FEDERAL/ALLOTTEE
EXPLORATORY UNIT

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

WEST ESCAVADA UNIT AREA

SAN JUAN and SANDOVAL COUNTIES, NEW MEXICO

NO. NMNM 135218X

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THIS AGREEMENT, entered into as of the 1st day of August, 2017, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

THIS AGREEMENT, is limited in applicability to wells containing a lateral or laterals drilled, completed or recompleted so that horizontal component of the completion interval extends at least one hundred feet (100') in the objective formation ("Horizontal Well(s)"). All pre-existing and future vertical wells within the Unit boundary drilled and completed in the Mancos Shale Group (see 3. UNITIZED LAND AND UNITIZED SUBSTANCES) are excluded from this Agreement.

WITNESSETH:

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

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

WHEREAS, the Act of March 3, 1909, (35 Stat. 783) as amended by the act of August 9, 1955, (69 Stat. 540), the Act of May 11, 1938, (52 Stat. 347 as amended, 25 U.S.C., Sec. 396a-g), Act of August 4, 1947, (61 Stat. 732), Indian Mineral Development Act of 1982 (25 U.S.C. 2101-2108), provides that all operations under any oil and gas lease on tribal and/or allotted Indian lands shall be subject to the rules and regulations of the Secretary of the Interior, and regulations issued pursuant to said statute provide that, in the exercise of his judgment, the Secretary may take into consideration, among other things, the Federal laws, state laws or regulations by competent Federal or State authorities or lawful agreements among operators regulating either drilling or production or both (25 C.F.R. Sec. 211.28 and 212.28); and,

WHEREAS, the parties hereto hold sufficient interests in the West Escavada Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

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

1. ENABLING ACT AND REGULATIONS. The Acts of March 3, 1909 and of February 25, 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal and Indian trust lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non-Indian trust lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

See map attached hereto marked as Exhibit "A" is hereby designated and recognized as constituting the Unit Area containing, 2,886.42 acres more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" and "B" shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized officer, hereinafter referred to as "AO", and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office.

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

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO and the Federal Indian Minerals Office (FIMO)), or on demand of the AO or FIMO (after preliminary concurrence by the AO and FIMO) shall prepare a Notice of Proposed Expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion, preferably the first day of a month subsequent to the date of notice.

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

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas from the top of the Mancos formation at a measured depth of 3,858 feet down to the stratigraphic equivalent of the base of the Greenhorn formation at a measured depth of 5,695feet as encountered in the Fulton 1well in Section 31, Township 23 North, Range 7 West, N.M.P.M. (API #30-043-05164), are unitized under the terms of this agreement and herein are called "unitized substances" (see type log attached as Exhibit "C").

4. UNIT OPERATOR. Enduring Resources, LLC, hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of unitized production or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal and Indian trust lands and unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

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

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

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

If no successor Unit Operator is selected and qualified as herein provided, the AO, FIMO, at their election may declare this unit agreement terminated.

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

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

possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until a 4000' foot horizontal lateral in the Mancos Shale Group has been tested which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a measured depth in excess of 9,600 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than one (1) year between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO, if on Federal or Indian trust land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

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

Upon failure to commence any well as provided for in this section within the time allowed including any extension of time granted by the AO, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO may, after fifteen (15) days notice to the Unit Operator, declare this unit agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section. The failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO may, after 15 days notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid ab initio by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO.

After completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than one (1) year between the completion of one well and the commencement of drilling operations for the next well, until the Unit is fully developed to the satisfaction of the AO if on Federal or Indian Trust land.

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

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

(a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
(b) provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO is authorized to grant a reasonable extension of the 12-month period herein prescribed for submission of an initial plan of development and on operation where such action is justified because of unusual conditions or circumstances

11. ALLOCATION OF PRODUCTION. All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal and Indian trust land, if any. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land and unleased Federal and Indian trust land, if any. All proceeds less taxes and appropriate royalties, attributed to unleased Indian trust and Federal lands included within the unit area are to be placed in an interest earning escrow or trust account for each unleased tract by the designated unit operator until the land is leased. These accounts will be subject to audit by the Department of Interior. Within 90 days of the issuance of an Indian and/or Federal lease within this designated unit area, if the lessee(s) and the working interest owner(s) do not commit the land to this unit agreement the proceeds for their portion of the escrow account will be forfeited. There shall be allocated to the working interest owner(s) of each tract of unitized land, in addition, such percentage of the production attributable to the unleased Federal and Indian trust land within the unitized area as the number of acres of such unitized tract included in said unitized area bears to the total acres of unitized land in said unitized area, for the payment of the compensatory royalty specified in section 15 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 15, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties.

12. ROYALTY SETTLEMENT. The United States, the Indians , and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in

this section shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

Royalty due on the United States and Indian trust lands shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 11 at the rates specified in the respective Federal lease, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the unitized area were a single consolidated lease.

13. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by appropriate working interest owners under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States and Indian trust lands subject to this agreement shall be paid at the rate specified in the respective leases from the United States, and Indian trust lands, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

15. DRAINAGE. The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances for unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO, as to Federal and Indian leases.

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

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and FIMO, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development, or operation for oil or gas of lands other than those of the United States and Indian trust lands committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement. If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that a well capable of production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such Federal lease shall be extended for two years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Act of February 25, 1920, as amended. Any Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of Unitized Substances in paying quantities is established under this Unit Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784) (30 U.S.C. 226 (m)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

18. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO and FIMO or their duly authorized representative and shall automatically terminate five (5) years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO; or

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

(c) a valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal or Indian trust lands and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from wells on unitized land. Should production cease and diligent drilling or re-working operations to restore production or new production are not in progress or reworking within sixty (60) days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred; or

(d) it is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with Section 9. If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

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

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

20. APPEARANCES. Unit Operators shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby before the Department of the Interior, and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department or any other legally constituted authority; provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

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

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

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

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

25. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal leases, no payments of funds due the United States should be withheld, but such funds shall be deposited as directed by the AO, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

26. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, and the Unit Operator prior to the approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest, is a working interest, by the owner of such interest only subscribing to the unit operating agreement.

After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

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

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

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as a result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

(a) accept those working interest rights subject to this agreement and the unit operating agreement; or

(b) lease the portion of such land subject to this agreement and the unit operating agreement; or

(c) provide for the independent operation of any part of such land.

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 six (6) months after the surrender or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of 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 interest subsequent to the date of surrender or forfeiture, and payment of any monies found to be owing by such an accounting shall be made as between the parties within thirty (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.

29. 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 interest 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.

30. 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.

31. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

ENDURING RESOURCES, LLC

By _____
Alex B. Campbell, Vice President

Date of Execution _____

Address:
511 – 16TH Street, Suite 700
Denver, Colorado 80202

STATE OF COLORADO
)ss.
CITY AND COUNTY OF DENVER)

On this _____day of _____, 2018, before me appeared Alex B. Campbell, to me personally known, who, being duly sworn, did say that he is the Vice President of _____Enduring Resources, LLC_____ and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Alex B. Campbell acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: _____ _____
Notary Public

BUREAU OF LAND MANAGEMENT

By _____

Date of Execution _____

Address

STATE OF _____)
)ss.
COUNTY OF _____)

On this _____day of _____, 2018, before me appeared _____to me personally known, who, being duly sworn, did say that he is the _____of _____ and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: _____ _____
Notary Public

FEDERAL INDIAN MINERALS OFFICE

By _____

Date of Execution _____

Address

STATE OF _____)
)ss.
COUNTY OF _____)

On this _____day of _____, 2018, before me appeared _____to me personally known, who, being duly sworn, did say that he is the _____of _____ and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: _____ _____

ENDURING RESOURCES, LLC

By _____
Alex B. Campbell, Vice President

Date of Execution 05/07/18

Address:
511 – 16TH Street, Suite 700
Denver, Colorado 80202

STATE OF COLORADO
)ss.
CITY AND COUNTY OF DENVER)

On this 7 day of May, 2018, before me appeared Alex B. Campbell, to me personally known, who, being duly sworn, did say that he is the Vice President of Land Enduring Resources, LLC and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Alex B. Campbell acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: 9/29/2021 _____
Notary Public

COURTNEY CHRISTINE SQUIRE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174040656
MY COMMISSION EXPIRES 09/29/2021

BUREAU OF LAND MANAGEMENT

By _____

Date of Execution _____

Address

STATE OF _____)
)ss.
COUNTY OF _____)

On this _____ day of _____, 2018, before me appeared _____ to me personally known, who, being duly sworn, did say that he is the _____ of _____ and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: _____ _____
Notary Public

FEDERAL INDIAN MINERALS OFFICE

By _____

Date of Execution _____

Address

STATE OF _____)
)ss.
COUNTY OF _____)

On this _____ day of _____, 2018, before me appeared _____ to me personally known, who, being duly sworn, did say that he is the _____ of _____ and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: _____ _____

ENDURING RESOURCES, LLC

By _____

Date of Execution 05/02/18

Address:
511 – 16TH Street, Suite 700
Denver, Colorado 80202

STATE OF Colorado)
)ss.
COUNTY OF Denver)

On this 7 day of May, 2018, before me appeared Alex B. Campbell to me personally known, who, being duly sworn, did say that he is the Vice President-Land of Enduring Resources, LLC and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Alex B. Campbell acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: 9/29/2021

Courtney Christine Squire
Notary Public

COURTNEY CHRISTINE SQUIRE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174040656
MY COMMISSION EXPIRES 09/29/2021

BUREAU OF LAND MANAGEMENT

By _____

Date of Execution 05/31/2018

Address

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

On this 31 day of May, 2018, before me appeared Richard A. Fields to me personally known, who, being duly sworn, did say that he is the Field Office Manager of BLM-FFO and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Richard A. Fields acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: 03/17/2021

Virginia Barber
Notary Public

VIRGINIA BARBER NOTARY PUBLIC STATE OF NEW MEXICO

FEDERAL INDIAN MINERALS OFFICE

By _____

Date of Execution 05/31/18

Address

STATE OF New Mexico)
)ss.
COUNTY OF McKinley)

On this 31st day of May, 2018, before me appeared Maureen Joe to me personally known, who, being duly sworn, did say that he is the Director of Federal Indian Minerals Office and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Maureen Joe acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: 04/23/2019

Bertha L. Shorty

OFFICIAL SEAL
BERTHA L. SHORTY
NOTARY PUBLIC-STATE OF NEW MEXICO
My Comm. Expires: 4/23/2019

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

UNIT OPERATING AGREEMENT
WEST ESCAVADA UNIT AREA
SAN JUAN AND SANDOVAL COUNTIES
STATE OF NEW MEXICO

DATED EFFECTIVE * and **

August 1 , 2017 ,
year

OPERATOR Enduring Resources, LLC

UNIT AREA

See Attached Exhibit "A" for Description

COUNTIES OF Sandoval and San Juan , STATE OF New Mexico

*Subject to the provisions of Article XVI(A)

**The Execution Date of this Agreement shall be August 1st, 2017.

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

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

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Enduring Resources, LLC, hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have entered into that certain Unit Agreement for the Development and Operation of the West Escavada Unit Area, Sandoval and San Juan Counties, State of New Mexico, dated as of the ___ day of _____, 2017, and hereinafter referred to as the "Unit Agreement" ~~reached an agreement~~ to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

WHEREAS, the parties enter into this agreement pursuant to Section 7 of the Unit Agreement.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

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

A. The term "AFE" shall mean a DETAILED Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder. An AFE for a Horizontal or Multi-lateral Well shall clearly stipulate that the well being proposed is a Horizontal or Multi-lateral Well and shall include all Completion operations for the proposed Horizontal or Multi-lateral Well.

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

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

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. When used in connection with a Multi-lateral or Horizontal Well the term "Deepen" shall mean an operation whereby a Lateral is drilled to a horizontal distance greater than the distance set out in the well proposal approved by the Consenting Parties, or to a horizontal distance greater than the total measured depth to which the Lateral was previously drilled.

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

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

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located. The term "Drillsite" when used in connection with a Horizontal or Multi-lateral Well shall mean the surface location and the Oil and Gas Leases or Oil and Gas Interests within the spacing unit on which the wellbores, including all Laterals, are located.

H. The term "Initial Test Well" shall mean the well required to be drilled ~~by the parties hereto as provided in Article VI.A.~~ under the terms of the Unit Agreement.

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

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

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

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

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

N. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. When used in connection with a Horizontal or Multi-lateral Well, the term "Plug Back" shall mean an operation to test or Complete the well at a stratigraphically shallower geological horizon in which the operation has been or is being Completed and which is not within an existing Lateral.

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

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

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties. When used in connection with a Horizontal or Multi-lateral Well, the term "Sidetrack" shall mean the directional control and intentional deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral as originally proposed, unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

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

S. The term "Lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to Total Measured Depth.

T. The term "Horizontal Well" shall mean a well containing a single Lateral which is drilled, Completed or Recompleted in a manner in which the horizontal component of the completion interval (1) extends at least one hundred (100') feet in the objective formation and (2) exceeds the vertical component of the completion interval in the objective formation.

U. The term "Multi-lateral Well" shall mean a well which contains more than one Lateral which is drilled, Completed or Recompleted in a manner in which the horizontal component of the completion interval of each Lateral (1) extends at least one hundred (100') feet in the objective formation(s) and (2) exceeds the vertical component of the completion interval in the objective formation(s).

V. The term "Total Measured Depth" when used in connection with a Multi-lateral or Horizontal Well, shall mean the distance from the surface of the ground to the terminus of the wellbore, as measured along the wellbore. Each lateral taken together with the common vertical wellbore shall be considered a single wellbore and shall have a corresponding Total Measured Depth. Notwithstanding the foregoing, in the case of a Multi-lateral Well, if the production from each Lateral is to be commingled in the common vertical wellbore then the Laterals and vertical wellbore shall be considered collectively as one wellbore. When the proposed operation(s) is the drilling of, or operation on, a Horizontal or Multi-Lateral Well, the terms "depth" or "total depth" wherever used in the Agreement shall be deemed to read "Total Measured Depth" insofar as it applies to such well.

W. The term "Vertical Well" shall mean a well drilled, Completed or Recompleted other than a Horizontal or Multi-Lateral Well.

X. The term "Horizontal" shall mean approximately parallel to the earth's surface or more generally a deviation from vertical of more than 30 degrees.

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

ARTICLE II.
EXHIBITS

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

X A. Exhibit "A," shall include the following information:
- (1) Description of lands subject to this agreement
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Parties to agreement with addresses and telephone numbers for notice purposes,
- (4) Percentages or fractional interests of parties to this agreement,
- (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
- (6) Burdens on production.
- (7) Plat of Unit Area.

~~X B. Exhibit "B," Form of Lease.~~

X C. Exhibit "C," Accounting Procedure.

X D. Exhibit "D," Insurance, with Insurance Election Ballot(s).

X E. Exhibit "E," Gas Balancing Agreement.

X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.

~~G. Exhibit "G," Tax Partnership.~~

X H. Other: Recording Supplement and Financing Statement, Form 610RS

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

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

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

B. Interests of Parties in Costs and Production:

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

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the ~~Contract~~ Unit Area and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the ~~Contract~~ Unit Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the ~~Contract~~ Unit Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

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

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

C. Subsequently Created Interests:

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

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

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party upon written request. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys or other outside land consultants for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

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

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

No well shall be drilled on the ~~Contract~~ Unit Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the ~~examining attorney or title has been accepted by all of the Drilling Parties in such well.~~

B. Loss or Failure of Title:

1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,

(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the ~~Contract~~ Unit Area by the amount of the Lease or Interest failed;

(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;

(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;

(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and

(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder of the ~~Contract~~ Unit Area shall be considered a Failure of Title as to such remaining ~~Contract~~ Unit Area unless that absence of interest is reflected on Exhibit "A."

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the ~~Contract~~ Unit Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the ~~Contract~~ Unit Area or becoming a party to this agreement.

3. Other Losses: All losses of Leases or Interests committed to this agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the ~~Contract~~ Unit Area on account of any joint loss.

4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Enduring Resources, LLC shall be the Operator of the ~~Contract~~ Unit Area, and shall conduct and direct and have full control of all operations on the ~~Contract~~ Unit Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct.

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

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

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

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

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

C. Employees and Contractors:

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

D. Rights and Duties of Operator:

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

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the ~~Contract~~ Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

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

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

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

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

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

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

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

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

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

Any information furnished to or obtained by a Non-Operator pursuant to Articles V.D.5, V.D.6 and V.D.7 shall be maintained as confidential by the Non-Operator and shall not be disclosed by the Non-Operator without the prior written consent of Operator.

Notwithstanding anything in this Agreement to the contrary, the rights of a Non-Operator as set forth in Articles V.D.5, V.D.6 and V.D.7 shall only apply in favor of those Non-Operator Parties who are Consenting Parties with the respect to a proposed operation, until such time as the Consenting Parties are no longer entitled to the Non-Consenting Party's share of production, or the proceeds therefrom, attributable to the proposed operation in which the Non-Consenting Parties did not participate.

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

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

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

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Test Well:

On or before the ___ day of _____, which is six (6) months from the Effective Date herein, Operator shall commence the drilling of the Initial Test Well at the following location: at a legal location of Operator's choice, within the boundaries of the West Escavada Unit located in T22N-R7W, Section 7: S/2, Section 8: S/2, Section 17: ALL, Section 18: ALL, and T22N-R8W, Section 12: S/2, Section 13: ALL, Sandoval and San Juan Counties, New Mexico.

and shall thereafter continue the drilling of the well with due diligence to a depth sufficient to adequately test the ~~_____~~ Mancos _____ formation.

Operator shall have the right to cease drilling any Horizontal or Multi-lateral Well at any time, for any reason, and any such Well shall be deemed to have reached its objective depth so long as Operator has drilled any such Well to the objective formation(s) and has drilled horizontally in the objective formation(s) sufficient to test the Mancos formation.

~~The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.~~

B. Subsequent Operations:

1. Proposed Operations: If any party hereto should desire to drill any well on the ~~Contract~~ Unit Area ~~other than the Initial Test Well~~, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone

under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ~~ninety (90)~~ one hundred twenty (120) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case maybe), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to ~~thirty (30)~~ sixty (60) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

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

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

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking,

Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, Sidetracking, Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) 200 % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) 400 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

(c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 400% of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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

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

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

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and

shall pay its proportionate part of the further costs of the operation of said well including, plugging and abandonment, clean up and damages in accordance with the terms of this agreement and Exhibit "C" attached hereto.

3. Stand-By Costs: When a well which has been drilled or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking, Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2. (a), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

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

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

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

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

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

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F. This Article VI.B.4 shall not apply to Deepening operations within an existing Lateral of a Horizontal or Multi-Lateral Well. The Non-Consenting Parties non-consent election shall be deemed to also apply to any Deepening or extending operation within an existing Lateral of a Horizontal or Multi-Lateral well.

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

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

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

This Article VI.B.5, "Sidetracking" shall not apply to operations in an existing Lateral of a Horizontal or Multi-Lateral Well. Drilling Operations which are intended to recover penetration of the objective formation(s) which are conducted in a Horizontal or Multi-Lateral Well shall be considered as included in the original proposed drilling operations.

6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform

an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

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

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

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include as to Horizontal or Multi-Lateral Wells Option 1 below and as to Vertical Wells Option 2 below:

☑ Option No. 1 (Horizontal Wells): All necessary expeditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of the well, a Horizontal or Multi-Lateral Well including necessary tankage and/or surface facilities. For any Horizontal or Multi-Lateral Well subject to this Agreement, Completion operations shall be included in the proposed drilling operations for such well.

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

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

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifty Thousand Dollars ($ 50,000.00) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Fifty Thousand Dollars ($ 50,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but

not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 51 % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or Deepened pursuant to Article VI.B.2., any well which has been drilled or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable.

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

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

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

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

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 51 % of the costs of such operation; provided, however, that in the event granite or other

practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

☑ **Option No. 1: Gas Balancing Agreement Attached*to be effective as of the date Approval of the West Escavada Unit by the Bureau of Land Management and F.I.M.O.**

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

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

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

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil and/or gas under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least ten (10) days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

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

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

☐ ~~**Option No. 2: No Gas Balancing Agreement**~~

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

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

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

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

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements.~~

~~Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the ~~Contract~~ Unit Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

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

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and 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 ~~Contract~~ Unit Area is situated and such other states as 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/or a financing statement with the proper officer under the Uniform Commercial Code.

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

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

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

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 allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

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 ~~Contract~~ Unit Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the ~~Contract~~ Unit Area is situated in order to secure the

payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

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

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

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

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

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

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

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

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

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

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

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such

action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

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

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

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

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

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

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

B. Renewal or Extension of Leases:

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

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

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

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

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

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the ~~Contract~~ Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate ~~Contract~~ Unit Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the ~~Contract~~ Unit Area. The above provisions shall also be applicable to optional rights to earn acreage outside the ~~Contract~~ Unit Area which are in support of well drilled inside ~~Contract~~ Unit Area.

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

D. ~~Assignment; Maintenance of Uniform Interest:~~

~~For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or~~

~~2. an equal undivided percent of the party's present interest in all Oil and Gas leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.~~

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

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

E. Waiver of Rights to Partition:

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

~~F. Preferential Right to Purchase:~~

~~☐ (Optional, Check if applicable.)~~

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

ARTICLE IX.
INTERNAL REVENUE CODE 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 "G" 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. 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 Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this

election, each such 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 such 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 Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty Thousand Dollars ($ 50,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling settling, or otherwise discharging such claim or suit shall be a the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

ARTICLE XII.
NOTICES

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

ARTICLE XIII.
TERM OF AGREEMENT

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

☑ Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the ~~Contract~~ Unit Area, whether by production, extension, renewal or otherwise.

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

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any

remedy therefor which has accrued or attached prior to the date of such termination.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

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

B. Governing Law:

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

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the ~~Contract~~ Unit Area.

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

ARTICLE XV.
MISCELLANEOUS

A. Execution:

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

B. Successors and Assigns:

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

C. Counterparts:

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

D. Severability:

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

ARTICLE XVI.
OTHER PROVISIONS

A. Effectiveness of Agreement/Conflict of Terms

The parties hereto agree that until such time as the Unit Agreement unitizing the lands listed on Exhibit "A" of this agreement is approved by the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico Oil Conservation Division, this agreement shall not become effective. In the event such approval is never granted, then this agreement shall be deemed null and void *ab initio*. This agreement shall not be deemed to either modify any of the terms and conditions of the Unit Agreement or to relieve the Unit Operator of any right or obligation established under the Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern. Notwithstanding anything in this agreement to the contrary, in the event of any conflict between the provisions of Article I through Article XV of this agreement and the provisions of this Article XVI, the provisions of this Article XVI shall control.

B. Priority of Operations – Horizontal Wells

Notwithstanding Article VI.B.6 or anything else in this agreement to the contrary, it is agreed that where a Horizontal or Multi-Lateral Well subject to this agreement has been drilled to the objective formation and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such Horizontal or Multi-Lateral Well, the following elections shall control in the order of priority enumerated hereafter:

1. Prior to Reaching the Objective Depth:
   a. Drilling a well to its objective depth shall have first priority over all other operations and proposals.

Commented [BMN1]: The "A" in all of the references to "Agreement" in this Other Provisions section should be lower case to be consistent with the rest of the agreement.

b. In the event that impenetrable conditions or mechanical difficulties prevent reaching the objective depth, a proposal to Sidetrack in an effort to reach the objective depth shall have priority over a proposal to attempt a Completion in a formation already reached.

2. After the Objective Depth has been Reached:
   a. An election to do additional logging, coring or testing;
   b. An election to attempt to complete drilling operations of all proposed Laterals;
   c. An election to extend or Deepen a Lateral;
   d. An election to kick out and drill an additional Lateral in the same location;
   e. An election to Plug Back the well to a formation or Zone above the formation in which a Lateral was drilled; if there is more than one proposal to Plug Back, the proposal to Plug Back to the next deepest prospective Zone or formation shall have priority over a proposal to plug back to a shallower prospective Zone or formation;
   f. An election to Sidetrack; and
   g. An election to plug and abandon said well as provided for in Article VI.E.

It is provided, however, that if at the time the Consenting Parties are considering any of the above elections, the hole is in such a condition that a reasonably prudent Operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the hole prior to Completing the Horizontal or Multi-Lateral Well in the objective formation, such election shall be eliminated from priorities hereinabove set forth.

C. Operator's Right to Net Out Revenue

In the event any Non-Operator becomes one hundred and twenty (120) days delinquent on payment of any joint interest billing, except for any payments related to charges on any joint interest billing that such Non-Operator has provided written notice that they are disputing in good faith, Operator is authorized to deduct operating costs and charges assessable to such Non-Operator as permitted under this agreement, and remit to such Non-Operator its respective net share of any proceeds attributable to the interest of the Non-Operator being received directly from any purchasers of production from the Unit Area. At such time as the delinquency has been recovered by Operator, Operator will restore full payment of revenues to the delinquent Non-Operator. The rights granted hereunder shall be on-going and may be utilized at any time that a Non-Operator is delinquent on the payment of joint interest billings. The foregoing provision shall not diminish any of Operator's rights contained within Article VII(b).

D. Federal and State Administration

Operator shall act as the representative for the parties hereto concerning all filings required by and hearings and proceedings before a Federal or State administrative bodies having jurisdiction over the Unit Area and all reasonable costs and expenses incurred by Operator, directly or by retention of outside personnel, in making such filings or participating in such hearings or proceedings shall be proper charges against the joint account. Nothing herein contained shall prohibit any of the parties to this agreement from participating in any such hearings or proceedings in its own behalf and at its own cost, expense and risk, so long as such party does not take an adverse position to that being taken by the Operator on behalf of the Non-Operators under this agreement.

E. Limitation on Damages

WITH RESPECT TO ANY DISPUTE, CLAIM, COUNTERCLAIM, CONTROVERSY OR OTHER MATTERS (THE "CLAIMS") ARISING BETWEEN THE PARTIES OUT OF OR RELATING TO THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, OR ANY ALLEGED BREACH THEREOF, OR OF THE RELATIONSHIP BETWEEN THE PARTIES CREATED BY THIS AGREEMENT, EVEN THOUGH SOME OR ALL OF SUCH CLAIMS MAY NOT SOUND IN CONTRACT, TORT, WARRANTY OR OTHERWISE, *INCLUDING*, DUTY TO DEAL IN GOOD FAITH OR CONFIDENTIAL RELATIONSHIP, BUT *SPECIFICALLY EXCLUDING* CLAIMS BASED IN WHOLE OR IN PART ON FRAUD OR BAD-FAITH DEALING, NO PARTY SHALL EVER BE LIABLE FOR EXEMPLARY, PUNATIVE, CONSEQUENTIAL, SPECIAL, INCIDENTAL, INDIRECT OR OTHER SIMILAR DAMAGES, INCLUDING LOST PROFITS, BUSINESS INTERRUPTION OR LOSS OF OPPORTUNITY, WHETHER SUCH DAMAGES ARE CLAIMED UNDER BREACH OF CONTRACT, BREACH OF WARRANTY, TORT OR ANY OTHER THEORY OR CAUSE OF ACTION AT LAW OR IN EQUITY. THE LIMITATIONS IN THIS PARAGRAPH ARE PART OF THE MATERIAL, BARGAINED-FOR CONSIDERATION FOR ENTERING INTO THIS AGREEMENT.

F. Joinder of Unit and Pooling of Leasehold

By executing this agreement, and upon the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico Oil Conservation Division approval of the Unit Agreement, each party hereby joins the Drilling Unit(s) and pools their leasehold working interests within the Unit Area into the Drilling Unit(s). The Drilling Unit(s) will consist of all or a portion of the leasehold working interests that are described in Exhibit "A" hereto.

G. Construction

The parties hereto further acknowledge and agree that each has had the opportunity to contribute to the drafting of this agreement or opportunity to have it reviewed by its legal counsel; therefore, the parties agree that in the event of a dispute over the meaning or application of this agreement, it shall be construed as if each party participated equally in the preparation and drafting of this agreement.

H. Unit Area Adjustments

The size of the Unit Area shall not be contracted or expanded absent written consent of all parties hereto, which consent shall not be unreasonably withheld, and approval of the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico Oil Conservation Division.

I. Assignment and Notice of Assignment

No assignment or other transfer or disposition of an interest subject to this Operating Agreement shall be effective as to Operator or the other parties hereto until the (a) Operator receives an authenticated copy of the instrument evidencing such assignment, transfer or disposition, and (b) the person receiving such assignment, transfer or disposition has become obligated by instrument to observe, perform and be bound by all of the covenants, terms and conditions of this agreement. Prior to such date, neither Operator nor any other party shall be required to recognize such assignment, transfer or disposition for any purpose but may continue to deal exclusively with the party making such assignment, transfer, or disposition in all matters under this Operating Agreement including billings. No assignment or other transfer or disposition of an interest subject to this Operating Agreement shall relieve a party of its obligation accrued prior to the effective date of such assignment or transfer. Further, no assignment, transfer or other disposition shall relieve any party of its liability for its share of costs and expenses which may be incurred in any operation to which such party has previously agreed or consented prior to the effective date of such assignment or transfer, for the drilling, testing, completing and equipping, reworking, recompleting, side-tracking, deepening, plugging-back, or plugging and abandoning of a well even though such operations are performed after said effective date, subject however to such party's right to elect not to participate in completion operations not previously consented to.

J. Operator's Right to Withhold Well Information for Past Due Joint Interest Billings

If any party to this Operating Agreement shall fail to pay its share of costs and expenses incurred and/or fails to pay any advance invoice as provided for in Article VII.C. herein for cost to be incurred in operations of the Unit Area for a period one hundred and twenty (120) days from the date of receipt of Operator's invoice therefore, Operator may notify the affected party of its default by certified mail, return receipt requested, and if such party fails to cure the default within ten (10) days from the date of receipt of Operator's notice, by payment in full of the invoices for operating costs which have been due for more than thirty (30) days, at Operator's election, the affected party shall be deemed in non-consent status and for as long as the affected party remains in default they shall have no further access to the Unit Area or information obtained in connection with operations hereunder and shall not be entitled to vote on any matter herein, as long as the invoices remain unpaid. This remedy shall be in addition to any and all other remedies provided for in this agreement including but not limited to Operator's right to set-off and/or net out revenues and right to file liens.

K. Headings

The descriptive headings used in this Operating Agreement are for convenience only and will not be deemed to affect the meaning of the Operating Agreement.

L. Commencement of Operations

Notwithstanding anything in Article VI.B to the contrary, Operator's election to commence operations prior to and during the Notice Period (forty-eight (48) hours if applicable), will not alter or extend the Notice Period in which a party is required to make an election to participate in the proposed operation, or constitute an election by that party not to participate in the cost of the proposed operation.

M. Confidentiality

In the event that Operator and Non-Operator mutually agree in writing that a particular process, information, equipment or data developed or obtained by Operator in connection with drilling or completion of wells pursuant to this Operating Agreement or that the terms of this Operating Agreement itself, should be maintained confidential ("Confidential Information"), each of Operator and Non-Operator shall use the same means they use to protect their own confidential, proprietary information to protect the confidentiality of the Confidential Information.

N. Provision to Address Keeping Interest constant within Drilling Unit

UNLEASED TRACTS. If during the Term of this agreement there exist any unleased tract(s) located within the Unit Area, which Operator deems suitable for inclusion in a Drilling Unit, Operator is hereby authorized to enter into an oil and gas lease, covering such unleased tract(s) and the reasonable costs and expenses associated with any such lease(s) taken under this provision, shall be jointly shared and billed pursuant to Article V.D. (2) of the Agreement. Once such lease(s) is acquired under this provision, Operator shall assign to each Consenting Party its proportionate share of such lease based upon the interests set forth on Exhibit A(4) and such tract(s) shall be added to the Drilling Unit. In the event that a Consenting Party fails to pay its proportionate share of such lease costs within ninety (90) days of the date of its receipt of an invoice for such costs, then such Consenting Party's interest in such lease shall be forfeited as to such Consenting Party and the amount of interest shall be divided between and paid for by the remaining Consenting Parties. In such event, Exhibit "A" to this agreement shall be amended to reflect such change in interest.

O. Right on Non-Operator to prompt well information

Operator understands and agrees that any party consenting to the drilling of a well under this agreement has full rights to any and all well information gained in the drilling, completing, testing, etc. Furthermore, Operator understands and agrees that the Non-Operators are entitled to this information immediately (or as soon as practically possible) upon request.

P. Recording of Agreement

The Parties hereto agree that this agreement shall not be filed of record in any County, State, Federal or other venue, but instead, that the Recording Supplement and Financing Statement, Form 610RS, attached hereto as Exhibit "H", shall be recorded in the County of the Unit Area. Notwithstanding the foregoing, a Party may file this agreement in the event that it is related to a pending lawsuit or other administrative procedure, or as required by law.

IN WITNESS WHEREOF, subject to the provisions of Article XVI(A), this Agreement shall be effective upon approval by the Bureau of Land Management and the Federal Indian Minerals Office, but shall be deemed to have been executed by all Parties as of this 15th day of July, 2015 ("Execution Date").

Enduring Resources, LLC, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles I, II, III, IV, V, VI, VII, VIII, X, XIII, XIV and XV, have been made to the form.

ATTEST OR WITNESS:

OPERATOR

Enduring Resources, LLC

_____

By _____

_____

Alex B. Campbell, Vice President
Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATORS

_____

_____

By _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

_____

_____

By _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

_____

_____

By _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

_____

_____ By _____

_____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

ACKNOWLEDGMENTS

Note: The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual acknowledgment:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of Colorado)

) ss.

City and County of Denver)

This instrument was acknowledged before me on

May 7, 2018 by Alex B. Campbell as Vice President of Enduring Resources, LLC.

(Seal, if any)

Courtney Christine Squire

Title (and Rank) Notary Public

My commission expires: 9/29/2021

COURTNEY CHRISTINE SQUIRE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174040656
MY COMMISSION EXPIRES 09/29/2021

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

_____ of

_____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

EXHIBIT "A"

Attached to and made part of that certain Unit Operating Agreement covering the West Escavada Unit, Sandoval and San Juan Counties, New Mexico, dated the 1st day of August, 2017 by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non-Operators.

1. UNIT AREA:

Township 22 North – Range 7 West:
Section 7: S/2
Section 8: S/2
Section 17: ALL
Section 18: ALL
Township 22 North – Range 8 West:
Section 12: S/2
Section 13: ALL
Sandoval and San Juan Counties, New Mexico
Containing 2,886.42 acres, more or less

2. DEPTH RESTRICTIONS:

This Agreement shall be limited in depth from the top of the Mancos Formation at a depth of 3,858 feet down to the stratigraphic equivalent of the base of the Greenhorn Limestone formation at a depth of 5,695 feet as encountered in the Fulton 1 well located in Section 31, Township 23 North, Range 7 West, N.M.P.M. (API # 30-043-05164).

3. PARTIES TO AGREEMENT WITH ADDRESS, TELEPHONE AND FAX NUMBER FOR NOTICE PURPOSES:

WPX Energy Production, LLC
P.O. Box 3102, MD 25
Tulsa, OK 74101-3102
Phone: 539-573-4834
Email: delio.silvestri@wpxenergy.com

Enduring Resources, LLC
511 – 16th Street, Suite 700
Denver, CO 80202
Phone: 303-573-1222

Cat Spring Properties, LLC
P.O. Box 1557
Sealy, Texas 77474
Phone: 979-877-0200

Enduring Resources IV, LLC
511 – 16th Street, Suite 700
Denver, CO 80202
Phone: 303-573-1222

4. PERCENTAGE OF FRACTIONAL INTERESTS OF PARTIES TO THIS AGREEMENT:

WPX Energy Production, LLC/ Enduring Resources IV, LLC	97.0379%
Enduring Resources IV, LLC	2.1826%
Cat Spring Properties, LLC	0.7795%

5. OIL AND GAS LEASES AND/OR OIL AND GAS INTERESTS:

1. Lease Number: NO-G-1312-1818
   Effective Date: December 17, 2013
   Lessor: Heirs of TA-BE-MA
   Lessee: WPX Energy Production, LLC
   Description: Township 22 North, Range 7 West, N.M.P.M.
   Section 7: Lots: 3, 4, E/2SW/4
   Containing 161.94 acres, more or less
   Sandoval County, New Mexico
   Primary Term: 5 years
   Royalty: 16.67%

2. Lease Number: NO-G-1312-1817
   Effective Date: December 17, 2013
   Lessor: Heirs of WIL-YON-BEGA
   Lessee: WPX Energy Production, LLC
   Description: Township 22 North, Range 7 West, N.M.P.M.
   Section 18: Lots 1, 2, E/2 NW/4
   Containing 162.16 acres, more or less
   Sandoval County, New Mexico
   Primary Term: 5 years
   Royalty: 16.67%

3. Lease Number: NO-G-1312-1819
   Effective Date: December 18, 2013
   Lessor: Heirs of BE-KIS-HO-LONEY
   Lessee: WPX Energy Production, LLC
   Description: Township 22 North, Range 7 West, N.M.P.M.
   Section 18: Lots 3, 4, E/2SW/4
   Containing 162.32 acres, more or less
   Sandoval County, New Mexico
   Primary Term: 5 years
   Royalty: 16.67%

4. Lease Number: NO-G-1312-1803
   Effective Date: December 10, 2013
   Lessor: Heirs of NAH-TAH-SOSA
   Lessee: WPX Energy Production, LLC
   Description: Township 22 North, Range 7 West, N.M.P.M.
   Section 18: NE/4
   Containing 160.00 acres, more or less
   Sandoval County, New Mexico
   Primary Term: 5 years
   Royalty: 16.67%

5. Lease Number: NO-G-1311-1801
   Effective Date: November 15, 2013
   Lessor: Heirs of BLE-SKLEN-BEGA
   Lessee: WPX Energy Production, LLC
   Description: Township 22 North, Range 7 West, N.M.P.M.
   Section 18: SE/4
   Containing 160.00 acres, more or less
   Sandoval County, New Mexico
   Primary Term: 5 years
   Royalty: 16.67%

6. Lease Number: NO-G-1311-1805
   Effective Date: November 16, 2013

Lessor:	Heirs of NAH-TAL-SE
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 8: SW/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.67%

7. Lease Number:	NO-G-1311-1804
Effective Date:	November 13, 2013
Lessor:	Heirs of NAH-DES-GOOD
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 17: NW/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.67%

8. Lease Number:	NO-G-1311-1806
Effective Date:	November 16, 2013
Lessor:	Heirs of BITS-ER-KU
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 8: SE/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.67%

9. Lease Number:	NO-G-1311-1802
Effective Date:	November 15, 2013
Lessor:	Heirs of HAH-PAH
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 17: NE/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.67%

10. Lease Number:	NO-G-1312-1807
Effective Date:	December 10, 2013
Lessor:	Heirs of UP-PI-HA
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 17: SE/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.67%

11. Lease Number:	NOOC-1420-5382
Effective Date:	August 23, 1974
Lessor:	Heirs of UP-PI-HA
Lessee:	Dugan Production Corp.
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 17: SW/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	5 years
Royalty:	16.667%

12. Lease Number:	NMNM-6680
Effective Date:	July 1, 1968
Lessor:	United States of America
Lessee:	Dugan Production Corp.
Description:	Township 22 North, Range 7 West, N.M.P.M. Section 7: SE/4 Containing 160.00 acres, more or less Sandoval County, New Mexico
Primary Term:	10 years
Royalty:	12.50%
13. Lease Number:	NMNM-117143
Effective Date:	December 1, 2006
Lessor:	United States of America
Lessee:	Over the Hill Land Services, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 12: SW/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	10 years
Royalty:	12.50%
14. Lease Number:	NO-G-1419-1984
Effective Date:	October 31, 2014
Lessor:	Bureau of Indian Affairs
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 12: SE/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	5 years
Royalty:	20.00%
15. Lease Number:	NO-G-1419-1995
Effective Date:	December 10, 2014
Lessor:	Bureau of Indian Affairs
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 13: NW/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	5 years
Royalty:	20.00%
16. Lease Number:	NO-G-1419-1997
Effective Date:	December 10, 2014
Lessor:	Bureau of Indian Affairs
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 13: NE/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	5 years
Royalty:	20.00%
17. Lease Number:	NO-G-1403-1937
Effective Date:	March 18, 2014

Lessor:	Bureau of Indian Affairs
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 13: SW/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	5 years
Royalty:	16.667%

18. Lease Number:	NO-G-1419-1998
Effective Date:	December 10, 2014
Lessor:	Bureau of Indian Affairs
Lessee:	WPX Energy Production, LLC
Description:	Township 22 North, Range 8 West, N.M.P.M. Section 13: SE/4 Containing 160.00 acres, more or less San Juan County, New Mexico
Primary Term:	5 years
Royalty:	20.00%

6. BURDENS ON PRODUCTION

Those burdens filed of record as of the Effective Date of this Agreement.

7. PLAT

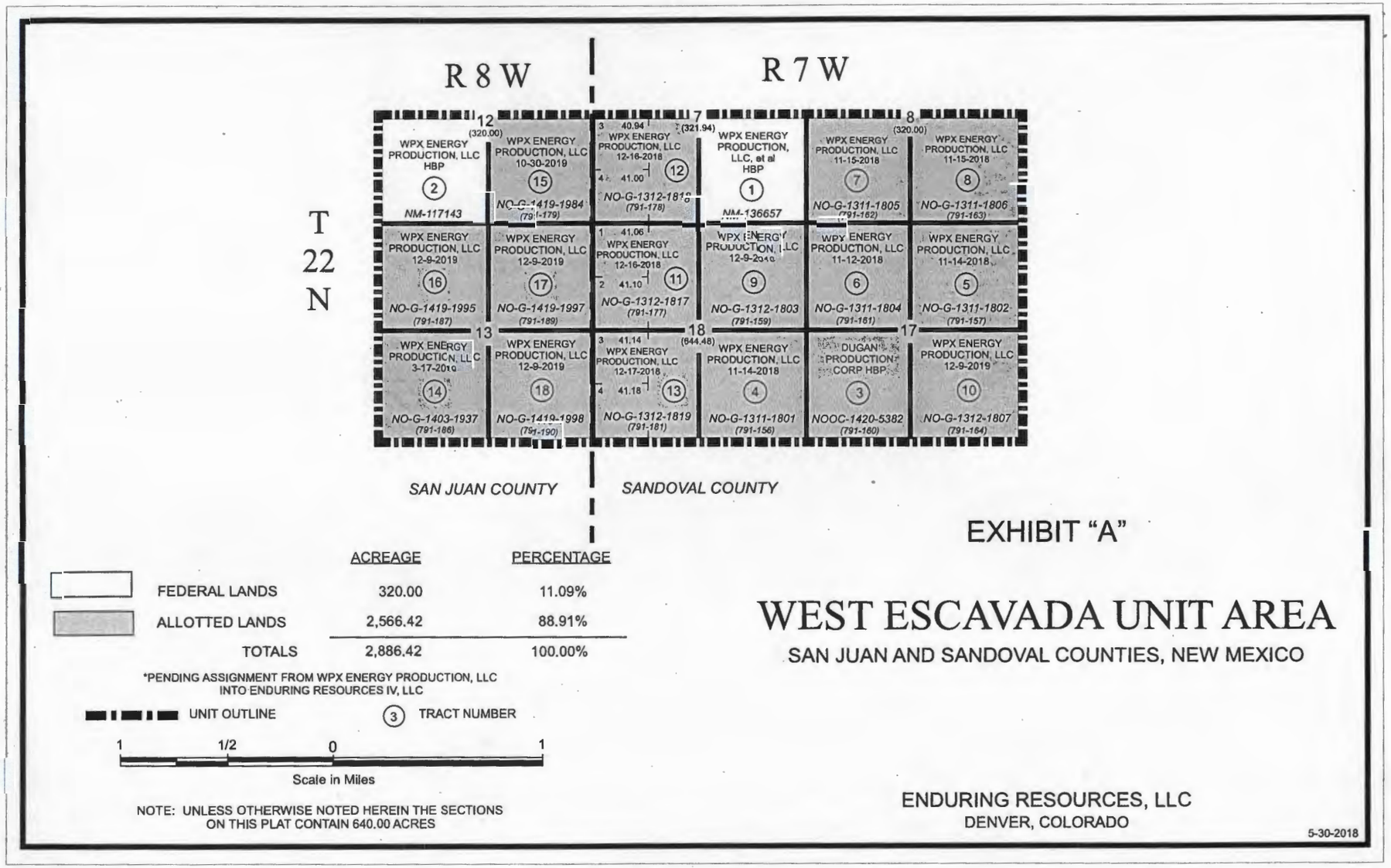


EXHIBIT "A"

WEST ESCAVADA UNIT AREA

SAN JUAN AND SANDOVAL COUNTIES, NEW MEXICO

	ACREAGE	PERCENTAGE
FEDERAL LANDS	320.00	11.09%
ALLOTTED LANDS	2,566.42	88.91%
TOTALS	2,886.42	100.00%

*PENDING ASSIGNMENT FROM WPX ENERGY PRODUCTION, LLC INTO ENDURING RESOURCES IV, LLC

UNIT OUTLINE

(3) TRACT NUMBER

1 1/2 0 1

Scale in Miles

NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

ENDURING RESOURCES, LLC
DENVER, COLORADO

5-30-2018

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
WEST ESCAVADA UNIT AREA
SAN JUAN and SANDOVAL COUNTIES, NEW MEXICO

Ownership reflected herein covers those formations lying below the stratigraphic equivalent of the top of the Mancos Formation at a depth of 3,858 feet down to the stratigraphic equivalent of the base of the Greenhorn Formation at a depth of 5,695 feet as encountered in the Fulton 1 well in Section 31, Township 23 North, Range 7 West, N.M.P.M. API 30-043-05164

4-19-2018

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
	FEDERAL LANDS						
1	T22N-R7W N.M.P.M. Sec. 7: SE/4	160.00	NMNM-136657 Effective 7-1-68 HBP	U.S.A. (12.5% royalty) 100.00%	WPX Energy Production, LLC* 71.8750% Moon Royalty, LLC 14.0625% Cat Spring Properties, LLC 14.0625% TOTAL 100.0000% *Pending assignment into Enduring Resources IV, LLC	Jack Harris and Ann Lee Harris, husband and wife 3.0000% R.L. Kiggins, husband and wife 3.0000% Kochergen Enterprises Family Limited Partnership 3.0000% O'Connell Partners, L.P. 0.1142% Black Stone Minerals Company, L.P. 1.0960% Black Stone Natural Resources II, L.P. 0.4823% Black Stone Natural Resources II-B, L.P. 0.3070% TOTAL 10.9995%	Enduring Resources IV, LLC 39.3750% WPX Energy Production, LLC* 46.5625% Cat Spring Properties, LLC 14.0625% TOTAL 100.0000%
2	T22N-R8W N.M.P.M. Sec. 12: SW/4	160.00	NMNM-117143 Effective 12-1-16 HBP	U.S.A. (12.5% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	None	WPX Energy Production, LLC* 100.0000000%

2 FEDERAL TRACTS TOTALING 320.00 ACRES

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
	ALLOTTED LANDS						
3	T22N-R7W N.M.P.M. Sec. 17: SW/4 791-160	160.00	NOOC-1420-5382 Effective 8-23-1974 Expires HBP	Heirs of UP-PI-HA (16.667% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	None	WPX Energy Production, LLC* 100.0000%
4	T22N-R7W N.M.P.M. Sec. 18: SE/4 791-156	160.00	NO-G-1311-1801 Effective 11-15-13 Expires 11-14-18	Heirs of BLE-SKLEN-BEGA (16.67% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 3.3330%	WPX Energy Production, LLC* 100.0000%
5	T22N-R7W N.M.P.M. Sec. 17: NE/4 791-157	160.00	NO-G-1311-1802 Effective 11-15-13 Expires 11-14-18	Heirs of HAH-PAH (16.67% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 3.3330%	WPX Energy Production, LLC* 100.0000%
6	T22N-R7W N.M.P.M. Sec. 17: NW/4 791-161	160.00	NO-G-1311-1804 Effective 11-13-13 Expires 11-12-18	Heirs of NAH-DES-GOOD (16.67% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 3.3330%	WPX Energy Production, LLC* 100.0000%
7	T22N-R7W N.M.P.M. Sec. 8: SW/4 791-162	160.00	NO-G-1311-1805 Effective 11-16-13 Expires 11-15-18	Heirs of NAH-TAL-SE (16.67% royalty) 100.00%	WPX Energy Production, LLC* 100.0000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 3.3330%	WPX Energy Production, LLC* 100.0000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
8	T22N-R7W N.M.P.M. Sec. 8: SE/4 791-163	160.00	NO-G-1311-1806 Effective 11-16-13 Expires 11-15-18	Heirs of BITS-ER-KU (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%
9	T22N-R7W N.M.P.M. Sec. 18: NE/4 791-159	160.00	NO-G-1312-1803 Effective 12-10-2013 Expires 12-9-18	Heirs of NAH-TAH-SOSA (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%
10	T22N-R7W N.M.P.M. Sec. 17: SE/4 791-164	160.00	NO-G-1312-1807 Effective 12-10-13 Expires 12-9-18	Heirs of UP-PI-HA (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%
11	T22N-R7W N.M.P.M. Sec. 18: Lots 1, 2, E/2 NW/4 791-177	162.16	NO-G-1312-1817 Effective 12-17-13 Expires 12-16-18	Heirs of WIL-YON-BEGA (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%
12	T22N-R7W N.M.P.M. Sec. 7: Lots 3, 4, E/2 SW/4 791-178	161.94	NO-G-1312-1818 Effective 12-17-13 Expires 12-16-18	Heirs of TA-BE-MA (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%
13	T22N-R7W N.M.P.M. Sec. 18: Lots 3, 4, E/2 SW/4 791-181	162.32	NO-G-1312-1819 Effective 12-18-13 Expires 12-17-18	Heirs of BE-KIS-HO-LONEY (16.67% royalty)	100.00%	WPX Energy Production, LLC* *Pending assignment into Enduring Resources IV, LLC	100.0000%	SHIKIS, LLC.	3.3330%	WPX Energy Production, LLC*	100.0000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
14	T22N-R8W N.M.P.M. Section 13: SW/4 791-186	160.00	NO-G-1403-1937 Effective 3-18-14 Expires 3-17-19	Heirs of PAH (16.667% royalty) 100.00%	WPX Energy Production, LLC* 100.00000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 3.3300%	WPX Energy Production, LLC* 100.00000%
15	T22N-R8W N.M.P.M. Section 12: SE/4 791-179	160.00	NO-G-1419-1984 Effective 10-31-14 Expires 10-30-19	Heirs of TEA/LENA VERLADE SANDOVAL (20.00% royalty) 100.00%	WPX Energy Production, LLC* 100.00000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 2.00%	WPX Energy Production, LLC* 100.00000%
16	T22N-R8W N.M.P.M. Section 13: NW/4 791-187	160.00	NO-G-1419-1995 Effective 12-10-14 Expires 12-9-19	Heirs of SOSE (20.00% royalty) 100.00%	WPX Energy Production, LLC* 100.00000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 2.00%	WPX Energy Production, LLC* 100.00000%
17	T22N-R8W N.M.P.M. Section 13: NE/4 791-189	160.00	NO-G-1419-1997 Effective 12-10-14 Expires 12-9-19	Heirs of ESNAHHASTAH (20.00% royalty) 100.00%	WPX Energy Production, LLC* 100.00000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 2.00%	WPX Energy Production, LLC* 100.00000%
18	T22N-R8W N.M.P.M. Section 13: SE/4 791-190	160.00	NO-G-1419-1998 Effective 12-10-14 Expires 12-9-19	Heirs of TOG GAH TIS SE (20.00% royalty) 100.00%	WPX Energy Production, LLC* 100.00000% *Pending assignment into Enduring Resources IV, LLC	SHIKIS, LLC. 2.00%	WPX Energy Production, LLC* 100.00000%

16 ALLOTTED TRACTS TOTALING 2,566.42 ACRES

18 TRACTS TOTALING 2,886.42 ACRES IN UNIT AREA

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 West Escavada Unit Area, County of Sandoval, State of New Mexico, dated August 1, 2017, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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

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

EXECUTED this 23rd day of May, 2018.

Kurt Fagrelius Vice President-Land-Exploration

CORPORATE/PARTNER/TRUST/LLC ACKNOWLEDGMENT

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

This instrument was acknowledged before me on this 23rd day of May, 2018 by Kurt Fagrelius, as Vice President of Dugan Production Corp..

WITNESS my hand and official seal.

My Commission Expires:

11/22/2021

OFFICIAL SEAL
CONNIE L. RACZEK
NOTARY PUBLIC - STATE OF NEW MEXICO
My commission expires 11/22/2021

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 2018, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that (s) he executed the same as his/her free act and deed.

My Commission Expires: _____

_____
Notary Public

(SEAL)

Notary Public

FINAL EXECUTION VERSION

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 **West Escavada Unit Area**, Counties of San Juan and Sandoval, State of New Mexico, dated _____, 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 interest 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 17th day of April, ~~2017.~~ 2018

Moon Royalty L.L.C.

By: _____
(C.S. Collier, Manager)
Tax # 73-1482254
Phone: 405-236-2700
Fax: 405-236-2710
E-mail: ccollier@moonroyalty.biz

Address MOON ROYALTY L.L.C.
P.O. BOX 72 00 70
OKLAHOMA CITY, OK ~~73172-0070~~

CORPORATE ACKNOWLEDGEMENT

STATE OF Oklahoma)
) ss.
COUNTY OF Oklahoma)

The foregoing instrument was acknowledged before me by C.S. Collier, as Manager of Moon Royalty LLC, this 17th day of April, 2018.

WITNESS my hand and official seal.

My Commission Expires: 07/07/2018.

RUTH C. BURBA NOTARY #06006580 EXP. 07/07/2018 PUBLIC STATE OF OKLAHOMA

_____
Notary Public

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____,

this _____ day of _____, 20___.

WITNESS my hand and official seal.

My Commission Expires:

_____
Notary Public

FINAL EXECUTION VERSION

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 **West Escavada Unit Area**, Counties of San Juan and Sandoval, State of New Mexico, dated _____, 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 interest 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 24 day of August, 2017.

By: Cheryl L. Mellenthin

Address CAT SPRING PROPERTIES LLC
P.O. BOX 450
SEALY, TEXAS 77474

CORPORATE ACKNOWLEDGEMENT

STATE OF Texas)
) ss.
COUNTY OF Austin)

The foregoing instrument was acknowledged before me by CHERYL L. MELLENTHIN, as President of CAT SPRING PROPERTIES LLC, this 24 day of August, 2017.

WITNESS my hand and official seal.

My Commission Expires:

CARLA REICHARDT
Notary Public, State of Texas
My Commission Expires
April 02, 2019

Carla Reichardt
Notary Public

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me by _____,

this _____ day of _____, 20___.

WITNESS my hand and official seal.

My Commission Expires:

_____
Notary Public

FINAL EXECUTION
VERSION

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 West Escavada Unit Area, Counties of San Juan and Sandoval, State of New Mexico, dated August 1, 2017, 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 Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interest 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 17TH day of APRIL, 2018.

By: _____

Address Enduring Resources IV, LLC 511 16th Street, Suite 700

Denver, CO 80202

Corporate Acknowledgement

State of Colorado)
)
County of Denver)

This foregoing instrument was acknowledged before me by Alex Campbell, as Vice President of Enduring Resources IV, LLC , this 17th day of April, 2018.

WITNESS my hand and official seal.

My commission Expires: 05-10-2021

_____
Notary Public

TRAVIS WHITHAM
Notary Public
State of Colorado
Notary ID # 20174020100
My Commission Expires 05-10-2021

Individual Acknowledgement

State of _____)
)
County of _____)

This foregoing instrument was acknowledged before me by _____, as _____ of _____, this _____ day of _____, 20_____.

WITNESS my hand and official seal.

My commission Expires:

_____
Notary Public

FINAL EXECUTION
VERSION

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 West Escavada Unit Area, Counties of San Juan and Sandoval, State of New Mexico, dated August 1, 2017, 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 Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interest 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 April, 2018.

By: Alex Campbell, Vice President

Address: Enduring Resources, LLC

511 16th St., Ste. 700, Denver, CO 80202

Corporate Acknowledgement

State of _____)
)
County of _____)

This foregoing instrument was acknowledged before me by _____, as _____ of _____, this _____ day of _____, 20_____.

WITNESS my hand and official seal.

My commission Expires:

_____
Notary Public

Individual Acknowledgement

State of Colorado)
)
County of Denver)

This foregoing instrument was acknowledged before me by Alex Campbell, as Vice President of Enduring Resources, LLC, this 26th day of April, 2018.

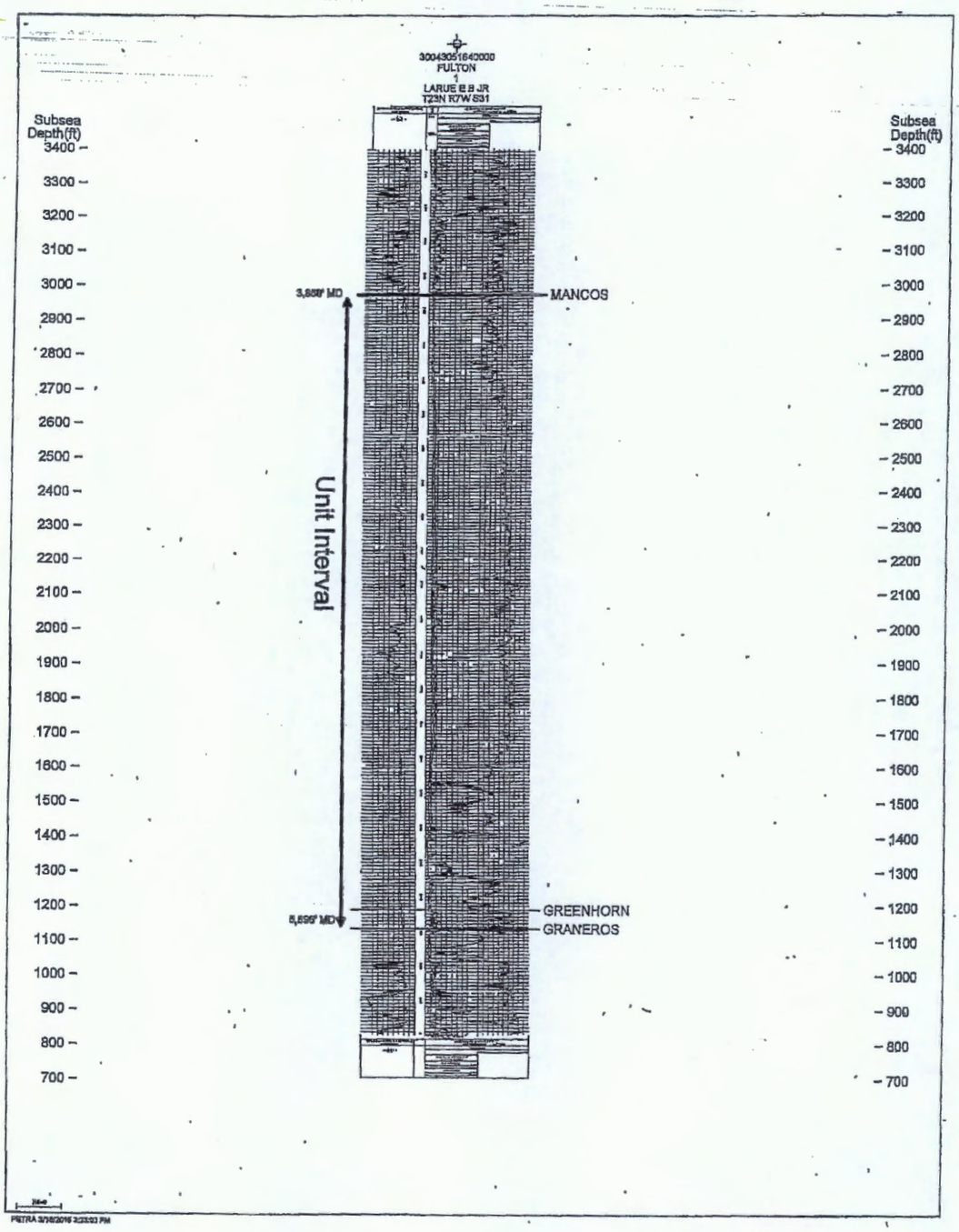
WITNESS my hand and official seal.

My commission Expires: 05/10/2021

_____
Notary Public

TRAVIS WHITHAM
Notary Public
State of Colorado
Notary ID # 20174020100
My Commission Expires 05-10-2021

Exhibit "C"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3,859' MD
MANCOS
Unit Interval
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GREENHORN
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EXHIBIT " C"
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that certain Operating Agreement dated the 1st day of August 2017 by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non-Operators.

I. GENERAL PROVISIONS -ACCOUNTING PROCEDURE

IF THE PARTIES FAIT, 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 M-Y "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
- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

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

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

"Joint Property" means the real and personal property subject to the Agreement.

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

"Material" means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

"Non-Operators "means the Parties to the Agreement other than the Operator.

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

"Off-site" means any location that is not considered On-site as defined in this Accounting Procedure.

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

"Operator" means the Party designated pursuant to the Agreement to conduct the Joint Operations.

"Parties" means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as "Party."

"Participating Interest" means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees, or is otherwise obligated, to pay and bear.

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

"Personal Expenses" means reimbursed costs for travel and temporary living expenses.

"Railway Receiving Point" means the railhead nearest the Joint Property for which freight rates are published, even though an actual railhead may not exist.

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

"Supply Store" means a recognized source or common stock point for a given Material item.

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

2. STATEMENTS AND BILLINGS

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 preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall beseparately and clearly identified.

The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section L3.A *(Advances and Payments by the Parties)* via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and bills within the time frames 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 email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written notice to the Operator.

3. ADVANCESANDPAYMENTSBYTHEPARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.

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 payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%) per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non- Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

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

4. ADJUSTMENTS

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

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

(1) a physical inventory of Controllable Material as provided for in Section V *(Inventories of Controllable Material),* or
(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 Operator relating to another property, or
(3) a government/regulatory audit, or
(4) a working interest ownership or Participating Interest adjustment.

5. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section I.4 *(Adjustments).* Any Party that is subject to payout accounting under the Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of 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 required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

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

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

A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with 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 the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations; 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 I.5.C.

B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive response to an exception within

this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section L3.B *(Advances and Payments by the Parties).*

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 shall reply to the lead audit company's follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator 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 adequately fulfilling its duties. Unless otherwise provided for in Section I.SB, if the Operator fails to provide substantive response to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B *(Advances and Payments by the Parties).*

D. If any Party fails to meet the deadlines in Sections I.5.B or15.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section 15.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

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

E. o *(Optional Provision -Forfeiture Penalties)*
If the Non-Operators fail to meet the deadline in Section L5.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non- Operators. If the Operator fails to meet the deadlines in Section L5.B or LS.C, any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.

6. APPROVAL BY PARTIES

A. General Matters

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the 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.

This Section L6.A applies to specific situations of limited duration where a Party proposes to change the accounting for charges from that prescribed in this Accounting Procedure. This provision does not apply to amendments to this Accounting Procedure, which are covered by Section I.6.B.

B. Amendments

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of_ two_ L2_) or more Parties, one of which is the Operator, having a combined working interest of at least sixty-five percent L65_%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. Affiliates

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 other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates,

For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes under Section 1.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's Affiliate.

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

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

(!) Operator's field employees directly employed On-site in the conduct of Joint Operations,

(2) Operator's employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities. serving the Joint Property if such costs are not charged under Section II.6 *(Equipment and Facilities Furnished by Operator)* or are not a function covered under Section m *(Overhead'),*

(3) Operator's employees providing First Level Supervision,

(4) Operator's employees providing On-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section ill *(Overhead'),*

(5) Operator's employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section ill *(Overhead).*

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

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

B. Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination allowances. Such costs under this Section 112.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall be based on the Operator's cost experience,

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

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

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

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 ll.2.A. This training charge shall include the wages, salaries, training 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 MF]-27 ("Employee Benefits Chargeable to Jo.int Operations and Subject to Percentage Limitation"), applicable to the Operator's labor costs chargeable to the Joint Account 1Jnder Sections Il.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 ll.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 JI.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. Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to 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 Il.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 _six_ percent (6%) 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 ru-e charged under this Section Il.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update me 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

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 25,000 . If the total costs for an Affiliate's goods and services. charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6..A (*General Matters).*

B. For an Affiliate's goods and /or services used in operations not requiring an AFB or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A *(General Matters),* if the charges exceed $_ 25,000__ in a given calendar year.

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

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

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

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

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

10. TAXES AND PERMITS

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

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 notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

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

Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted, provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for 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 review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the amount owed by the Joint Account.

11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be used for personnel performing work On-site, and such rates shall be

adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act **surcharge, as appropriate.**

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio 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 MH-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 Facilities Furnished by Operator).* If the communication facilities or systems serving the Joint Property are owned by the Operator's Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator sl1all adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

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

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

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II *(Direct Charges),* or in Section ill (*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 Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A *(General Matters).*

ID. OVERHEAD

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

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

- warehousing, other than for warehouses that are jointly owned under this Agreement
- design and drafting (except when allowed as a direct charge under Sections II.13, III.l.A(ii), and III. 2, Option B)
- inventory costs not chargeable under Section V *(Inventories of Controllable Material)*
- procurement
- administration
- **accounting and auditing**
- gas dispatching and gas chart integration
- **human resources**

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

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

1. OVERHEAD-DRILLING AND PRODUCING OPERATIONS

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

X **(Alternative 1)** Fixed Rate Basis, Section III.LB.

☐ **(Alternative 2)** Percentage Basis, Section III.l .C.

A. Technical Services

(i) Except as otherwise provided in Section II.13 *(Ecological Environmental, and Safety)* 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 **On-site** Technical Services, including third party Technical Services:

X (Alternative 1 - Direct) shall be charged **direct** to the Joint Account

D **(Alternative 2 - Overhead)** shall be covered by the **overhead** rates.

(ii) Except as otherwise provided in Section II.13 *(Ecological, Environmental, and Safety)* 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:

X **(Alternative 1 -All Overhead)** shall be covered by the **overhead** rates.

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

☐ **(Alternative 3 - Drilling Direct)** shall be charged **direct** to the Joint Account, **only** to the extent such Technical Services are directly attributable to drilling, redrilling, 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:

Vertical Drilling Well Rate per month: from the surface to the base of the Mancos Shale formation $7,500 and from the base of the Mancos Shale formation to all deeper depths $15,000 (prorated for less than a full month)
Horizontal Drilling Well Rate per month $10,000 (prorated for less than a full month)

Horizontal Producing Well Rate per month $ 1,000

(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 work days 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").

C. Overhead-Percentage Basis

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

~~(a) Development Rate Percent (%) of the cost of development of the Joint Property, exclusive of costs provided under Section B II.9 *(Legal Expense)* and all Material salvage credits.~~

~~(b) Operating Rate Percent (%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 *(Rentals and Royalties)* and II.9 *(Legal Expense);* all Material salvage credits; the value of substances purchased for enhanced~~

~~recovery; all property and. ad. valorem taxes, and. any other taxes and. assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.~~

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

~~(a) The Development Rate shall be applied to all costs in connection with:~~

~~[i] Drilling, redrilling, sidetracking, or deepening of a well;~~

~~[ii] a well undergoing plugback, or workover operations for a period of five (5) or more consecutive work days~~

~~[iii] preliminary expenditure necessary in preparation for drilling~~

~~[iv] expenditures incurred in abandoning when the well is not completed as a producer~~

~~[v] construction or installation of fixed assets, the expansion of fixed. assets and any other project clearly discernible as a fixed. asset, other than Major Construction or Catastrophe as defined in Section III.2 *(Overhead Major Construction and Catastrophe).*~~

~~(fl) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section III.2 *(Overhead Major Construction and Catastrophe).*~~

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.

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

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

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

(1) _6_% of total costs if such costs are less than $100,000; plus

(2) _ 4_% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) _2_% of total costs in excess of Sl,000,000.

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

(1) _2_% of total costs if such costs are less than $100,000; plus

(2) _2_% of total costs in excess of $100,000 but less than $1,000,000; plus

(3) _2_% of total costs in excess of$1,000,000.

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

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

For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations directly resulting from the catastrophic event shall be included.

Expenditures to which these rates apply shall not be reduced by salvage or insurance reco_veries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any other overhead provisions.

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 *(Affiliates),* the provisions of this Section III.2 shall govern.

3. AMENDMENT OF OVERHEAD RATES

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 or excessive, in accordance with the provisions of Section 1.6,B *(Amendments).*

IV. MATERIAL PURCHASES, TRANSFERS, M"D DISPOSITIONS

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

L DIRECT PURCHASES

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

2. TRANSFERS

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

A. PRICING

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

(1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).

(a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston, Texas, for special end:) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B *(Freight).*

(b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation costs as defined in Section IV.2.B *(Freight).*

(2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.

(3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12) months from the date of physical transfer.

(4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the Material for Material being transferred from the Joint Property.

B. FREIGHT

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

{l) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing Manual") and other COPAS MFIs in effect at the time of the transfer.

{2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point. For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway Receiving Point.

(3) Transportation costs. for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the Railway Receiving Point.

(4) Transportation costs for Material other than that described in Sections IV.2.B.(l) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point.

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

C. TAXES

Sales and use taxes shall be added to the Material transfer price using either the method contained

in the COPAS Computerized Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.

D. CONDITION

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

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

Except as provided in Section *N* .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 *N* .2A *(Pricing),* IV .2.B *(Freight),* and IV .2.C *(Taxes)* multiplied by sixty-five percent *(65%).*

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

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

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

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

(5) Condition "E" -Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

3. DISPOSITION OF SURPLUS

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

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good faith efforts to dispose of surplus within twelve (!2) months through buy/sale agreements, trade, sale to a third party, division in kind, or other dispositions as agreed to by the Parties.

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

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IIV.2 *(Transfers).*

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section *N.2 (Transfers),* is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

Items fabricated by the Operator's employees, or by contract laborers under the direction of tbe 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%) ofK-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 reportpreparation.

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 VJ *(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).*

EXHIBIT "D"

Attached to and made part of that certain Operating Agreement dated the _day of_____, _____by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non-Operators.

INSURANCE REQUIREMENTS

At all times while operations are conducted under this agreement, Operator shall maintain the following insurance listed in SCHEDULE A below. Premiums for such insurance shall be charged to the Joint Account. Operator may elect to self-insure any of the insurance required in SCHEDULE A except in respect to Workers' Compensation. As to Workers' Compensation, Operator may elect to self-insure the exposure so long as Operator is approved as a qualified self-insurer under applicable state law(s). In the event Operator elects to self-insure any or all of the insurance required in SCHEDULE A, Operator shall charge *to* the Joint Account a premium amount determined by applying the current manual insurance rates to the applicable rating base. Upon Non-Operators written request, Operator shall furnish Non-Operators with evidence of Operator's compliance with the SCHEDULE A requirements. Further, Operator shall require all third party contractors performing work in or on the premises included in the Contract Area to carry insurance in such form and in such amount as Operator deems applicable.

SCHEDULE A

(a) Workers' Compensation at statutory limits in compliance with applicable state and federal law.
(b) Employer's Liability with limits of $1,000,000 bodily injury each accident, $1,000,000 disease each employee and $1,000,000 disease policy limit.
(c) Operator's Extra Expense covering drilling, Rework or Recompletion operations scaled to interest and insuring the costs of controlling a blowout, the expenses involved in redrilling a well following a blowout, and certain other related costs including seepage and pollution cleanup with a limit of $10,000,000 any one accident or occurrence. In the event Non-Operators elect to furnish Operators Extra Expense insurance on their percentage interest in the wells then each Non-Operator must notify Operator in writing of their intent to insure using the attached Insurance Election Ballot and provide satisfactory proof of such insurance prior to spud date or the date on which drilling operations are commenced. If no election is made prior to spud date or the date on which drilling operations are commenced then, Non-Operator will be included under Operator's Extra Expense policy and the Joint Account will be billed appropriately.
(d) Automobile Liability with a combined single limit of $1,000,000 each accident. Such insurance shall cover liability arising out of any auto (including owned, hired, and non-owned).

Non-operators agree that the limits and coverage carried by Operator are adequate. Such coverages and limits may change or be unavailable from time to time, and Operator does not guarantee their continuance, but will use its best efforts to provide such coverages and limits at reasonable costs.

In addition, upon execution of this agreement each party shall at all times while this agreement is in effect carry, or cause to be carried, the following insurances listed in SCHEDULE B below insuring their percentage of fractional interest in this agreement as described in Exhibit "A".

SCHEDULEB

(a) Commercial General Liability insurance with a combined single limit of $10,000,000 (for 100% interest) each occurrence and in the aggregate, including coverage for premises and operations, products liability, completed operations, and contractual liability. Umbrella or excess liability may be used to meet the required limit.

Each party hereby waives any right of subrogation against the other (including their officers, directors, agents, representatives, employees, or consultants) and will cause its insurers to do the same.

Non-renewal or cancellation of any insurance required under SCHEDULE B above will be effective only after written notice is sent thirty (30) days in advance of cancellation to the other parties to this Agreement. Upon written request each party shall furnish the other party a certificate of insurance evidencing the insurance required under SCHEDULE B above. "

INSURANCE ELECTION BALLOT

Pursuant to Operating Agreement dated August 1, 2017 between Enduring Resources, LLC, as Operator, and the signatory parties, as Non-Operators

In the event ___ elected to participate as a Non-Operator per the Joint Operating Agreement, please be advised that General Liability and Control of Well/Operator's Extra Expense Insurance covering your interest is required as follows:

Commercial General Liability:
USD 10,000,000 per occurrence limit (for 100% interest) scaled to the respective interest for each party, subject to minimum limits of USD 1,000,000 per occurrence each party

Control of Well/Operator Extra Expense:

USD 10,000,000 limit (for 100 % interest) scaled to the respective interest for each party, subject to minimum limits of USD 1,000,000 per occurrence each party

Please indicate your Commercial General Liability & Control of Well/Operator's Extra Expense insurance election below:

_____ Elect to be covered under the JOA with the Operator. Coverage is extended to the above named non-operator only in respect of operations under the agreement referenced above.

_____ Elect to carry own insurance/or self insure - YOUR INSURANCE CERTIFICATE (listing as certificate holder) OR A LETTER OF SELF INSURANCE MUST BE SUBMITTED TO WPX BEFORE THE START OF OPERATIONS.

NOTICE IF NO ELECTION IS MADE PRIOR TO SPUD DATE, NON-OPERATOR WILL BE COVERED UNDER 's COMMERCIAL GENERAL LIABILITY & CONTROL OF WELL/OPERATOR'S EXTRA EXPENSE POLICIES AND NON-OPERATOR MAY BE BILLED THEIR PROPORTIONATE SHARE OF THE PREMIUM.

Non-Operator

By: ----------

Print Name: ----------

Title: ----------

Date Signed: ----------

EXHIBIT "E"

Attached to and made part of that certain Operating Agreement dated the 1st day of August, 2017
by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non-Operators.

GAS BALANCING AGREEMENT

The Parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Contract Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating 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 Contract Area 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 Contract Area 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 Contract Area, then the terms hereof shall apply individually to each such well in the Contract Area; 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. All balancing hereunder shall be on the basis of Gas taken from the Contract Area measured in MMBtus.

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 Contract Area to a purchaser, which does not, at any time while this Agreement is in effect, take the full share of gas attributable to the interest of such Party, the terms of this Agreement shall automatically become effective on the date of initial deliveries of gas from the Contract Area 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 Contract Area 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 Contract Area 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. All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is under-produced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.

3. Accounting for Gas Sales

On a cumulative basis, (a) each under-produced 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 Contract Area, less its share of gas used in Unit operations, vented or lost, and less that portion which such under-produced 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 ofthe gas produced from the Contract Area after deduction of its share of gas used in Unit operations, vented or lost. Each Party taking gas shall furnish or cause to be furnished to the Operator of the Contract Area, 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

Upon fifteen (15) days prior written notice to Operator, any Under-produced Party may in the month following notice begin taking or delivering to a purchaser its full share of the gas produced. To allow for the recovery of quantities of Under-produced gas and to balance the gas account of the Parties in accordance with their respective interests and subject to Paragraph 6 herein, the Under-produced 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 fifty percent (50%) of the Overproduced Parties' full share of gas produced and taken plus any portion of all gas produced and saved which is attributable to any Party not taking its full share of available production. To the extent practicable, such Gas shall be made available initially to each Under-produced Party in the proportion that its percentage interest in the Contract Area bears to the total percentage interests of all Under-produced Parties desiring to take such Gas.

6. Winter Make-up

It is specifically agreed that no Under-produced 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 Under-produced Party will be allowed to take make-up gas during the Winter Period if the Under-produced 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. Operating Costs

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Contract Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its percentage interest in the Contract Area.

8. Final Cash Balancing

Should production of gas from said zone or well be permanently discontinued before the gas accounts are balanced, the 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 under-produced. A cash settlement will then be made between the Under-produced and Overproduced Parties. Within sixty (60) days after receipt of the final gas settlement statement, each Overproduced Party will send its cash settlement, accompanied by appropriate accounting detail, to the Operator. The Operator will distribute the monies so received, along with any settlement owed by the Operator as an Overproduced Party, to each Under-produced party to whom settlement is due within ninety (90) days after issuance of the final gas settlement statement.

The amount of the cash settlement will be based on the proceeds received, including the proceeds for natural gas liquids (NGLs), by the Overproduced Party under an arm's length agreement for the volume of Gas that constituted Overproduction by the Overproduced Party from the Contract Area. For the purpose of implementing the cash settlement provision of this section, an Overproduced party will not be considered to have produced any of an Under-produced party's

share of Gas until the Overproduced Party has produced cumulatively all of it's percentage interest share of the Gas ultimately produced from the Contract Area.

The values used for calculating the cash settlement under this provision will include all proceeds received from the sale of the Gas and NGLs by the Overproduced Party calculated at the Contract Area, after deducting any production or severance taxes paid and any royalty actually paid by the Overproduced Party's to an Under-produced Party's royalty owner(s), to the extent said payments amounted to a discharge of said Under-produced Party's royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the overproduction.

9. 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 Under-produced Party (unless the applicable Under-produced Party notifies the overproduced Party during such ninety (90) day period that it elects not to cash balance) as if production had permanently discontinued.

10. 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.

11. 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), unless the Operator is proven in the dispatching of such Party's gas to be grossly negligent or to have engaged in willful misconduct.

12. Payment of Royalties: Indemnity for Royalty Settlements

Unless otherwise provided in the Operating Agreement (or otherwise required in lease agreements), each Party shall pay or cause to be paid all royalty due with respect to royalty owners to whom it is accountable as if such Party were taking its full share of current production, and only its full share of current production. Each Party agrees to indemnify and hold each and every other Party harmless from any and all claims for royalty payments asserted by royalty owners to whom each inde=ifying Party is accountable. The term "royalty owner" shall include owners of standard royalties, excess royalties, production payments and similar interests.

13. Taxes

Each Party producing and taking or delivering gas to its purchaser shall pay, or cause to be paid, all production and/or excise taxes due on such gas.

14. Assignment and Rights Upon Assignment

Notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Contract Area when such Party is an Under-produced or Over-produced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the gas, all rights to receive or obligations to provide or take

makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.

EXHIBIT "F"

Attached to and made part of that certain Operating Agreement dated the 1st day of August, 2017 by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non-Operators.

Non-Discrimination and Equal Employment Opportunity Clauses

In performance of this Agreement, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of race, religion, color, sex, national origin or age. Operator, unless exempt therefrom, further agrees to comply fully with the non-discrimination provisions of Section 202 and Executive Order No. 11246, Obligations of Contractors and Subcontractors, 41 C.F.R. §60-1 (1995), which are hereby included in this Agreement as fully as if copied herein, pursuant to 41 C.F.R. §60-1.5 (c)(d).

Further, Operator agrees to comply fully with the non-discrimination provisions of Affirmative Action Obligations of Contractors and Subcontractors for Disabled Veterans and Veterans of the Vietnam Era, 41 C.F.R. §60-250 (1995), which are hereby included in this Agreement as fully as if copied herein, pursuant to 41 C.F.R. §60-250.20,.22.

Further, Operator agrees to comply fully with the non-discrimination provisions of Affirmative Action Obligations of Contractors and Subcontractors for Handicapped Workers, 41 C.F.R. 741 (1995)m which are hereby included in this Agreement as fully as if copied herein, pursuant to 41 C.F.R §60-741.20, .22.

INDIAN EMPLOYMENT.
(a) In connection with the performance of work under this agreement, the Unit Operator agrees to comply with the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

However, the Unit Operator shall comply with the terms and conditions of the Indian leases while engaged in operations hereunder with respect to the employment of available, qualified Indian labor. Unit Operator shall employee Indian labor in all positions for which they are qualified, including oil field service contracts, and shall protect the Indian grazing right and other Indian rights to the surface of the lands.

(b) Operator shall include the provisions of subparagraph (a) above in every subcontract or purchase order so that each provision will be binding upon each subcontractor or vendor.

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EXHIBIT "H"

Attached to and made part of that certain Operating Agreement dated the 1st day of August, 2017 by and between Enduring Resources, LLC, Operator, and the Signatory Parties thereto, Non- Operators.

MODEL FORM RECORDING SUPPLEMENT TO OPERATING AGREEMENT AND FINANCING STATEMENT

THIS AGREEMENT, entered into by and between Enduring Resources, LLC, hereinafter referred to as "Operator," and the signatory party or parties other than Operator, hereinafter referred to individually as Non-Operator," and collectively as "Non Operators."'

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

'WHEREAS, the parties hereto have executed an Operating Agreement dated August 1st, 2017 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

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

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

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

2. The parties do hereby agree that:

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

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

   C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired ll1 operations on the Contract area shall be owned, by the parties hereto, as provided in the Operating Agreement.

   D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil 2 1 l d Gas Interests identified on Exhibit "A" all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.

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

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

   G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restriction in the Operating Agreement regulating such transfers.

   This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

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

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

   J. Each party's L"1terest under this agreement and under the Operating Agreement shall be subject to relinquishment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreemen t

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

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

   A Each party grants to the other parties hereto a lien upon any interest it now owns or herea fter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract .Area, and a security interest and/or purchase money security interest in any interest It now owns *or* hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of iE obligations under this agreement and the Operating Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this agreement and the Operating Agreement, and the proper performance of operations under this agreement and t..1.e Operating Agreement. Such lien and security interest granted by each party hereto shall include such party's leasehold interest, working interest, operating rights, and royalty and overriding royalty interests in the Contract .Area now owned or hereafter acquired and in lands pooled and unitized therewith or otherwise becoming subject to this agreement and the

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

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

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

D. If any party fails to pay its share of expenses within one hundred twenty (120) days after rendition of a statement therefor by Operator the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this paragraph 3 and in the Operating Agreement, and each paying party may independently pursue and remedy available under the Operating Agreement or otherwise.

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

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

G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due under this agreement and Operating Agreement for services performed or material supplied by Operator.

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

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

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

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

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

8. Other provisions. OTHER PROVJSIONS ARE SET FORTH IN THE OPERATING AGREEMENT.

IN WITNESS WHEREOF, this agreement shall be effective as of the_day of_ ,20_.

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OPERATOR

ATTEST OR WITNESS

Enduring Resources, LLC

By:

Alex B. Campbell

Typeor print name

Title: Vice President

Date:

Address: 511 16th Street, Suite 700, Denver, CO 80202

NON-OPERATORS

ATTEST OR WITNESS

By:

Type or print name

Title.:

Date:

Address:

ATTEST OR WITNESS

By:

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS

By:

Type or Print Name

Title:

Date:

Address:

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ACKNOWLEDGEMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statues of that state.

Individual Acknowledgment

State of_____§

§ ss.

County of_____§

This instrument was acknowledged before me on _____

as,_____of _____

(Seal, if any)

_____

Title (and Rank)_____

My Commission expires_____

Acknowledgment in Representative Capacity

State of Colorado §

§ ss.

City and County of Denver §

This instrument was acknowledged before me on May 7, 2018 by Alex B. Campbell

as Vice President of Enduring Resources, LLC.

(Seal, if any)

COURTNEY CHRISTINE SQUIRE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174040656
MY COMMISSION EXPIRES 09/29/2021

_____

Title (and Rank), Notary Public

My Commission expires, 9/29/21

State of_____§

§ ss.

County of_____§

This instrument was acknowledged before me on _____

By_____as_____of

_____

(Seal, if any)

_____

Title (and Rank)_____

My Commission expires,_____