS**

57 The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the

58 preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all

59 charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified

60 and fully described in detail, or at the Operator’s option, Controllable Material may be summarized by major Material classifications.

61 Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

62

63

64 The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances*

65 *and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper

66 copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and

 bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of

 weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via



1 email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings
2 electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written
3 notice to the Operator.
4

5
6 **3. ADVANCES AND PAYMENTS BY THE PARTIES**

7 A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated
8 cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance request or by the first day of
9 the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances
10 received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the
11 subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator
12 shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.
13
14

15 B. Except as provided below, each Party shall pay its proportionate share of all bills in full within fifteen (15) days of receipt date. If
16 payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the
17 *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum
18 contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court
19 costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or
20 discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the
21 Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment
22 was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed.
23 Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the
24 Operator at the time payment is made, to the extent such reduction is caused by:
25

- 26 (1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working
27 interest or Participating Interest, as applicable; or
- 28 (2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved
29 or is not otherwise obligated to pay under the Agreement; or
- 30 (3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has
31 furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator
32 shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty
33 (30) day period following the Operator's receipt of such written notice; or
- 34 (4) charges outside the adjustment period, as provided in Section 1.4 (*Adjustments*).
35
36
37

38 **4. ADJUSTMENTS**

39 A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills
40 and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct,
41 with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said
42 period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response
43 to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section 1.5 (*Expenditure*
44 *Audits*).
45
46

47 B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section 1.4.B, are limited to the
48 twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared
49 on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month
50 period are limited to adjustments resulting from the following:
51

- 52 (1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or
- 53 (2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the
54 Operator relating to another property, or
- 55 (3) a government/regulatory audit, or
- 56 (4) a working interest ownership or Participating Interest adjustment.
57
58
59

60 **5. EXPENDITURE AUDITS**

61 A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's
62 accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in
63 which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the
64 adjustment of accounts as provided for in Section 1.4 (*Adjustments*). Any Party that is subject to payout accounting under the
65 Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of
66 the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the
volumes of hydrocarbons produced and saved, and proceeds received for such hydrocarbons as they pertain to payout accounting

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1 required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the
2 twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

3
4 Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a
5 manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators'
6 audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year
7 without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of
8 those Non-Operators approving such audit.
9

10 The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after
11 completion of the audit testing and analysis; however, the ninety (90) daytime period shall not extend the twenty-four (24) month
12 requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be
13 supported with sufficient documentation.
14

15 A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to
16 the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator
17 hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to
18 comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with
19 the additional deadlines in Section I.5.B or I.5.C, the Operator's waiver of its rights to assert a statute of limitations defense against
20 the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations,
21 provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or
22 I.5.C.
23
24

25
26 B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator
27 receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive
28 response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion
29 thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section
30 I.3.B (*Advances and Payments by the Parties*).
31

32 C. The lead audit company shall reply to the Operator's response to an audit report within ninety (90) days of receipt, and the Operator
33 shall reply to the lead audit company's follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator
34 shall have the right to represent itself if it disagrees with the lead audit company's position or believes the lead audit company is not
35 adequately fulfilling its duties.
36

37 D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after
38 Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution
39 meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable.
40 The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting
41 shall be held at the Operator's office or mutually agreed location and shall be attended by representatives of the Parties with
42 authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution
43 reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the
44 Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself.
45 Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information
46 supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may
47 be discussed at subsequent meetings until each such issue is resolved.
48

49 If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall
50 be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute
51 shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present
52 at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to
53 ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any
54 Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60)
55 days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other
56 provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or
57 to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.
58
59
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61

62 **6. APPROVAL BY PARTIES**

63 **A. GENERAL MATTERS**

64 Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting
65 Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the
66 Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the
Non-Operators shall be controlling on all Non-Operators.

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

4
5 **B. AMENDMENTS**

6
7 If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting
8 Procedure can be amended by an affirmative vote of two (2) or more Parties, one of which is the Operator, having a combined working
9 interest of at least fifty-one percent (51%), which approval shall be binding on all Parties, provided, however, approval of at least one
10 (1) Non-Operator shall be required.

11
12 **C. AFFILIATES**

13
14 For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each
15 other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating
16 Interest of such Affiliates.

17
18 For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes
19 under Section I.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's
20 Affiliate.

21 **II. DIRECT CHARGES**

22 The Operator shall charge the Joint Account with the following items:

23
24 **1. RENTALS AND ROYALTIES**

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

26
27
28 **2. LABOR**

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

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

40
41 Charges for the Operator's employees identified in Section II.2.A may be made based on the employee's actual salaries and wages,
42 or in lieu thereof, a day rate representing the Operator's average salaries and wages of the employee's specific job category.

43
44 Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid
45 to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by the Parties pursuant to Section
46 I.6.A (*General Matters*).

47
48 **B.** Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose
49 salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination
50 allowances. Such costs under this Section II.2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the
51 amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall
52 be based on the Operator's cost experience.

53
54 **C.** Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs
55 chargeable to the Joint Account under Sections II.2.A and B.

56
57 **D.** Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the
58 expenses are incurred in connection with directly chargeable activities.

59
60 **E.** Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the Joint
61 Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party, or
62 that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as
63 those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the Joint Account unless
64 approved by the Parties pursuant to Section I.6.A (*General Matters*).

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- F. Training costs as specified in COPAS MFI-35 ("Charging of Training Costs to the Joint Account") for personnel whose salaries and wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.
- G. Operator's current cost of established plans for employee benefits, as described in COPAS MFI-27 ("Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation"), applicable to the Operator's labor costs chargeable to the Joint Account under Sections II.2.A and B based on the Operator's actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.
- H. Award payments to employees, in accordance with COPAS MFI-49 ("Awards to Employees and Contractors") for personnel whose salaries and wages are chargeable under Section II.2.A.

3. MATERIAL

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

4. TRANSPORTATION

- A. Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.
- B. Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material from the Joint Property to the Operator's warehouse or other storage point shall be paid for by the Joint Property using one of the methods listed below:
 - (1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall consistently apply the selected alternative.
 - (2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged directly to the Joint Property and shall not be included when calculating the Equalized Freight.

5. SERVICES

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

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

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

- A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to real-time operations centers, production facilities, Shore Base Facilities, Offshore Facilities, / and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (Labor). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

7. AFFILIATES

shall not include overhead costs,

- A. Charges for an Affiliate's goods and/or services used in operations, / that require and AFE or other authorization from Non-Operators, maybe made without approval of the Parties provided (i) the Affiliate is identified, and Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for Affiliate's goods and services billed 150% of the approved AFE amount to such individual project. If the total costs of the Affiliate's goods and services charged to such individual

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1 projects are not specifically detailed in the approved AFE or authorization or exceed such amount charges for such Affiliate shall
2 require approval of the Parties, pursuant to Section 1.6.A (*General Matters*).

3
4 B. For the Affiliate's goods or services used in operations not requiring an AFE or other authorization from the Non-Operators,
5 Charges for such Affiliate's goods and services shall require approval of the Parties pursuant to Section 1.6.A (*General Matters*), if
6 the charges exceed \$50,000.00 in a given calendar year.

7
8 C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, /
9 unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support
10 commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however,
11 documentation of commercial rates shall not be required if the Operator obtains non-Operator approval of its Affiliate's rates or
12 charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for
13 Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).

14
15 **8. DAMAGES AND LOSSES TO JOINT PROPERTY**

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

19
20 The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been
21 received by the Operator.

22
23
24 **9. LEGAL EXPENSE**

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

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

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33
34
35 **10. TAXES AND PERMITS**

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

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

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

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

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54 **11. INSURANCE**

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

61
62
63
64 **12. COMMUNICATIONS**

65 Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio
66 and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance
with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems
serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and*

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1 *Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's
2 Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator
3 shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting
4 documentation.

6 **13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY**

7
8 Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by
9 Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for
10 ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2
11 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.

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

16 **14. ABANDONMENT AND RECLAMATION**

17
18 Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

19 **15. OTHER EXPENDITURES**

20
21 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III
22 (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the
23 Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).
24

26 **III. OVERHEAD**

27
28 As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator
29 shall charge the Joint Account in accordance with this Section III.

30
31 Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless
32 of location, shall include, but not be limited to, costs and expenses of:

- 33 • warehousing, other than for warehouses that are jointly owned under this Agreement
- 34 • design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
- 35 • inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
- 36 • procurement
- 37 • administration
- 38 • accounting and auditing
- 39 • gas dispatching and gas chart integration
- 40 • human resources
- 41 • management
- 42 • supervision not directly charged under Section II.2 (*Labor*)
- 43 • legal services not directly chargeable under Section II.9 (*Legal Expense*)
- 44 • taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- 45 • preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with
46 governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing,
47 interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.
48
49

50
51 Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing
52 overhead functions, as well as office and other related expenses of overhead functions.
53

54
55 **1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS**

56
57 As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this
58 Section III, the Operator shall charge on either:

- 59 (**Alternative 1**) Fixed Rate Basis, Section III.I.B.
- 60 (**Alternative 2**) Percentage Basis, Section III.LC.

61
62
63 **A. TECHNICAL SERVICES**

- 64
65 (i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major*
66 *Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages,
related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical
Services:

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- (Alternative 1 – Direct) shall be charged direct to the Joint Account.
- (Alternative 2 – Overhead) shall be covered by the overhead rates.

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

- (Alternative 1 – Direct) shall be charged direct to the Joint Account.
- (Alternative 2 – Overhead) shall be covered by the overhead rates.
- (Alternative 3 – Drilling Direct) shall be charged direct to the Joint Account, only to the extent such Technical Services are directly attributable to drilling, re-drilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

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

B. OVERHEAD—FIXED RATE BASIS

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

Drilling Well Rate per month \$ 10,000.00 (prorated for less than a full month)
 Producing Well Rate per month \$ 1,000.00

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

- (a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.
- (b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive workdays shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

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

- (a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.
- (b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.
- (c) A one-well charge shall be made for the month in which plugging, and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether or not the well has produced.
- (d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.
- (e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

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

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

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

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

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

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

- 10 (1) 5 % of total costs if such costs are less than \$100,000; plus
- 11 (2) 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- 12 (3) 2 % of total costs in excess of \$1,000,000.

13
14
15
16 B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:

- 17 (1) 3 % of total costs if such costs are less than \$100,000; plus
- 18 (2) 2 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- 19 (3) 1 % of total costs in excess of \$1,000,000.

20
21
22 Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major
23 Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping
24 units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each
25 single occurrence or event.
26

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

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

33
34 In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7
35 (*Affiliates*), the provisions of this Section III.2 shall govern.
36

37 **3. AMENDMENT OF OVERHEAD RATES**

38 The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient
39 or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).
40

41
42 **IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS**

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

48
49 **1. DIRECT PURCHASES**

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

59
60 **2. TRANSFERS**

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

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1 A. PRICING

2 The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer.
3 Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the
4 Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator
5 shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or
6 sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced
7 using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate
8 between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:
9

- 10
- 11 (1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM)
- 12 or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).
- 13
- 14 (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston,
- 15 Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).
- 16
- 17 (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply
- 18 Store nearest the Joint Property where like Material is normally available or point of manufacture plus transportation
- 19 costs as defined in Section IV.2.B (*Freight*).
- 20
- 21 (2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.
- 22
- 23 (3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12)
- 24 months from the date of physical transfer.
- 25
- 26 (4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the
- 27 Material for Material being transferred from the Joint Property.

28 B. FREIGHT

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

- 31
- 32 (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the
- 33 Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing
- 34 Manual") and other COPAS MFIs in effect at the time of the transfer.
- 35
- 36 (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point.
- 37 For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs
- 38 for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway
- 39 Receiving Point.
- 40
- 41 (3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the
- 42 Railway Receiving Point.
- 43
- 44 (4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the
- 45 Supply Store or point of manufacture, whichever is appropriate to the Railway Receiving Point

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

49 C. TAXES

50 Sales and use taxes shall be added to the Material transfer price using either the method contained in the COPAS Computerized
51 Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either
52 case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.
53

54 D. CONDITION

- 55
- 56 (1) Condition "A" – New and unused Material in sound and serviceable condition shall be charged and credited / at one hundred
- 57 percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). e . All
- 58 refurbishing costs required or necessary to return the Material to original condition or to correct handling, transportation, or other
- 59 damages will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and
- 60 transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any
- 61 preparation costs incurred, including any internal or external coating, and wrapping, will be credited on new Material provided
- 62 these services were not repeated for such Material for the receiving property.
- 63
- 64 (2) Condition "B" – Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced
- 65 by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by seventy-five percent
- 66 (75%). Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to
- correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the
Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied

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1 by sixty-five percent (65%).

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

6 The cost of reconditioning may be charged to the receiving property to the extent Condition "C" value, plus cost of

7 reconditioning, does not exceed Condition "B" value.

- 8
- 9 (4) Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is
- 10 obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for
- 11 items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be
- 12 priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line
- 13 pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher-pressure service lines than standard line
- 14 pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods
- 15 shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited
- 16 with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General*
- 17 *Matters*).

- 18
- 19 (5) Condition "E" – Junk shall be priced at prevailing scrap value prices.

20 E. OTHER PRICING PROVISIONS

- 21 (1) Preparation Costs

22 Subject to Section II (*Direct Charges*) and Section III (*Overhead*) of this Accounting Procedure, costs incurred by the Operator

- 23 (2) Loading and Unloading Costs

24 Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged in accordance with

25 3. DISPOSITION OF SURPLUS

26 Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but

27 shall be under no obligation to purchase, the interest of the Non-Operators in surplus Material.

28 Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to

- 29 either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good
- 30 faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or
- 31 other dispositions as agreed to by the Parties.
- 32 Disposal of surplus Materials shall be made in accordance with the terms of the Agreement to which this Accounting Procedure is
- 33 attached. If the Agreement contains no provisions governing disposal of surplus Material, the following terms shall apply:
- 34 • The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is
- 35 less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is
- 36 attached without the prior approval of the Parties owning such Material.
- 37 • If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such
- 38 Material.
- 39 • Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on
- 40 the pricing methods set forth in Section IV.2 (*Transfers*).
- 41 • Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the
- 42 Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure
- 43 limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as
- 44 Condition C.
- 45 • Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval
- 46 of the Parties owning such Material.

47 4. SPECIAL PRICING PROVISIONS

48 A. PREMIUM PRICING

49 Whenever Material is available only at inflated prices due to national emergencies, strikes, government imposed foreign trade

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B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

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

1. DIRECTED INVENTORIES

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

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

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

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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

B. NON-OPERATOR INVENTORIES

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

C. SPECIAL INVENTORIES

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

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