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A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

November 1 , **2005** ,
Year

OPERATOR **CONOCOPHILLIPS COMPANY**

CONTRACT AREA **S/2 and Lots 3 & 4, S/2 NW/4 (NW/4)**

Section 2, Township 30 North, Range 8 West

Limited to: Surface of the earth to base of Mesaverde Formation and Dakota Formation

COUNTY OR PARISH OF **SAN JUAN** STATE OF **NEW MEXICO**

State Com AM No. 37 Well
State Com V No. 18A, 18B Wells
FC State Com No. 21A Well

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OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and 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.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

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

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

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. 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.

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

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

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

☑ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to this agreement,
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Percentages or fractional interests of parties to this agreement,
- ~~(4) Oil and gas leases and/or oil and gas interests subject to this agreement~~,
- (5) Addresses of parties for notice purposes.

☐ ~~B. Exhibit "B", Form of Lease~~.

☑ C. Exhibit "C", Accounting Procedure.

☑ D. Exhibit "D", Insurance.

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

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

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

If any provision of any exhibit, except Exhibits "E" ~~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 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 the royalty interest reserved 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 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 Area subject to the payment of royalties to the extent of **one-eighth (1/8)** which shall be borne as hereinafter set forth.

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if any 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.

C. Excess Royalties, Overriding Royalties and Other Payments:

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

D. Subsequently Created Interests:

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

1. 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 and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,

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

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, 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 party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

☑ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) 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 as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit 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 parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest 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 whose oil and gas lease or interest is affected by the title failure 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 theretofore 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 interest which has been lost, but the interests of the parties 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 Area by the amount of the interest lost;

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title 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;

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title 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 third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

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, is not paid or is erroneously paid, and as a result a lease or interest therein 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 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 shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the 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 interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore 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, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interest; 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 interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

CONOCOPHILLIPS COMPANY shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no 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 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 if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. 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, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, 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" remaining after excluding the voting interest of the Operator that was removed.

3. Vote Required: Where there is only one (1) Non-Operator, the vote of two (2) or more parties shall not be required under Article V.B.1 or V.B.2.

C. Employees:

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

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and 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.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the _____ day of _____, *(year)* _____, Operator shall commence the drilling / **or recompletion** of a well for oil and gas at the following location:

This is a replacement Operating Agreement. The initial well has been drilled pursuant to the original Operating Agreement.

and shall thereafter continue the drilling / **or recompletion** of the well with due diligence to

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling / **or recompletion** impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

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

ARTICLE VI
continued

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing 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, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday, and legal holidays. Failure of a 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 proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible 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 at the risk and expense of all parties hereto; 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) 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. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.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, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible 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: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of 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 the Consenting 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 receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (~~inclusive~~ **exclusive** of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear 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, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,

ARTICLE VI
continued

and the well shall then be turned over to Operator 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, 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 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 production taxes, excise taxes, **windfall profit taxes,** / royalty, overriding royalty and other interests not excepted by Article III.D. 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:

(a) 100% 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

(b) **300** % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and **300** % of 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.

An election not to participate in the drilling or the 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 account. Any such reworking 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 one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking 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.

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 production, severance, **windfall profit taxes,** 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.D.

In the case of any reworking, plugging back or deeper drilling 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, plugging back or deeper drilling, 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 sixty (60) days after the **successful** / 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, deepening, plugging back, testing, completing, 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~~ **quarter** 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~~ **quarter**. In determining the quantity of oil and gas produced during any ~~month~~ **quarter**, 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.

Notwithstanding any provisions to the contrary in this or any other agreement, a non-consenting party, upon notice in writing to Operator and/or any party carrying all or part of the non-consenting interest, shall have the right at all times and from time to time for each non-consent operation within the twenty-four (24) month period following the end of the calendar year in which the payout statement for such non-consent operation is issued to audit Operator's and/or carrying party's accounts and records relating to or connected with such non-consent operation in the Contract Area or on land pooled therewith, regardless of when such non-consent operations were conducted.

ARTICLE VI
continued

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, 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, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

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

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

3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to 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., 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.

4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore 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 the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand by 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. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

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 expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI
continued

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.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil **and 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 gas** / or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil **and gas** / not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil **and 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. **Notwithstanding any provision to the contrary in this or any other agreement, each party shall have the right at all times and from time to time, upon written notice, to audit all of taking party and/or operator's records and accounts related to or in connection with production or allocation of production from the contract area. Auditing of settlement records shall also be applicable if taking party and/or operator distributes proceeds to the auditing party.**

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

D. Access to Contract Area and Information:

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

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 receipt 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 shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

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. If, within thirty (30) days after receipt 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 interval(s) of the formation(s) then open to production 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. / Each abandoning party shall assign 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 well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an 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 interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, ~~such lease to be on the form attached as Exhibit~~

*** Failure of any party to respond within thirty (30) days after receipt of notice of the proposed abandonment shall be deemed consent to such abandonment.**

ARTICLE VI
continued

"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 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 portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals 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 interval(s) 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.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator 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 Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) 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. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

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

Operator, at its election, shall have the right from time to time to demand and receive from 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. Limitation of Expenditures:

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

ARTICLE VII
continued

☑ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☐ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. 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. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening 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.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **Twenty-Five Thousand** Dollars ($ **25,000.00**) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which 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 authority for expenditure (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 _____ Dollars ($_____) but less than the amount first set forth above in this paragraph.~~

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-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator 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 leasehold estate 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 leasehold estate, 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/or gas produced under the terms of this agreement.

ARTICLE VII
continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the ~~workmen's~~ **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 to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the ~~workmen's~~ **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 public 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 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 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, and the other 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 wells and equipment attributable to the assigned or leased acreage. The value of all material 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. 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.

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 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.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal 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 Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal 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 lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; 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 lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions 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 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

ARTICLE VIII
continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract 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 Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract 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. Maintenance of Uniform Interests:

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

~~1. the entire interest of the party in all leases and equipment and production; or~~

~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

Every ~~such~~ 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.

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 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 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:**~~

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

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby 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 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 Federal Regulations 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 Internal Revenue Code of 1986, 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 **Ten Thousand and 00/100** Dollars ($ **10,000.00**) 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 at 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 make money payments, 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 suspending during, but no longer than, the continuance of the force majeure. 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.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, 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.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. 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.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

☑ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of **90** days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to 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 producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within **90** days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

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

B. Governing Law:

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

With respect to 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 predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or 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.

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

ARTICLE XV.
OTHER PROVISIONS

A. Failure of any party to execute this agreement shall not render it ineffective as to any party which does execute the same. If counterparts to this agreement are executed, the signatures and acknowledgements of the parties, as affixed thereto, may be combined by Operator in, and treated and given effect for all purposes, as a single instrument. This agreement also may be ratified by separate instrument referring hereto, each of which shall have the effect of the original agreement and of adopting by reference all of the provisions herein contained.

B. Notwithstanding anything to the contrary in Article VI.B.2 or VII.D.2., the share of production from a well which non-consenting parties shall be deemed to have relinquished to consenting parties in any reworking, deepening, plugging back or completing of a well; (as such terms are defined and used in Article VI.B.2. and Article VII.D.2.) shall be the non-consenting parties' share of production only from the interval or intervals of the formation or formations from which production is obtained or increased as a result of the operations in which the non-consenting parties did not participate. In the event a subsequent operation is proposed for such well by one or more consenting parties and the non-participating party has relinquished its (their) interest in a separate formation(s) during prior operations, the non-consenting party in said interval or formation, non-consenting party shall be entitled to participate therein to the extent of its interest prior to relinquishment.

C. Notwithstanding anything contained in Article VIII.B., each party (contributing party) contributing a lease or leases (original lease) to this agreement shall have the option, but not the obligation, at any time prior to and for sixty (60) days after the expiration of the original lease to renew such lease and to alone bear the cost and expense thereof and thereby maintain its right, title and interest in the tract or tracts included in the original lease and the renewal thereof. If more than one party owns an interest in the original lease, the option granted herein shall inure to the benefit of such parties jointly and severally. If any party hereto other than the contributing party (renewing party) renews the lease at any time, the renewing party shall furnish the contributing party an itemized statement of the total cost and expense incurred in acquiring such renewal lease. The contributing party shall have sixty (60) days after the receipt of such itemized statement to reimburse the renewing party in full. If the contributing party makes such reimbursement, it shall receive from the renewing party an assignment, subject to this agreement, of all right, title and interest in and to the renewal lease. If the contributing party either renews such lease at its expense, or fully reimburses the renewing party, the parties' interests hereunder in the Contract Area shall remain unchanged. If the contributing party exercises neither of the options provided above it shall thereby forfeit its right under this Article XV.C., as to such renewal lease and the renewal lease shall thereafter be subject to all the terms and conditions of Article VII.B. hereof. Article XV.C. shall apply in like manner to extensions of leases.

D. This Operating Agreement shall supercede and replace any previous Operating Agreement(s) covering the depths covered in the Contract Area shown on Exhibit "A".

E. Cost Allocation Procedures – see attached insert.

ARTICLE XVI.
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of **1st** day of **January**, (year) **2006**.

ConocoPhillips Company, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those in Articles **I, II, III, V, VI, VII, VIII, AND XV**, have been made to the form.

OPERATOR

CONOCOPHILLIPS COMPANY

By: J P Gregory TLT **J. P. Gregory** **Attorney-In-Fact** **Date:** 11/1/05

NON-OPERATORS

BURLINGTON RESOURCES OIL & GAS COMPANY LP

By: _____ **Date:** _____

BP AMERICA PRODUCTION COMPANY

By: _____ **Date:** _____

FOUR STAR OIL & GAS COMPANY

By: _____ **Date:** _____

GEORGE W. UMBACH

By: _____ **Date:** _____

ROBERT UMBACH CANCER FOUNDATION

By: _____ **Date:** _____

MOORE LOYAL TRUST

By: _____ **Date:** _____

PETROHAWK PROPERTIES LP

By: _____ **Date:** _____

ARTICLE XVI.
MISCELLANEOUS

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

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OPERATOR

CONOCOPHILLIPS COMPANY

By: J P Gregory **Date:** 11/1/05

TLT J. P. Gregory
Attorney-In-Fact

NON-OPERATORS

BURLINGTON RESOURCES OIL & GAS COMPANY LP

By: _____ **Date:** _____

BP AMERICA PRODUCTION COMPANY

By: _____ **Date:** _____

FOUR STAR OIL & GAS COMPANY

By: _____ **Date:** _____

GEORGE W. UMBACH

By: _____ **Date:** _____

ROBERT UMBACH CANCER FOUNDATION

By: _____ **Date:** _____

MOORE LOYAL TRUST

By: _____ **Date:** _____

PETROHAWK PROPERTIES LP

By: _____ **Date:** _____

JOHN L. TURNER

By: _____ **Date:** _____

FRED N. REYNOLDS

By: _____ **Date:** _____

DAUNIS PROPERTIES LP

By: _____ **Date:** _____

ROBERT G. BLAIR

By: _____ **Date:** _____

F&J ENERGY PARTNERS LTD

By: _____ **Date:** _____

ELIZABETH T. CALLOWAY

By: _____ **Date:** _____

FRED E. TURNER

By: _____ **Date:** _____

GLENN J. TURNER, JR.

By: _____ **Date:** _____

MARY FRANCES TURNER, JR.

By: _____ **Date:** _____

MIZEL RESOURCES TRUST

By: _____ **Date:** _____

Article XV., D.
COST ALLOCATION PROCEDURES

Attached and made a part of that certain Operating Agreement dated November 1, 2005, by and between ConocoPhillips Company as Operator, and Burlington Resources Oil & Gas Company LP, et-al, as Non-Operators.

The entire costs, risk and expenses involved in drilling, testing, completing, equipping, reworking, deepening, plugging back and operating a well located on the Contract Area, in the event such well is completed in or proposed to be completed in two or more formations in which the working interest ownership differs, or in plugging and abandoning such well in one or more formations, shall be governed by the following provisions:

A. Definitions

"Objective Formation" - the interval consisting of a zone, formation or horizon to be tested in a proposed operation, as stated in the AFE or notice whereby such operation was proposed.

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

"Participating Party" - with respect to a given formation, a Party that has approved a proposed operation or otherwise agreed, or become liable, to pay and bear a share of the costs and risks of conducting such operation under the applicable operating agreement.

References herein to multiple completion wells shall mean wells which are completed in, or proposed to be completed in, two or more formations, regardless of whether such formations are produced through separate tubing strings or commingled downhole.

B. Formula for Allocation of Drilling, Completing, and Equipping Costs

Whenever in this Agreement it is provided that costs will be borne by the Parties in accordance with this Section B, the following procedures will be used:

At the time a Party proposes the drilling of a well having two or more Objective Formations in which the working interest ownership differs, the proposing Party shall submit to the other Parties who are entitled to participate in the proposed operation, an estimate of the total costs of drilling, testing, completing and equipping said well to, and including, the wellhead in all Objective Formations. In a like manner, a Party which proposes to conduct a reworking, deepening, or plugging back operation on a well involving two or more formations in which the working interest ownership differs, shall submit to the other Parties entitled to participate in the proposed operation, an estimate of the total cost of the operation. The estimated costs shall be divided into the following categories:

- Costs to be incurred from the surface to the base of the shallowest Objective Formation, including pre-drilling costs that benefit all Objective Formations, but excluding those costs set forth in subsection B (5) hereof;
- Costs to be incurred from the base of the shallowest Objective Formation to the base of the next (second) shallowest Objective Formation, excluding those set forth in subsection B (5) hereof ;
- Costs to be incurred from the base of the second shallowest Objective Formation to the base of the next (third) shallowest Objective Formation, excluding those set forth in subsection B (5) hereof ;
- Costs incurred from the base of the second deepest Objective Formation to total depth;
- Costs attributable to testing and completing each formation, and the cost of equipping the well with respect to equipment that is used solely in connection with one formation;

and

- Costs attributable to equipping the well beyond the wellhead, with respect to equipment that serves more than one formation.

The actual costs of drilling, testing, completing, and equipping the well will be apportioned among the Objective Formations, in accordance with the categories set forth above in this Section B, as follows:

(1) Except as provided in Subsection B (5), pre-drilling costs that benefit all Objective Formations (including, but not limited to site surveys, site preparation, right-of-way and surface damage payments) shall be divided equally between all Objective Formations and charged to the Participating Parties therein, in accordance with their respective Participating Interest in such formations.

(2) Except as provided in Subsection B (5), costs incurred from the surface to the base of the shallowest Objective Formation shall be divided between all Objective Formations as provided in Subsection B (6) and charged to the Participating Parties therein, in accordance with their respective Participating Interest in such formation.

(3) Except as provided in Subsection B (5), costs incurred from the base of the shallowest Objective Formation to the base of the next shallowest (second) Objective Formation shall be divided between the second Objective Formation and all other deeper Objective Formations as provided in Subsection B (6) and charged to the Participating Parties therein in accordance with their respective Participating Interest in such formation. In a like manner, costs incurred from the base of the second Objective Formation to the base of the next shallowest (third) Objective Formation, other than those set forth in Subsection B (5), shall be divided between the third Objective Formation and all other deeper Objective Formations as provided in Subsection B (6) and charged to the Participating Parties therein, in accordance with their respective Participating Interest in such formation.

(4) Costs incurred from the base of the second deepest Objective Formation to total depth shall be charged to the Participating Parties in the deepest formation, in accordance with their respective Participating Interest in such formation.

(5)

Costs attributable to logging, testing, perforating, treating, stimulating and abandoning a given formation shall be charged to the Participating Parties therein, in accordance with their respective Participating Interests in such formation. The cost of equipping the well, with respect to equipment that is used solely in connection with a given formation, shall be charged to the Participating Parties therein, in accordance with their respective Participating Interest in such formation.

The cost of acquiring and installing surface equipment beyond the wellhead that serves more than one formation shall be allocated equally to the formations served, except as otherwise provided in the "Taking Production in Kind" provision in the Operating Agreement. Equipping costs so allocated shall be charged to the Participating Parties in each such formation in accordance with their respective Participating Interest in such formation.

(6) Except for those specific types of well completions identified in Subsection B (7), the cost of drilling, production casing, and tubing that serves more than one Objective Formation shall be allocated to the Participating Parties of each respective Objective Formation, pursuant to Subsections (2), (3), and (4) of this Section B, on a footage basis as follows:

n = number of Objective Formations
I_1 = First, or shallowest Interval
I_2 = Second shallowest Interval
I_3 = Third shallowest Interval
$Base_x$ = Footage at the base of the x Interval

Cost allocated to I_1:
$(1/n * Base_1) /$ Total Depth

Cost allocated to I_2:
$[(1/n * Base_1) + ((1/(n-1) * (Base_2 - Base_1))] / Total Depth$

Cost allocated to I_3:
$[(1/n * Base_1) + ((1/(n-1) * (Base_2 - Base_1)) + ((1/n-2) * (Base_3 - Base_2))] /$ Total Depth

If there are more than three (3) Objective Formations, costs shall be allocated to such other formations in a like manner.

(7) If the Objective Formations are a combination of Fruitland Coal and Pictured Cliffs or a combination of the Mesaverde and Dakota, the Parties agree that, rather than calculating a unique set of factors for each well, the cost of drilling, production casing, and tubing that serves more than one Objective Formation shall be allocated based on the average relative footage for the following formations in the San Juan Basin, as set forth in the following table:

Formation	Base of Formation	FC/PC	MV/ DAK
Fruitland Coal	2700'	47%	
Pictured Cliffs	2900'	53%	
Mesa Verde	5600'		40%
Dakota	7000'		60%

C. Drilling and Completing Wells in All Objective Formations

Costs of drilling, testing, completing, and equipping wells to, and including, the wellhead which are begun with the objective of multiple completions and which are completed in all Objective Formations shall be borne by the Participating Parties in each Objective Formation in accordance with the provisions of Section B. The material and equipment in the well and on the surface shall be owned by the Parties paying the cost thereof pursuant to Section B. As to any well which was begun with the objective of multiple completions, drilling overhead shall be charged as though the well were a single well to be drilled to test the deepest formation, and borne in accordance with Section B. The working interest owners shall own all oil and gas produced from their respective formations in accordance with the applicable operating agreement for such formation.

Upon abandonment of the well, if dry in all formations, the costs of plugging and abandoning shall be borne in accordance with the provisions of Section B.

D. Completion of Well in Fewer than All Objective Formations

In the event that a well begun with the objective of multiple completions is drilled to the deepest formation and results in discovery of oil and/or gas in paying quantities in one or more Objective Formations, but is dry in one or more Objective Formations, all costs of drilling, testing, and completing the well shall be borne by the Participating Parties in each Objective Formation in accordance with Section B. Likewise, all costs of equipping the well prior to the decision to abandon the dry formation(s) shall be borne by the Participating Parties in each Objective Formation in accordance with Section B. All costs of equipping the well subsequent to the decision to abandon the dry formation(s) shall be borne by the Participating Parties in the formation(s) being completed and if there are two or more formations being completed, the equipping costs shall be apportioned between such formations in accordance with Section B. Further, the Participating Parties as to the formation(s) being completed shall pay to the Participating Parties of the formation being abandoned the value of any salvable material and equipment paid for or furnished by such abandoning Parties which is used in connection with the formation being completed. Thereafter, the Participating Parties in the completed formation(s) shall own all materials and equipment acquired and installed in the drilling and completion of said well. The working interest owners in the completed formation(s) shall own all oil and gas produced from their respective formation in accordance with the applicable operating agreement, and shall bear all costs of operating, reworking, and plugging and abandoning the well which accrue thereafter. Notwithstanding anything to the contrary herein, the cost of abandoning the dry formation shall be borne by the working interest owners of the formation(s) being abandoned, in accordance with the applicable operating agreement. If the formation being abandoned is the deepest formation, the working interest owners in the deepest formation shall bear the cost of abandoning the entire portion of the well below the base of the second deepest formation, in accordance with the applicable operating

agreement.

E. Partial Abandonment After Completion of Well in Multiple Formations

In the event that, after completion of a well in two or more formations, the working interest owners of a given formation should decide to abandon the well as to their formation, the Participating Parties in the formation open to production ("Producible Formation") shall pay to the working interest owners of the formation to be abandoned ("Abandoning Parties"), the salvage value of any materials or equipment belonging to the Abandoning Parties that are used in connection with the Producible Formation. If there is more than one Producible Formation, such payment shall be apportioned between the Producible Formations so as to be consistent with the ownership of material and equipment as set forth in Section B. Upon making such payment, the Participating Parties as to the Producible Formation(s) shall own all of such materials and equipment. The working interest owners in the Producible Formation(s) shall own all oil and gas produced from their respective formation in accordance with the applicable operating agreement, and shall bear all cost of operating, reworking, and plugging and abandoning the well which accrue thereafter. Notwithstanding anything to the contrary herein, the cost of abandoning the formation to be abandoned shall be borne by the Abandoning Parties, in accordance with the applicable operating agreement. If the formation being abandoned is the deepest formation, the Abandoning Parties in the deepest formation shall bear the cost of abandoning the entire portion of the well below the base of the second deepest formation, in accordance with the applicable operating agreement.

F. Adding Completions and Commingling

Operations to deepen the well or recomplete the well at a shallower depth for the purpose of completing additional formations shall be proposed and approved by the Parties entitled to participate in the proposed completion attempt in accordance with the applicable operating agreement. Before any well which is completed in one or more formations may be deepened or recompleted at a shallower depth for the purpose of completing the well in an additional formation, such operation must have non-objection by all Participating Parties in each formation which is then capable of producing in paying quantities in such well. Failure of a Party owning an interest in a formation capable of producing in paying quantities to respond to a request for non-objection to a proposed deepening or recompletion within thirty (30) days after receipt of such request shall be deemed non-objection to such deepening or recompletion. Any Party owning a Participating Interest in a formation which is entitled to participate in the proposed deepening or recompletion shall have an election whether or not to participate in such deepening or recompletion operation that is separate from its non-objection to use of the wellbore. If the operation should result in an impairment of production from, or a loss of, the existing well, the provisions of Subsections H (4), (5) and (6) shall govern unless otherwise agreed.

As compensation for use of the wellbore the Participating Parties in the additional completion shall pay to said Participating Parties in each such formation then capable of producing in paying quantities ("Producing Parties") an amount calculated as set forth hereinbelow ("Wellbore Compensation"). Such Wellbore Compensation shall be equal to that portion of the Deemed Drilling Costs, depreciated as provided below, which the Participating Parties would have borne if they had originally participated in the drilling of the well under the terms of this Agreement. The Deemed Drilling Costs shall mean the applicable stated cost which corresponds to the deepest depth of the wellbore which will be used by the Participating Parties as follows: Fruitland Coal - $130,000; Pictured Cliffs - $130,000; and Mesa Verde - $210,000. In the event that the additional completion is proposed in a formation other than those listed above, the Deemed Drilling Costs for such other formation shall be adjusted in the proportion that the depth and associated costs for such other formation reasonably bears to the depth and associated costs for the formations listed above. The applicable Deemed Drilling Costs shall be depreciated on a straight-line depreciation basis over a twenty (20) year period commencing as of the original completion date of the subject wellbore until the commencement date of operations for the additional completion.

If the estimated cost of commingling formations exceeds the Operator's expenditure limit under the Operating Agreement, the proposing Party shall submit an authority for expenditure to the Participating Parties in the formations proposed to be commingled. Notwithstanding anything to the contrary in the Operating Agreement, failure to respond to a proposal to commingle that does not include other operations in the well, within thirty (30) days after receipt of the proposal, shall be deemed approval of such commingling. The cost of the commingling operation shall be borne equally by all formations being commingled.

G. **Allocation of Operating and Maintenance Costs**

After completion of a well in two or more formations, the costs of producing operations shall be borne by the Participating Parties as to such formations as follows:

(1) Notwithstanding anything to the contrary in the Accounting Procedure, each active completion which is not commingled downhole shall be treated as a separate well for producing well overhead. Such expense shall be borne by the Participating Parties of the respective formations as a separate cost allocable to their interest. Active completions that are commingled shall be treated as one well for the purpose of charging producing well overhead and such charge shall be allocated equally to the Participating Parties in each commingled formation.

(2) The Participating Parties as to each formation shall bear all costs of routine producing operations including costs of labor, repairs, maintenance and replacement of equipment attributable solely to such formation. All costs of operations performed for the joint benefit of two or more formations shall be borne equally by the formations benefiting from such operations and charged to the Participating Parties in each such formation in accordance with their respective Participating Interest in such formation.

H. **Allocation of Cost of Workover Operations**

After completion of a well in two or more formations, a proposed workover, repair or other operation, excluding routine repair or maintenance work, shall be approved by the Parties owning a Participating Interest in all formations which are capable of producing in paying quantities, whether or not such formations are to undergo the proposed workover, repair or other operation. The costs and risk of any workover, repair or other operations on such well shall be borne by the Participating Parties in such workover, repair or other operation as follows:

(1) The costs and risk of any workover, repair or other operation which is directly related to one formation, including but not limited to operations such as re-perforating the casing or stimulating the formation, shall be borne by the Participating Parties in the formation for which the workover, repair or other operation is performed.

(2) All costs and risk of any workover, repair, or other operation not directly related to one formation, including but not limited to repair and correction of leaks which may result in communication between formations within the well bore shall be borne equally by the formations benefiting from such work, and charged to the owners of each such formation in accordance with their respective Participating Interests.

(3) Any material and equipment acquired by any such expenditures provided for in Subsection H(1) and H(2) above shall be owned by the Participating Parties of the respective formations so as to be consistent with the ownership of the material and equipment as set forth in Section B.

(4) The working interest owners of the formation undergoing the workover, repair or other operation shall not be liable to the working interest owners of the formation(s) not being worked upon for cessation of production during such operations for a period of time not exceeding a cumulative total of sixty (60) days. In the event cessation of production during such operations is for a longer period of time, the Parties participating in such workover, repair, or other operation, hereinafter referred to as Remedial Owners, shall pay to the Participating Parties as to the formation not being worked upon, hereinafter referred to as Damaged Owners, damages in such amount as shall be determined by Remedial Owners and Damaged Owners jointly for loss of production occurring for each day in excess of such sixty (60) cumulative day period until such production is restored. If the Parties are unable to reach agreement on damages within one hundred eighty (180) days after written request for damage payments, the matter shall be referred to mediation, pursuant to Section K.

(5) If the producing capacity of the formation not undergoing the workover, repair or other operation is reduced in excess of twenty percent (20%) as a result of such workover, repair or other operation, damages will be deemed to have occurred. If damages have occurred, the Remedial Owners shall pay to the Damaged Owners, damages in such amount as shall be determined by Remedial Owners and Damaged Owners jointly for loss of producing capacity. If the Parties are unable to reach agreement on damages within one hundred eighty (180) days after written request for damage payments, the matter shall be referred to mediation, pursuant to Section K.

(6) It is understood, however, that liability for loss or damages under Subsections H (4) and H (5) shall not accrue hereunder if: (1) such loss or damage existed prior to actual commencement of the operations or prior to penetration by workover equipment of the damaged formation, and (2) the evidence is conclusive that the loss or damage resulted solely from the previously existing poor mechanical condition of the well. In no event shall Remedial Owners be required to pay Damaged Owners an amount greater than the cost of drilling and completing a replacement well.

I. **Payments**

If the amount of any payment due by working interest owners of one formation to the working interest owners of another formation(s), pursuant to Sections D, E, F, or H above, is agreed to by Parties having at least seventy-five percent (75%) Participating Interest in each of the respective formations, such agreement shall be binding on all Parties. Within thirty (30) days after agreement as to the amount of payment due, Operator shall invoice the working interest owners owing such payment. Within thirty (30) days after receipt of the invoice, each Party owing such payment shall send its payment to the Operator. The Operator will distribute the payments so received, along with any payment owed by the Operator, to the owners of the formation to whom payment is due within sixty (60) days after the invoice is issued. The Operator shall make a good faith effort to collect any such payments owed by the non-operators. If, any non-operator fails to make a payment due hereunder, the Operator may, after making a good faith effort to collect, turn over the responsibility for collecting the payment to the Party to whom it is owed, and the Operator will have no further liability with regard to such payment.

J. **Non-Consent Wells**

Any payments made by owners of one formation to the owners of another formation(s) pursuant to Sections D, E, F, or H above, that would have been received by a Non-Consenting Party had it not relinquished its interest in the well, shall be credited against the total unreturned costs of the non-consent operation in determining when the interest of such Non-Consenting Party shall revert to it as provided in the applicable Operating Agreement; and if there is a credit balance, it shall be paid to such Non-Consenting Party. Likewise, any payments made by owners of a formation to owners of another formation(s) pursuant to Sections D, E, F or H above, that would have been made by a Non-Consenting Party had it not relinquished its interest in the well shall be deemed to be part of the cost of the non-consent operation and shall be added to the sums to be recouped by the Consenting Parties as provided in the applicable Operating Agreement.

K. **Dispute Resolution**

If a dispute arises between the Parties under this Agreement and is not resolved by negotiation, the dispute shall be submitted to mediation before any Party resorts to litigation. 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 to the dispute shall each have present at the mediation at least one individual who has 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 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 actions, the Parties shall continue to try to resolve the dispute by negotiation or mediation as necessary.

Exhibit "A"

Attached to and made part of that certain Operating Agreement dated November 1, 2005, by and between ConocoPhillips Company, as Operator, and Burlington Resources Oil & Gas Company LP, et-al, as Non-Operators.

Contract Area:

Township 30 North-Range 8 West:
Section 2: S/2 & Lots 3 & 4, S/2 NW/4 (NW/4)
484.1 acres, more or less
San Juan County, New Mexico

Formations:

This Operating Agreement is limited to: Surface of the earth to the base of the Mesaverde formation and the Dakota Formation.

Percentages or fractional interest of parties to this agreement:

SURFACE TO BASE OF MESAVERDE FORMATION
S/2 Section 2-T30N-R8W, 320 acres, more or less

ConocoPhillips Company	12.50000%
Burlington Resources Oil and Gas Company LP	27.89688%
BP America Production Company	16.41562%
Four Star Oil & Gas Company	37.50000%
George W. Umbach	.3125000%
Robert Umbach Cancer Foundation	.3125000%
Moore Loyal Trust	2.250000%
Mizel Resources Trust	2.812500%
	100.0000%

DAKOTA FORMATION
Lots 3 & 4, S/2 NW/4, SW/4 (W/2) Section 2-T30N-R8W, 324.1 acres, more or less

ConocoPhillips Company	24.68374%
Burlington Resources Oil and Gas Company LP	12.34188%
Petrohawk Properties LP	31.89847%
John L. Turner	2.468370%
Fred N. Reynolds	2.531610%
Daunis Properties LP	6.835390%
Robert G. Blair	6.835390%
F & J Energy Partners Ltd	2.531640%
Elizabeth T. Calloway	2.468380%
Fred E. Turner	2.468380%
Glenn J. Turner Jr.	2.468380%
Mary Frances Turner Jr.	2.468370%
	100.0000%

Addresses

ConocoPhillips Company
600 North Dairy Ashford-WL 3
Houston, TX 77079

BP America Production Company
501 Westlake Park Blvd.
Houston, TX 77079

Burlington Resources Oil and Gas Company LP
3401 E. 30th Street
Farmington, NM 87402-8807

Four Star Oil & Gas Company
P.O. Box 36366
Houston, TX 77236

George W. Umbach
Attn: J. Mark Choplin
P.O. Box 3499
Tulsa, OK 74101

Robert Umbach Cancer Foundation
Attn: J. Mark Choplin
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EXHIBIT "C"

Attached to and made a part of **that certain Operating Agreement dated November 1, 2005, between ConocoPhillips Company, as Operator, and Burlington Resources Oil & Gas Company LP, et al, as Non-Operators.**

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council or Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at **JP Morgan Chase & Company, New York City, NY, or its successor,** on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. 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 Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

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, 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.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

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

3. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.

(4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation or the Joint Property if such charges are excluded from the overhead rates.

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 Paragraph 3A of this Section II. Such costs under this Paragraph 3B 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 Paragraph 3A of this Section II. 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 which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

4. Employee Benefits

Operator's current costs or established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

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

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

C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is $400 or less excluding accessorial charges. The $400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, 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.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

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

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III 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.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

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

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates, or
(**X**) shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(**X**) shall be covered by the overhead rates, or
( ) shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ **5,000.00**
(Prorated for less than a full month)

Producing Well Rate $ **599.00**

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

(1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever

is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

(2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

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

(2) **Unless otherwise provided in the Operating Agreement or amendments therewith,** ~~Each~~ each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

(3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

(4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.

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

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached **by the percent increase or decrease published by COPAS** ~~The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

_____ Percent (_____%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which 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:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in 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, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

Account for overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of first $100,000 or total cost if less, plus

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

C. 2 % of 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 project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

A. 5 % of total costs through $100,000; plus

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

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

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

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

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties-, **provided, however, Operator may without prior approval of the Parties, dispose of any items of surplus or obsolete material if the current new price of Material similar thereto is less than the Operator's expenditure limit as set forth in Article VII.D.3 of the Agreement to which this Accounting Procedure is attached.**

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

(a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.

(b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000

pound Oil Field Haulers Association interstate truck rate shall be used.

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

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

(2) Line Pipe

(a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(b) Line Pipe movements (except size 24 inch OD) and larger with walls ¾ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus **the percent most recently recommended by COPAS,** ~~/ 20 percent~~, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.

(d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

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

(2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material

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

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

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

C. Other Used Material

(1) Condition C

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

(2) Condition D

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

(a) 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.

(b) 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.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading or unloading costs may be charged to the Joint Account at the rate **most recently recommended by COPAS, in accordance with the methods specified in COPAS Bulletin 21.** ~~of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.~~

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies. strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D"

Attached to and Made a Part of that Certain Operating Agreement dated November 1, 2005,
between ConocoPhillips Company as Operator
and Burlington Resources Oil & Gas Company LP, et-al, as Non-Operators

INSURANCE REQUIREMENTS

1. Operator shall carry insurance as follows for the benefit and protection of the Parties to this Agreement:

   a. Worker's Compensation Insurance in accordance with laws of governmental bodies having jurisdiction including, if applicable, United States Longshore and Harbor Workers' Compensation Act with Outer Continental Shelf Extension and Employers' Liability Insurance. Employers' Liability Insurance shall provide coverage of $500,000 per accident.

   b. Operator may include the aforesaid risks under its qualified self-insurance program provided Operator complies with applicable laws, and in such event Operator shall charge to the Joint Account, its actual cost, not to exceed a premium determined by applying manual insurance rates to the payroll.

2. Operator shall not be obligated or authorized to obtain or carry on behalf of the Joint Account any additional insurance covering the Parties or the operations to be conducted hereunder without the consent and agreement of all Parties. Each Party individually may acquire at its own expense such insurance as it deems proper to protect itself against claims, losses, or damages arising out of the joint operations. All uninsured losses and all damages to jointly owned property shall be borne by the Parties in proportion to their respective interests.

3. Operator shall promptly notify non-operators in writing of all losses involving damage to a jointly owned property in excess of $100,000.

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

5. In the event less than all Parties participate in an operation conducted under the terms of this Agreement, then the insurance requirement and costs, as well as all losses, liabilities, and expenses incurred as the result of such operation, shall be the burden of the Party or Parties participating therein.

Exhibit "E"
GAS BALANCING AGREEMENT

Attached to and made part of that certain Operating Agreement dated November 1, 2005, by and between ConocoPhillips Company, as Operator and Burlington Resources Oil & Gas Company LP, et-al, as Non-Operators.

I. Definitions

For the purposes of this Agreement, the terms set forth shall be defined as follows:

a) "Operator" is the Operator so designated under the terms of the Operating Agreement.
b) "Party" or "Parties" are the entities which have executed this Agreement and have an ownership working interest in the Gas rights underlying the area covered by the Operating Agreement.
c) "Gas" includes casinghead Gas (which is all Gas produced with crude oil) and natural Gas from Gas wells, but shall not include liquid hydrocarbons recovered by lease equipment.
d) "Balance" is the condition occurring when a Party has utilized or sold the same percentage of the cumulative Gas production from a particular Well as such Party's Percentage Ownership (as described in Paragraph II below).
e) "Overproduced" is the condition occurring when a Party has utilized or sold a greater volume of Gas from a particular Well at any given time (individually or through its Gas purchaser) than if such Party were in Balance.
f) "Underproduced" is the condition occurring when a Party has utilized or sold lesser volume of Gas from a particular Well at any given time (individually or through its Gas purchaser) than if such Party were in Balance.
g) "Well" is defined as each Well subject to the Operating Agreement that also produces Gas or is allocated a share of Gas production. If a single Well is completed in two or more reservoirs, such Well will be considered a separate Well with respect to, but only to, each reservoir from which the Gas production is not commingled in the wellbore. If this Agreement covers a fieldwide unit, "Well" for the purposes of this Agreement shall refer to gas production from the unit separately accounted for by NGPA category.

II. Percentage Ownership of Parties

The Parties to the Operating Agreement own the working Interest in the Gas rights underlying the area covered by the Operating Agreement in accordance with the percentages or shares of participation ("Percentage Ownership") as set forth in the Operating Agreement.

III. Right to Produce and Market Gas; Effective Date of this Agreement

In accordance with the terms of the Operating Agreement, each Party thereto has specific rights relating to the taking and disposition of Gas produced, including the right to take in kind its share of Gas produced from the applicable area and to market or otherwise disposed of same. In the event any Party is not at any time taking or marketing its share of Gas, or has contracted to sell its share thereof to a purchaser which does not at any time while said Operating Agreement is in effect take the full share of Gas attributable to the Percentage Ownership of such contracting Party, then the terms of this Agreement shall automatically become effective. If an Operating Agreement is already in place, the effective date shall be the date of first Gas sale(s) by any Party from any Well(s) in the applicable area.

IV. Overproduction

During any period when any Party hereto is not marketing or otherwise disposing of or utilizing its Percentage Ownership of Gas produced from any well within the applicable area, the other Parties hereto shall be entitled to produce, in addition to their own Percentage Ownership of production, that portion of such other Party's Percentage Ownership of production which said Party is not marketing or otherwise disposing of, and shall be entitled to take such Gas production and deliver same to its or their purchaser(s) in accordance with Paragraph VI below; however, if one or more Underproduced Parties has/have a Gas market and upon concurrence of the Underproduced Parties, cumulative production by an Overproduced Party shall not exceed such Overproduced Party's Percentage Ownership of the recoverable reserves of the Well. All the Parties shall share in and own the liquid hydrocarbons recovered from such Gas by lease equipment in accordance with their respective Percentage Ownership and subject to the Operating Agreement to which this Agreement is attached, but the Party or Parties taking such Gas shall own all of the Gas delivered to its or their Gas purchaser(s) or taken for their own use subject to the terms of this Agreement.

V. Accounting for Overproduction and Underproduction

Each Party taking Gas shall furnish the Operator a monthly statement of all Gas volumes taken from each Well or NGPA category as applicable and the disposition of those volumes (contract purchases, spot sales, own use, other). The Operator under said Operating Agreement will establish and maintain currently a Gas account to show the Gas balance which exists between/among all the Parties and will furnish each of these Parties a monthly statement showing the total quantity of Gas produced, vented or lost, the quantity taken

by any Party for its own use, and the monthly and cumulative over and under account of each Party. The monthly statement shall clearly and accurately specify the monthly and cumulative quantity of Gas each Party is Underproduced or Overproduced, or shall clearly and accurately specify if any Party is in Balance.

VI. Right of Underproduced Party to Make Up Production

After reasonable notice to the Operator, any Party at any time may begin marketing or otherwise disposing of its full Percentage Ownership of the Gas produced from a Well with respect to which it is Underproduced. In addition to such Percentage Ownership, said Party, until it has balanced the Gas account as to its Percentage Ownership, shall be entitled to take additional quantities of Gas provided that the right to take such greater amount shall be in the proportion that its Percentage Ownership bears to the total Percentage Ownership of all Underproduced Parties desiring to take more than their proportionate share of Gas produced for the Well. Each Overproduced Party shall reduce its respective share of production in the proportion that such Party's Percentage Ownership bears to the total Percentage Ownership of all Overproduced Parties, but in no event shall any Overproduced Party be required to reduce its share to less than fifty percent (50%) of such Overproduced Party's proportionate share of the Well's current production.

VII. Settlement When Production is Permanently Discontinued

When production from a Well is permanently discontinued, there shall be a cash settlement between/among the Parties hereto for the volume of Gas, if any, remaining in Imbalance. In making such cash settlement, each Overproduced Party shall remit to the Operator a sum of money attributable to the amount actually or constructively received by such Overproduced Party from the sale or utilization of overproduction which remains accrued to such Party, less applicable taxes and other payments in fact paid on the overproduced volume on behalf of the Underproduced Parties by such Overproduced Party. The Operator shall distribute the total of such amounts so collected among Underproduced Parties in the proportion of such latter Parties' underproduction. It is recognized that there may have been some changes in the price received by Overproduced Parties for overproduction sold or otherwise utilized. It is therefore agreed that any underproduction credited from time to time against any Overproduced Party shall be applied against such Party's overproduction in the order in which such overproduction occurred. The "amount actually or constructively received" shall then be that overproduction remaining following application of the above rule and valued at the price in effect at the time such overproduction occurred. If a portion of a Party's Gas is taken for its own use and a portion thereof is sold, the Gas value for accounting between/among the Parties will be based on the price received simultaneously by such Party for Gas sold from the Well. During periods in which a Party is taking Gas for its own use and making no sales, Gas so taken will be valued at the maximum price which such Party could have received for such Gas if actually delivered under such Party's contract, or, if none, the weighted average price received simultaneously by all other Parties for Gas sold from all Wells. In either such instance the value so determined for Gas so used will be deemed to have been constructively received by such using Party. In the event refunds are later required by any governmental authority, each Party shall be accountable for such refunds on the basis of its share of Gas produced and finally balanced hereunder.

VIII. Audits

Notwithstanding any provision to the contrary in this or any other Agreement, any Underproduced Party shall have the right for a period of two (2) years after the date that Gas accounts are settled, to audit an Overproduced Party's records as to volumes and prices received for Gas produced from the applicable area, and any Overproduced Party shall have the right to a period of two (2) years after the Gas accounts are settled, to audit any Underproduced Party's records as to volumes.

IX. Payment of Royalties; Indemnity for Royalty Settlements

Unless otherwise provided in the Operating Agreement (or otherwise required in lease agreements) each Party will make settlement with the respective royalty owners to whom said Party is accountable, just as if each Party were taking, delivering to a purchaser or otherwise disposing of its share, and its share only, of such Gas production exclusive of Gas used in lease operations, vented or lost. Each Party agrees to indemnity and hold each and every other Party harmless from any and all claims for royalty payments asserted by royalty owners to whom each indemnifying Party is accountable. The term "royalty owner" shall include owners of standard royalties, excess royalties, overriding royalties, production payments and similar interests.

X. Payment of Production Taxes

Unless otherwise provided in the Operating Agreement (or otherwise required in lease agreements), each Party producing and taking, delivering to its Gas purchaser or otherwise disposing of Gas, shall pay any and all production taxes due on such Gas.

XI. Deliverability Tests

Nothing herein contained shall be construed as denying any Party the right, from time to time, and with at least twenty (20) days written notice to Operator, subject to the concurrence of all Gas purchasers, to

produce and take or deliver to its purchaser its full share of the allowable Gas production to meet the deliverability tests required by its Gas purchaser.

XII. Effect on Operating Agreement

Nothing herein contained shall, among other things, change or affect the obligations of each Party to bear and pay its proportionate shall of all costs, expenses, and liabilities incurred as provided in the Operating Agreement.

XIII. Negotiated Cash Balance

Nothing herein contained shall be construed as precluding cash balancing at any time as negotiated among Parties.

XIV. Scope and Term of Agreement

This Agreement shall constitute separate agreement as to each Well within the applicable area of the Operating Agreement. It shall inure to the benefit of and be binding upon the Parties hereto, their successors, legal representatives and assigns. It shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect.

EXHIBIT "F"

Equal Opportunity
Certifications and Agreements

Attached to and Made a Part of that certain Operating Agreement dated November 1, 2005
Between ConocoPhillips Company and Burlington Resources Oil & Gas Company LP, et-al

This contract shall be performed by Operator in compliance with all applicable laws, proclamations, orders, rules and regulations, including, without limitation, the following:

1. **Equal Employment Opportunity**
   A. **Equal Opportunity Clause (41 CFR 60-1.4).** (Applicable to all contracts for more than $10,000, individually; or if Operator has such contracts or subcontracts with the Government in any 12-month period which have an aggregate total value (or can reasonably be expected to have an aggregate total value) exceeding $10,000, the $10,000 or under exemption does not apply, and the contracts are subject to the order and the regulations issued pursuant thereto regardless of whether any single contract exceeds $10,000.)

   The equal opportunity clause required by Executive Order 11246 of September 24, 1965, and prescribed in Section 60-1.4 of Title 41 of the Code of Federal Regulations is incorporated by reference (as permitted by Section 60-1.4(d) of said Regulations) as if set out in full at this point.

   B. **Certification of Nonsegregated Facilities (41 CFR 60-1.8).** (Applicable only to contracts which are not exempt from the provisions of the Equal Opportunity Clause set out above.)
   Operator certifies that it does not, and will not, maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not, permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Operator agrees that a breach of this certification is a violation of the Equal Opportunity Clause required by Executive Order 11246 of September 24, 1965.

   As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise.

   Operator further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

   NOTICE TO PROSPECTIVE SUBCONTRACTORS
   OF REQUIREMENT FOR CERTIFICATIONS
   OF NONSEGREGATED FACILITIES

   A Certificate of Nonsegregated Facilities must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually).

   C. **Affirmative Action Compliance Program (41 CFR 60-1.40).** (Applicable only if Operator (a) has 50 or more employees and (b) has a contract for $50,000 or more.)
   If required under Section 60-1.40 of Title 41 of the Code of Federal Regulations, Operator certifies that it has developed, or agrees to develop, a written affirmative action program for each of its establishments within 120 days from the effectiveness of this contract or the first of the contracts of sale. Operator shall maintain such program until such time as it is no longer required by law or regulation. Operator shall maintain a copy of separate programs for each establishment, including evaluations of utilization of minority group personnel and the job classifications tables, at each local office responsible for the personnel matters of such establishment.

   D. **Employer Information Report (41 CFR 60-1.7).** (Applicable only if Operator (a) has 50 or more employees, (b) is not exempt pursuant to 41 CFR 60-1.5 from the requirement for filing Employer Information Report EEO-1, and (c) has a contract or subcontract amounting to $50,000 or more.)

   If required under Section 60-1.7 of Title 41 of the Code of Federal Regulations to file, Operator hereby certifies that it has filed, or agrees to file, the Employer Information Report, Standard Form 100 (EEO-1), or such form as may hereinafter be promulgated in its place, in accordance with the applicable instructions and will continue to file such report unless and until Operator is not required to so file by law or regulation.

2. **Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era**
   A. **Affirmative Action Clause (41 CFR 60-250.4).** (Applicable only to contracts for $10,000 or more.)
   The affirmative action clause prescribed in Section 60-250.4 of Title 41 of the Code of Federal Regulations is incorporated by reference (as permitted by Section 60-250.22 of said Regulations) as if set out in full at this point.

   B. **Affirmative Action Program (41 CFR 60-250.5).** (Applicable to contracts for $10,000 or more only if Operator (a) has 50 or more employees and (b) holds a contract of $50,000 or more.)
   The affirmative action program prescribed in Sections 60-250.5 and 60-250.6 of Title 41 of the Code of Federal Regulations is incorporated by reference (as permitted by Section 60-250.22 of said Regulations) as if set out in full at this point.

3. **Affirmative Action for Handicapped Workers**
   A. **Affirmative Action Clause (41 CFR 60-741.4).** (Applicable only to contracts for $2,500 or more.)
   The affirmative action clause prescribed in Section 60-741.4 of Title 41 of the Code of Federal Regulations is incorporated herein by reference (as permitted by Section 60-741.22 of said Regulations) as if set out in full at this point.

   B. **Affirmative Action Program (41 CFR 60-741.5).** (Applicable to contracts for $2,500 or more only if Operator (a) has 50 or more employees and (b) holds a contract of $50,000 ore more.)
   The affirmative action program prescribed in Sections 60-741.5 and 60.741.6 of Title 41 of the Code of the Federal Regulations is incorporated by reference (as permitted by Section 60-741.22 of said Regulations) as if set out in full at this point.

4. **Minority Business Enterprises (41 CFR 1-1.13, Federal Procurement Regulations)**
   A. **Utilization of Minority Business Enterprises [41 CFR 1-1.1310-2(a)].** (Applicable only to contracts which may exceed $10,000 except those, and all subcontracts thereunder, to be performed entirely outside the United States, its possessions, and Puerto Rico, and those for services of a personal nature.)

      (1) It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

      (2) Operator agrees to use its best efforts to carry out this policy in the award of its subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. Operator may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

   B. **Minority Business Enterprises Subcontracting Program [41 CFR 1-1.1310-2(b)].** (Applicable to all contracts which may exceed $500,000 which contain the clause required by 41 CFR 1-1.1310-2(a) and which offer substantial subcontracting possibilities.)

      (1) Operator agrees to establish and conduct a program which will enable minority business enterprises (as defined in the above clause entitled

"Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, Operator shall:

(a) Designate a liaison officer who will administer Operator's minority business enterprises program.

(b) Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

(c) Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

(d) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

(e) Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

(f) Cooperate with the Contracting Officer in any studies and surveys of Operator's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

(g) Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (d) above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

(2) Operator further agrees to insert, in any subcontract hereunder which may exceed $500,000, provisions which shall conform substantially to the language of this clause, including this paragraph (2), and to notify the Contracting Officer of the names of such subcontractors.

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 14th day of November 1953, by and between PUBCO DEVELOPMENT, INC. (No Stockholders Liability), a New Mexico corporation, whose address is Post Office Box 1360, Albuquerque, New Mexico; THE TEXAS COMPANY, a Delaware corporation, whose address is Post Office Box 1720, Fort Worth 1, Texas; BEAVER LODGE OIL CORPORATION, a Delaware corporation, whose address is 301 Mercantile Commerce Building, Dallas, Texas, and J. GLENN TURNER and SUE REEDER TURNER, his wife, whose address is 1711 Mercantile Bank Building, Dallas, Texas:

W I T N E S S E T H:

WHEREAS, Pubco Development, Inc. (No Stockholders Liability), is the present owner and holder of the entire working interest and rights in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers, among other lands, the following described land situated in San Juan County, New Mexico, to-wit:

1. That certain Oil and Gas Lease made and entered into on April 9, 1951, by and between the State of New Mexico, as Lessor, and Rose F. Wilson, as Lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. E-5184, insofar as said lease covers, among other lands, the following described land:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: $NE\frac{1}{4}SW\frac{1}{4}$, containing 40 acres, more or less;

and

WHEREAS, The Texas Company is the record owner and holder of the entire working interest and rights in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers, among other lands, the following described land situated in San Juan County, New Mexico, to-wit:

1. That certain Oil and Gas Lease made and entered into on July 10, 1951, by and between the State of New Mexico, as Lessor, and The Texas Company, as Lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. E-5382, insofar as said lease covers, among other lands, the following described land:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: $W\frac{1}{2}SW\frac{1}{4}$; $SE\frac{1}{4}SE\frac{1}{4}$, containing 120 acres, more or less;

and

WHEREAS, Beaver Lodge Oil Corporation is the record owner and holder of the entire working interest and rights in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers, among other lands, the following described lands, to-wit:

1. That certain Oil and Gas Lease made and entered into on May 16, 1944, by and between the State of New Mexico, as Lessor, and Harry S. Wright, as Lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. B-11240, insofar as said lease covers, among other lands, the following described lands:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: $W\frac{1}{2}SE\frac{1}{4}$, containing 80 acres, more or less;

and

WHEREAS, J. Glenn Turner is the record owner and holder of the entire working interest and rights in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers, among other lands, the following described land situated in San Juan County, New Mexico, to-wit:

1. That certain Oil and Gas Lease made and entered into on May 16, 1944, by and between the State of New Mexico, as Lessor, and Harry S. Wright, as Lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. B-11240, insofar as said lease covers, among other lands, the following described land:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: $SE\frac{1}{4}SW\frac{1}{4}$; $NE\frac{1}{4}SE\frac{1}{4}$, containing 80 acres, more or less;

and

WHEREAS, in order to expedite the execution of this Agreement, all of the overriding royalty owners are ratifying this Agreement; and

WHEREAS, under the applicable rules and regulations of the Oil Conservation Commission of the State of New Mexico, it is necessary to form a tract or unit consisting of three hundred twenty (320) acres of land for the drilling of a Mesa Verde well; and

WHEREAS, Article 8-1138 of the New Mexico Statutes (Law 1943, Ch. 88, § 1, Page 146) provides that, for the purpose of more properly conserving the oil and gas resources of the State of New Mexico, the Commissioner of Public Lands may consent to and approve the development or operation of State Lands under agreements made by lessees of State Lands jointly or severally with other lessees of State Lands; and

WHEREAS, the parties hereto desire to communitize and pool the above described oil and gas leases insofar as said leases cover and include the above described land in order to form one tract or unit for the production of gas from the Mesa Verde formation as follows:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: $S\frac{1}{2}$, containing 320 acres, more or less;

and

WHEREAS, in order to be consistent with the existing rules and regulations governing well spacing and production allowables, the parties hereto desire to operate the entire communitized unit for the purpose and intention of developing dry gas and liquid hydrocarbons extracted therefrom producible from the Mesa Verde formation in accordance with the terms and provisions of this Agreement:

NOW, THEREFORE: in consideration of the premises and the mutual advantages offered by this Agreement, it is mutually covenanted and agreed by and between the parties hereto as follows:

The lands subject to this Agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesa Verde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the above-described communitized tract of three hundred twenty (320) acres shall be allocated among the leaseholds comprising said acreage in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed thereto. The royalties payable for dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for therein shall be determined and paid on the basis respectively prescribed in the individual leases.

Pubco shall be the unit operator of said communitized tract and all matters of operation, adjustments between the working interest owners and payment of royalties, overriding royalties and rentals shall be governed by the provisions of the Unit Operating Agreement executed by the working interest owners contemporaneously with the execution of this Agreement. There shall be no obligation on Pubco to offset any dry gas well or wells on separate component tracts into which said communitized unit is now or may hereafter be divided, nor shall Pubco be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse interests in the dry gas in and under said tracts, but Pubco shall not

be released from its obligations to protect said communitized unit from dry gas well or wells which may be drilled offsetting said unit.

Except as herein modified and changed, the said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. Payment of the rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this Agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

The commencement, completion, continued operation or production of a well or wells for dry gas and liquid hydrocarbons extracted therefrom on the communitized unit from the Mesa Verde formation as an entirety shall be construed and considered as the commencement, completion, continued operation and production from each lease committed hereto.

All production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made and fixed by any duly authorized person or regulatory body under applicable Federal or State Statutes. The provisions of this Agreement shall be subject to all applicable Federal or State laws or executive orders, rules and regulations which affect performance of any of the provisions of this Agreement and Pubco shall not suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if such compliance is prevented by or if such failure results from compliance with any such law, rule or regulation.

This Agreement shall be effective as of the date hereof, upon approval of the Commissioner of Public Lands of the State of New Mexico, and shall remain in force and effect for a period of twelve (12) months ~~two (2) years~~ and so long thereafter as dry gas and liquid hydrocarbons extracted therefrom are produced from any part of said communitized tract in paying quantities, provided that prior to production in paying quantities from said communitized unit and upon fulfillment of all requirements of the Oil Conservation Commission of the State of New Mexico with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by mutual agreement of the parties hereto.

This Agreement shall be subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico.

This Agreement shall be binding upon the parties and shall extend to and be binding upon their heirs, executors, administrators, successors and assigns.

This Agreement may be executed in one or more counterparts by any of the parties hereto and all counterparts so executed shall be taken as a single Agreement and shall have the same force and effect as if all parties had in fact executed but a single instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first hereinabove written.

PUBCO DEVELOPMENT, INC. (No Stockholders Liability)

ATTEST:

Asst. Secretary

By _____
Vice President

Assistant Secretary

THE TEXAS COMPANY

By _____
Attorney-in-Fact

BEAVER LODGE OIL CORPORATION

ATTEST:

By _____
VICE President

ASSISTANT Sec.

_____
J. Glenn Turner

_____
Sue Reeder Turner

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

On this 14th day of November, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of PUBCO DEVELOPMENT, INC. (No Stockholders Liability), a New Mexico corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Boards of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

_____
Notary Public in and for County of Bernalillo, State of New Mexico

My commission expires:

My Commission Expires June 24, 1957

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

On this 8th day of December, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Attorney-in-Fact of The Texas Company, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and the said _____ acknowledged said instrument to be the free act and deed of said corporation.

GIVEN under my hand and seal of office this 8th day of December, A.D., 1953.

Ann Schroeder
Notary Public in and for the County of Tarrant, State of Texas.

My commission expires:
6-1-55

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

On this 10th day of December, 1953, before me appeared Gene M. Hewett, to me personally known, who, being by me duly sworn, did say that he is the Vice President of BEAVER LODGE OIL CORPORATION, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ Gene M. Hewett acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Peggy Smith
Notary Public in and For the County of Dallas, State of Texas.

My commission expires:
6-1-55

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

On this 9th day of December, 1953, before me appeared J. GLENN TURNER and SUE REEDER TURNER, his wife, to me personally known to be the persons described in and who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Frances Cooper
Notary Public in and for the County of Dallas, State of Texas

My commission expires:

June 1, 1955

Office of Commissioner of Public Lands
Santa Fe, New Mexico

I hereby certify that the foregoing Communitization and pooling agreement was filed in my office on the 14th day of December, 1953, and consented to and approved by me on the 15th day of December, 1953

E. S. Walker
Commissioner of Public Lands

1-15-54

T W A M & F advise 1-14-54 that Communitization Agreement was filed for record on 12-30-53 at 1:07 P.M., recorded in Book 234, page 24 of the County Records of San Juan County, N.M.

POOR COPY

NM 9171-220
4559587-304
48874 A
48875 A

RATIFICATION OF COMMUNITIZATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that Cornelia C. Fuller of ~~xxxx~~ 2032 Belmont Road, Northwest ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~, Washington 9, D. C., owner of an overriding royalty interest of five per cent (5%) under that certain State of New Mexico oil and gas lease dated May 16, 1944, bearing Serial Number B-11240, does hereby join and ratify the attached Communitization Agreement and does hereby agree with Pubco Development, Inc., Operator of the Communitized tract, and Beaver Lodge Oil Corporation, Lessee, that the overriding royalty equal to five per cent (5%) upon the following-described land in San Juan County, New Mexico, to wit:

Township 30 North, Range 8 West, N.M.P.M.

Section 2: NW/4 SE/4

containing 40 acres, more or less,

shall be subjected to the attached Communitization Agreement in the same manner as if the undersigned had originally executed such Communitization Agreement.

EXECUTED this 18 day of March A. D., 1954.

Cornelia C. Fuller
Cornelia C. Fuller

State of Virginia)
: **SS**
County of Arlington)
~~CITY OF WASHINGTON~~
~~DISTRICT OF COLUMBIA~~

On this 18th day of March, 1954, before me appeared Cornelia C. Fuller, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me that she executed the same as her free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Juanita M. Brown
Notary Public in and for Arlington, Va.
Juanita M. Brown
Notary Public, Arlington County, Virginia
My Commission Expires December 22, 1957.

My commission expires:
Dec 22, 1957

POOR COPY

20-A

State of New Mexico

Commissioner of Public Lands

P. O. BOX 1148
SANTA FE, NEW MEXICO

RECEIVED
10 13 AM '68
STATE LAND OFFICE
SANTA FE, N. M.

COMMUNITIZATION AGREEMENT

57118

STATE OF NEW MEXICO)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF)

THAT THIS AGREEMENT is entered into as of the 8th day of July 1968, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 7-11-47, New Mexico Statutes, Annotated, 1955 Laws, in the interest of conservation of oil and gas and the prevention of waste, to consent to and approve the development or operation of State lands under agreements made by lessees of oil and gas leases thereon, jointly or severally with other oil and gas lessees of State lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Commission, where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the commissioner to be fair and equitable.

WHEREAS, the parties hereto, being oil and gas lessees of record, covering lands subject to this agreement, insofar as such leases cover the lands hereinafter described, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes, and

WHEREAS, said leases, insofar as they cover the Dakota Formation in and under the land hereinafter described

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Rev. 1-2-68

C-17855

cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing dry gas and associated liquid hydrocarbons in the Dakota Formation in and under the land hereinafter described subject to the terms hereof.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually convenanted and agreed by and between the undersigned as follows:

Township 30 North Range 8 West, N.M.P.M.

Section 2: Lots 3 and 4, S/2 NW/4, SW/4 (W/2)

San Juan County, New Mexico

containing 324.10 acres, more or less, and so hereby declare that it is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of dry gas and associated liquid hydrocarbons from the Dakota Formation in and under said land is necessary and advisable in order to properly develop and produce the dry gas and associated liquid hydrocarbons substances in the said Dakota Formation beneath said land in accordance with the spacing rules of the Conservation Commission of the State of New Mexico, and in order to promote the conservation of the dry gas and associated liquid hydrocarbons in and what may be produced from said formation in and under said land, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize, for proration or spacing purposes only the leases

described in Exhibit "A" hereto insofar as they cover dry gas and associated liquid hydrocarbons within and that may be produced from the Dakota Formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the dry gas and associated liquid hydrocarbons in said formation beneath said land,

Attached hereto and made a part of this Agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all lands within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. The royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this Agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the undersigned be required to measure

separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

5. The Commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

6. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws or statutes. This Agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules or regulations.

7. PUBCO PETROLEUM CORPORATION shall be the Unit Operator of said communitized area and all matters of operation shall be determined and performed by PUBCO PETROLEUM CORPORATION ~~Company~~.

8. This Agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public

Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in commercial quantities; provided, however, that prior to production in commercial quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This Agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non production.

9. Operator will furnish the Conservation Commission and the Commissioner of Public Lands, of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

10. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the Oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

11. If any order of the Oil Conservation Commission upon which this agreement is predicated or based is in anywise changed or modified, then and in such event said agreement is likewise modified to conform thereto.

12. 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 instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

13. This Agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATTEST: OPERATOR: PUBCO PETROLEUM CORPORATION COMPANY

LAND	
PROD.	
ACCT.	A
GEO.	BWK

I. B. Hoover, Jr.
Secretary

BY: _____
~~Attorney-in-Fact~~
Frank D. Gorham, Jr.
President

TEXACO INC.

LESSEES OF RECORD: BY: _____

Agent and Attorney-in-Fact

EL PASO NATURAL GAS COMPANY

BY: _____

Attorney-in-Fact

STATE OF Colorado)
city and) SS
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 13th day of August, 1968 by N. G. KITTRELL, as Attorney in Fact on behalf of TEXACO INC. ~~Company~~.

My Commission expires Aug. 16, 1971

My Commission Expires

NOTARY PUBLIC

OG-66

20-B

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 8th day of July, 1968 by Frank D. Gorham, Jr., President of Pubco Petroleum Corporation, on behalf of said corporation.

My Commission Expires Mar. 18, 1971
My commission Expires

Patricia M. Todd
Notary Public

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 2nd day of August, 1968 by Sam Smith, as Attorney in Fact on behalf of El Paso Natural Gas Company.

June 1, 1969
My Commission Expires

Vicki K. Rund
Notary Public

C-1755

20-H

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated July 8, 1968 by and between PUBCO PETROLEUM CORPORATION, TEXACO INC. and EL PASO NATURAL GAS COMPANY, Company covering the W/2 of Section 2 Township 30 North Range 8 West, San Juan County, New Mexico

Operator of Communitized Area:

Company: Pubco Petroleum Corporation

Description of Leases Committed:

Company: Pubco Petroleum Corporation

Tract No. 1

Lessor:	State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record:	Pubco Petroleum Corporation
Serial No. of Lease:	E-5184 #12
Date of Lease:	April 9, 1951
Description of Lands Committed:	Township 30 North, Range 8 West, N.M.P.M. Section 2: SW/4 NW/4, NE/4 SW/4
No. of Acres:	80.00

El Paso Natural Gas Company:

Tract No. 2

Lessor:	State of New Mexico acting by and through its Commissioner or Public Lands
Lessee of Record:	El Paso Natural Gas Company
Serial No. of Lease:	B-10603
Date of Lease:	September 8, 1943
Description of Lands Committed:	Township 30 North, Range 8 West, N.M.P.M. Section 2: SE/4 NW/4
No. of Acres:	40.00

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20-2

Tract No. 3

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: El Paso Natural Gas Company
Serial No. of Lease: B-11240 #62
Date of Lease: May 16, 1944
Description of Lands Committed: Township 30 North, Range 8 West, N.M.P.M.
Section 2: SE/4 SW/4
No. of Acres: 40.00

Texaco Inc. ~~Company~~

Tract No. 4

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Texaco Inc.
Serial No. of Lease: E-5382
Date of Lease: July 10, 1951
Description of Lands Committed: Township 30 North, Range 8 West, N.M.P.M.
Section 2: Lots 3 and 4, W/2 SW/4
No. of Acres: 164.10

RECAPITULATION

TRACT NO.	No. of Acres Committed	Percentage of Interest in Communitized Area
Lease No. 1	80.00	24.6837%
Lease No. 2	40.00	12.3419%
Lease No. 3	40.00	12.3419%
Lease No. 4	164.10	50.6325%
	324.10	100.0000%

C-17655

Chronological List of Events
Prepared 12/02/08 - D. Wierenga & B. Dart
Ref: State Com AM No. 37;
S/2 and Lots 3 & 4, S/2NW/4 (NW/4), Section 2, Township 30 North, Range 8 West
San Juan County, NM

11/2/05	Todd Thornburg, ConocoPhillips (COPC) Landman, sent letter to the Working Interest owners stating that COPC will later propose the State Com AM 37M and employ a new Joint Operating Agreement to cover the new drill operation.
1/24/06	Todd Thornburg sent an AFE for the State Com AM 37M to Working Interest owners.
4/6/06	Richard Stoneburner, Petrohawk (PH) Executive Vice President Exploration, sent a letter to COPC stating that PH does not consent to the AFE on the State Com AM 37M due to their belief that the cost allocation methodology is not equitable for PH.
8/28/07	Linda Dean, COPC Landman, called Gary Snowden, PH Landman to discuss the State Com AM 37M. Snowden indicated that PH was willing to discuss options to resolve their issues.
12/11/07	Brian Dart sent an e-mail to Gary Snowden with an offer to Farmin PH's Working Interest.
1/15/08	Brian Dart sent another e-mail to Gary Snowden requesting update on the status of PH's decision regarding COPC's proposal.
1/16/08	Gary Snowden sent an e-mail to Brian Dart stating that PH had not yet made a decision on COPC's Farmin offer.
1/28/08	Gary Snowden sent an e-mail to Brian Dart stating that Richard Houser, PH Landman will be taking over the State Com AM 37M project.
3/31/08	Brian Dart sent a New Drill proposal with an AFE for the State Com AM 37M to Working Interest owners. PH did not respond to the proposal.
6/2/08	Brian Dart sent a New Drill proposal with an AFE for the State Com AM 37M to Working Interest owners (excluding PH).
6/3/08	Brian Dart sent a New Drill proposal with an AFE for the State Com AM 37M to PH via certified mail. PH did not respond to the proposal.

9/30/08	Brian Dart sent a New Drill proposal with an AFE for the State Com AM 37M to Working Interest owners, mailed a certified copy to PH including a copy of the Joint Operating Agreement for their execution.
10/29/08	Richard Houser sent an e-mail to Brian Dart with an offer to Farmout (using a Term Assignment) their interest to COPC with a reservation of Overriding Royalty.
10/29/08	Brian Dart responded to Richard Houser's 10/29/08 e-mail, stating that COPC will evaluate the offer and get back to them as soon as possible.
11/6/08	Brian Dart called Richard Houser at PH with a counter offer to their Term Assignment proposal, PH accepts. Houser offers to prepare the Assignment and upon completion send to COPC for execution.
11/13/08	Brian Dart sent an e-mail to Richard Houser requesting update on the status of the Term Assignment.
11/14/08	Richard Houser replied to Brian Dart's 11/13/08 e-mail stating that he was still working on the Term Assignment.
11/20/08	Brian Dart sent another e-mail to Richard Houser requesting update on the status of the Term Assignment.

Brian C. Dart
Landman
San Juan Business Unit
ConocoPhillips Company
PO Box 4289
Farmington, NM 87499-4289
phone 505.326.9835

ConocoPhillips

CERTIFIED MAIL: 7192 3496 0010 0027 2117

September 30, 2008

Petrohawk Energy Corporation
d/b/a Petrohawk Properties LP
Attn: Land Department
1000 Louisiana St., Suite 5600
Houston, TX 77072

Re: State Com AM 37M New Drill Proposal
Joint Operating Agreement dated November 1st, 2005
Township 30 North, Range 8 West
Section 2: S/2 Mesaverde; W2 Dakota
San Juan Co., NM

To Whom It May Concern:

Please find enclosed one (1) new drill proposal of the subject well and one (1) copy of the subject Joint Operating Agreement (JOA) which includes two (2) sets of signature pages.

ConocoPhillips (COPC) has proposed the subject new drill to working interest owners on March 31st, 2008 and again on June 30th, 2008. To date Petrohawk Properties LP (Petrohawk) has not made a participation election and is the sole Working Interest owner in the captioned drillblocks who has yet to execute the subject JOA.

COPC is initiating administrative relief to join non-signatory parties to the JOA. COPC hopes to put the subject new drill on the October 30, 2008 docket of the New Mexico Oil and Gas Commission's adjudicatory proceedings to include Petrohawk in the Compulsory Pooling Order.

In order to not be subject to the Compulsory Pooling Order, Petrohawk must execute the JOA and forward same with its election to COPC by October 27th, 2008.

If you should have any further questions, or desire additional information, please contact the undersigned at 505.326.9835 or email brian.c.dart@conocophillips.com.

Sincerely,

Brian C. Dart

Brian C. Dart
Landman

Please return to:
ConocoPhillips
San Juan Business Unit

ConocoPhillips

ConocoPhillips
San Juan Business Unit
P.O. Box 4289
Farmington, NM 87499-4289

September 30, 2008

Certified 7192 3496 0010 0027 2117 – *Response Requested*

Petrohawk Energy Corporation
d/b/a Petrohawk Properties LP
1000 Louisiana, Suite 5600
Houston, Texas 77002

RE: **2009 NEW DRILL PROPOSAL – 2nd Revision**
State Com AM 37M – MV/DK
API#: 30-045-32884
Property Code: A706338 – MV
Property Code: A706326 - DK
AFE: WAN.CNV.6114
San Juan County, New Mexico

Dear Working Interest Owner:

This project was initially proposed in AFE and Cost estimates dated March 31, 2008 and subsequently revised June 30, 2008. All changes to this proposal have been highlighted in red for your review.

ConocoPhillips Company, as Operator of the State Com AM 37M proposes to drill, complete and equip the above referenced Mesaverde/Lewis and Dakota commingle well at a TVD of 7797' for an estimated total of $1,267,786. The details of the well are as follows:

Formation/Dedication	Formation	Owners:	GWI%
State Com AM 37M	**MESAVERDE**	CONOCOPHILLIPS COMPANY	12.50000%
Unit Letter 'L'	Drillblock	BURLINGTON RESOURCES O&G COMPANY LP	27.89688%
2000' FSL & 660' FWL		BP AMERICA PRODUCTION COMPANY	16.41562%
NW SW, Sec. 2, T30N, R8W		FOUR STAR OIL & GAS COMPANY	37.50000%
		GEORGE W. UMBACH	0.31250%
Mesaverde - S/2 dedication		ROBERT UMBACH CANCER FOUNDATION	0.31250%
Dakota – W/2 dedication		MOORE LOYAL TRUST	2.25000%
		MIZEL RESOURCES TRUST	2.81250%
		Total	**100.00000%**
	DAKOTA	CONOCOPHILLIPS COMPANY	24.68374%
	Drillblock	BURLINGTON RESOURCES O&G COMPANY LP	12.34188%
		PETROHAWK PROPERTIES LP	31.89847%
		JOHN L. TURNER	2.46837%
		FRED N. REYNOLDS	2.53161%
		DAUNIS PROPERTIES LP	6.83539%
		ROBERT G. BLAIR	2.53164%
		F & J ENERGY PARTNERS LTD	2.46838%
		FRED E. TURNER	2.46838%
		GLENN J. TURNER, JR.	2.46838%
		MARY FRANCES TURNER JR.	2.46837%
		Total	**100.00000%**

ConocoPhillips Company currently plans to drill this well in the second quarter of 2009, but due to rig scheduling it may be drilled prior to then. ConocoPhillips Company requests that you indicate your approval of this proposal by executing and returning a copy of this letter ballot and attached Cost Estimates. Please return to the attention of **Valerie Wells** at the letterhead address or by fax at **505-326-9781**.

ConocoPhillips Company is prepared to pursue compulsory pooling under the rules and regulations of the State of New Mexico Oil Conservation Division if parties fail to execute the Joint Operating Agreement dated November 1, 2005 and fail to make an election with regard to this proposal **on or before October 30, 2008.**

Please contact me at 505-326-9835 if there any questions regarding this proposal.

Sincerely,

Brian C. Dart

Brian C. Dart,
Landman

vw/BCD
Enclosures
xc: , 3.0 (2008 New Drill)

State Com AM 37M
2nd Revision New Drill AFE dated 09/30/2008

THE UNDERSIGNED APPROVES THE DEVELOPMENT OF THE STATE COM AM 37M MESAVERDE/LEWIS AND DAKOTA WELL AS ON PAGE 1 OF THIS DOCUMENT.

COMPANY: _____

NAME: _____

TITLE: _____ PHONE # _____

DATE: _____

ConocoPhillips
San Juan Business Unit

Well Capital Cost Estimate Summary by Zone

Well Name: STATE COM AM 37M
Zone Name: DAKOTA(R20076)

Cost Feature Code/Name:	Drilling $$	Completion $$	P & A $$	Facility $$
A000: Casing and Tubing	$71,676.90	$13,721.40	$0.00	$0.00
B000: Wellhead, Tree and Assoc Equip.	$13,800.00	$2,450.00	$0.00	$0.00
C000: Completion Equipment & Other	$0.00	$2,100.00	$0.00	$31,277.50
D000: Location (Wellsite Related)	$36,000.00	$0.00	$0.00	$0.00
E000: Rigs & Rig Related	$117,000.00	$12,600.00	$0.00	$0.00
F000: Drilling & Completion Utilities	$16,800.00	$0.00	$0.00	$0.00
G000: Fluid & Chemical Services	$14,700.00	$3,780.00	$0.00	$0.00
J000: Cementing Matls, Svcs & Casing Access	$28,440.00	$0.00	$0.00	$0.00
K000: Formation Evaluation	$0.00	$6,300.00	$0.00	$0.00
M000: Completion & Testing	$0.00	$0.00	$0.00	$0.00
N000: Formation Stimulation Services	$0.00	$89,705.00	$0.00	$0.00
O000: Certification & Inspection	$1,500.00	$525.00	$0.00	$1,500.00
P000: Transportation, Supply & Disposal	$27,600.00	$15,505.00	$0.00	$1,050.00
Q000: Drilling Tools & Equipment Rental	$7,200.00	$6,825.00	$0.00	$0.00
R000: Bits & Mills	$7,920.00	$0.00	$0.00	$0.00
S000: Special Services	$20,400.00	$10,955.00	$0.00	$0.00
[illegible]000: Miscellaneous	$5,400.00	$3,150.00	$0.00	$17,695.00
U000: Perforating & Slickline Services	$0.00	$5,600.00	$0.00	$0.00
X000: PPCo Labor & Overhead	$4,200.00	$2,100.00	$0.00	$0.00
Y000: Totals, Contingency & Miscellaneous	$12,000.00	$7,971.25	$0.00	$0.00
Zone Tangibles:	$85,476.90	$18,271.40	$0.00	$31,277.50
Zone Intangibles:	$299,160.00	$165,016.25	$0.00	$20,245.00
DAKOTA(R20076) Total:	$384,636.90	$183,287.65	$0.00	$51,522.50
DAKOTA(R20076) Percent of Well Total:	60.00%	35.00%	0.00%	50.00%

Approved By: _____ Date: _____

ConocoPhillips
San Juan Business Unit

ConocoPhillips

Well Capital Cost Estimate Summary by Zone

San Juan Business Unit

This document contains proposed and estimated project cost information which is proprietary and confidential to ConocoPhillips.

Well Name: STATE COM AM 37M

Zone Name: MESAVERDE(R20002)

Cost Feature Code/Name:	Drilling $$	Completion $$	P & A $$	Facility $$
A000: Casing and Tubing	$47,784.60	$25,482.60	$0.00	$0.00
B000: Wellhead, Tree and Assoc Equip.	$9,200.00	$4,550.00	$0.00	$0.00
C000: Completion Equipment & Other	$0.00	$3,900.00	$0.00	$31,277.50
D000: Location (Wellsite Related)	$24,000.00	$0.00	$0.00	$0.00
E000: Rigs & Rig Related	$78,000.00	$23,400.00	$0.00	$0.00
F000: Drilling & Completion Utilities	$11,200.00	$0.00	$0.00	$0.00
G000: Fluid & Chemical Services	$9,800.00	$7,020.00	$0.00	$0.00
J000: Cementing Matls, Svcs & Casing Access	$18,960.00	$0.00	$0.00	$0.00
K000: Formation Evaluation	$0.00	$11,700.00	$0.00	$0.00
M000: Completion & Testing	$0.00	$0.00	$0.00	$0.00
N000: Formation Stimulation Services	$0.00	$166,595.00	$0.00	$0.00
O000: Certification & Inspection	$1,000.00	$975.00	$0.00	$1,500.00
P000: Transportation, Supply & Disposal	$18,400.00	$28,795.00	$0.00	$1,050.00
Q000: Drilling Tools & Equipment Rental	$4,800.00	$12,675.00	$0.00	$0.00
R000: Bits & Mills	$5,280.00	$0.00	$0.00	$0.00
S000: Special Services	$13,600.00	$20,345.00	$0.00	$0.00
[illegible]000: Miscellaneous	$3,600.00	$5,850.00	$0.00	$17,695.00
U000: Perforating & Slickline Services	$0.00	$10,400.00	$0.00	$0.00
X000: PPCo Labor & Overhead	$2,800.00	$3,900.00	$0.00	$0.00
Y000: Totals, Contingency & Miscellaneous	$8,000.00	$14,803.75	$0.00	$0.00
Zone Tangibles:	$56,984.60	$33,932.60	$0.00	$31,277.50
Zone Intangibles:	$199,440.00	$306,458.75	$0.00	$20,245.00
MESAVERDE(R20002) Total:	$256,424.60	$340,391.35	$0.00	$51,522.50
MESAVERDE(R20002) Percent of Well Total:	40.00%	65.00%	0.00%	50.00%

Approved By: _____ Date: _____

Please return to: Land
ConocoPhillips
San Juan Business Unit

ConocoPhillips
San Juan Business Unit

Well Capital Cost Estimate Summary by Zone

This document contains proposed and estimated project cost information which is proprietary and confidential to ConocoPhillips.

Well Name: STATE COM AM 37M

Totals for Well:	Drilling $$	Completion $$	P & A $$	Facility $$
Well Tangibles:	$142,461.50	$52,204.00	$0.00	$62,555.00
Well Intangibles:	$498,600.00	$471,475.00	$0.00	$40,490.00
Well Total:	$641,061.50	$523,679.00	$0.00	$103,045.00

Well Total Tangibles:	**$257,220.50**
Well Total Intangibles:	**$1,010,565.00**
Well Grand Total:	**$1,267,785.50**

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2. Article Number

7192 3496 0010 0027 2117

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) I K JONES

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES enter delivery address below: ☐ No

1. Article Addressed to:

Petrohawk Energy Corp
d/b/a Petrohawk Properties LP
1000 Louisiana, Suite 5600
Houston, TX 77002

9/30/2008 8:59 AM

3. Service Type ☒ Certified

4. Restricted Delivery? (*Extra Fee*) ☐ Yes

~~Code: State Com AM 37M -ND AFE 2nd Rev~~
Code2: B. DART

S Form 3811 **Domestic Return Receipt**

U.S. Postal Service
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com

7192 3496 0010 0027 2117

HOUSTON TX 77002 Postage	$0.42	
Certified Fee	$2.70	~~$3.04~~
Return Receipt Fee (Endorsement Required)	$2.20	~~$2.70~~
Restricted Delivery Fee (Endorsement Required)	$0.00	~~$2.20~~
Total Postage & Fees	$$5.32	~~$0.00~~ ~~$7.94~~

FARMINGTON NM 87401 Postmark Here 09 SEP 30 2008 USPS 09/30/2008

Sent To **Petrohawk Energy Corp**
d/b/a Petrohawk Properties LP
Street, Apt. No.; or PO Box No. **1000 Louisiana, Suite 5600**
City, State, Zip+4 **Houston, TX 77002**

9/30/2008 8:59 AM

PS Form 3800, August 2006 See Reverse for Instructions

Code: State Com AM 37M -ND AFE 2nd Rev
Code2:

WORKING INTEREST OWNER LIST

ConocoPhillips Company
600 North Dairy Ashford - WL3
Houston, TX 77079

BP America Production Company
501 Westlake Park Blvd.
Houston, TX 77079

Burlington Resources Oil & Gas Company
3401 E. 30th Street
Farmington, NM 87402-8807

Four Star Oil & Gas Company
P.O. Box 36366
Houston, TX 77236

George W. Umbach
Attn: J. Mark Choplin
P.O. Box 3499
Tulsa, OK 74101

Robert Umbach Cancer Foundation
Attn: J. Mark Choplin
P.O. Box 3499

Moore Loyal Trust
403 N. Marienfeld St.
Midland, TX 79701-4323

Mizel Resources Trust
3600 S. Yosemite, Suite 810
Denver, CO 80237

Petrohawk Properties LP
100 Louisiana, Suite 4400
Houston, TX 77002

John L. Turner
317 Sidney Baker St., Suite 400
Kerrville, TX 78028-5951

Fred N. Reynolds
420 Throckmorton, Suite 630
Fort Worth, TX 76102-3723

Daunis Properties LP
2602 McKinney Ave., Suite 330
Dallas, TX 75204

Robert G. Blair
4625 Greenville Ave., Suite 102
Dallas, TX 75206

F & J Energy Partners Ltd
420 Throckmorton, Suite 630
Fort Worth, TX 76102-3723

Elizabeth T. Calloway
P.O. Box 191767
Dallas, TX 75219-8506

Fred E. Turner
4925 Greenville Ave.
Dallas, TX 75206-4026

Glenn J. Turner Jr.
3838 Oak Lawn Ave., Suite 1450
Dallas, TX 75219

Mary Frances Turner Jr.
C/O JP Morgan Chase Bank NA
P.O. Box 99084
Fort Worth, TX 76199-0084