

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

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

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

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

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

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

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

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

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

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

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

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

51 **A. Initial Well:**

52 On or before the 30th day of April, 2011, Operator shall commence the ~~drilling~~ Recompletion of the Initial
53 Well at the following location:

54
55 Township 19 South, Range 25 East, NMPM
56 Section 30: 660' FSL and 1,980' FEL
57 Eddy County, New Mexico

58 *Yates Petroleum Corporation*
59 *Case No. 14597*
60 *Exhibit 4*

61 and shall thereafter continue the ~~drilling~~-Recompletion of the well with due diligence to

62 test the Wolfcamp dolomite

63
64
65
66
67 The ~~drilling~~ Recompletion of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to
68 participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

69 **B. Subsequent Operations:**

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

1 Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-
 2 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect
 3 to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or
 4 market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes,
 5 royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production
 6 from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

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

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

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

27 (c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or
 28 Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in
 29 such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full
 30 recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to
 31 participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking
 32 operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at
 33 any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such
 34 Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the
 35 cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 300 % of
 36 that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to
 37 such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is
 38 proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting
 39 Parties in said well.

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

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

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

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

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

MEMORANDUM OF OPERATING AGREEMENT

This Agreement, entered into by and between Yates Petroleum Corporation, herein "Operator" and the signatory party or parties other than Operator, herein "Non-Operator", whether one or more, have entered into an Operating Agreement, herein "Operating Agreement" dated December 1, 2010, covering the lands and leases (the "Contract Area"), all identified in Exhibit "A" to this Memorandum. Collectively the Operator and Non-Operator will be referred to as the "Parties".

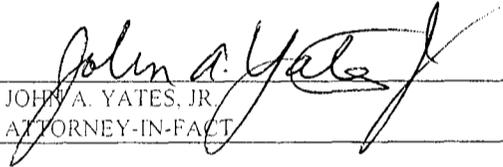
Article VII.B of the Operating Agreement, entitled "Liens and Security Interests," provides for the creation and attachment of a lien for default in payment of sums due under the terms of the Operating Agreement. The Parties desire the right to file and perfect such a lien, and, in order to enable each Party to do so, the terms of the Operating Agreement are incorporated into this Memorandum for all purposes. A complete copy of the Operating Agreement may be reviewed at the offices of the Operator by persons having a bona fide interest in the Leases.

This Memorandum is placed of record for the purpose of placing all persons on notice of the existence of the Operating Agreement. The Operating Agreement shall be deemed to be binding on Operator and Non-Operator and their successors and assigns, and in full force and effect until modified, or the Leases expire. All modifications may be evidenced by an amendment to this Memorandum being placed of record.

This Memorandum is signed by Operator and Non-Operator as of the date of acknowledgment of their signatures below, but is deemed effective for all purposes as of the date of the Operating Agreement stated above.

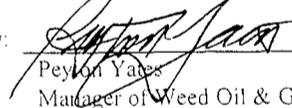
OPERATOR

YATES PETROLEUM CORPORATION

By: 
JOHN A. YATES, JR.
Title: ATTORNEY-IN-FACT

NON-OPERATORS

SACRAMENTO PARTNERS LIMITED PARTNERSHIP

By: 
Peyton Yates
Manager of Weed Oil & Gas Company, L.C., General
Title: Partner of Sacramento Partners Limited Partnership

**HANSON McBRIDE PETROLEUM CO.,
A NEW MEXICO LIMITED PARTNERSHIP**

By: _____
Title: _____

SPIRAL, INC.

By: _____
Title: _____

MARKS OIL, INC.

By: _____
Title: _____

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OPERATOR

YATES PETROLEUM CORPORATION

By: _____
JOHN A. YATES, JR.
Title: ATTORNEY-IN-FACT _____

NON-OPERATORS

**SACRAMENTO PARTNERS LIMITED
PARTNERSHIP**

By: _____
Peyton Yates
Manager of Weed Oil & Gas Company, L.C., General
Title: Partner of Sacramento Partners Limited Partnership _____

**HANSON McBRIDE PETROLEUM CO.,
A NEW MEXICO LIMITED PARTNERSHIP**

By: _____
Ray Willis
Title: President of McBride Oil & Gas Corporation -
as General Partner

SPIRAL, INC.

By: _____
Title: _____

MARKS OIL, INC.

By: _____
Title: _____

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OPERATOR

YATES PETROLEUM CORPORATION

By: _____
JOHN A. YATES, JR.
Title: ATTORNEY-IN-FACT

NON-OPERATORS

SACRAMENTO PARTNERS LIMITED
PARTNERSHIP

By: _____
Peyton Yates
Manager of Weed Oil & Gas Company, L.C., General
Title: Partner of Sacramento Partners Limited Partnership

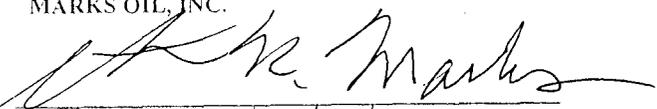
HANSON McBRIDE PETROLEUM CO.,
A NEW MEXICO LIMITED PARTNERSHIP

By: _____
Title: _____

SPIRAL, INC.

By: _____
Title: _____

MARKS OIL, INC.

By: 
Stephen K. Marks
Title: President

NON-OPERATORS

AUVENSHINE'S CHILDREN'S
TESTAMENTARY TRUST, CATHIE CONE
McCOWN, TRUSTEE

By: _____
Cathie Cone McCown
Title: Trustee

CATHIE CONE McCOWN

By: _____
Title: _____

KENNETH G. CONE, TRUSTEE OF THE
TRUSTS CREATED UNDER THE WILL AND
CODICIL OF KATHLEEN CONE, DECEASED
F/B/O OF THE CHILDREN OF KENNETH G.
CONE

By: _____
Kenneth G. Cone
Title: Trustee

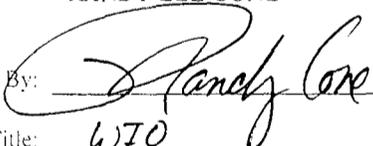
BANK OF OKLAHOMA, N.A., SUCCESSOR
TRUSTEE OF THE TRUST CREATED UNDER
THE WILL AND CODICIL OF KATHLEEN
CONE, DECEASED F/B/O OF THE CHILDREN
OF TOM R. CONE

By: _____
Bank of Oklahoma, N.A.
Title: Successor Trustee

NEARBURG EXPLORATION COMPANY, LLC

By: _____
Title: _____

RANDY LEE CONE

By:  _____
Title: WFO

KENNETH G. CONE

By: _____
Title: _____

TOM R. CONE

By: _____
Title: _____

ACKNOWLEDGMENTS

STATE OF NEW MEXICO §
COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by John A Yates, Jr. as Attorney-in-Fact for YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

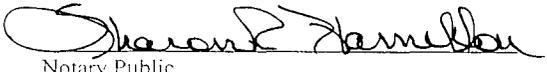
STATE OF NEW MEXICO §
COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Peyton Yates as Manager for Weed Oil & Gas Company, L.C., General Partner of SACRAMENTO PARTNERS LIMITED PARTNERSHIP, a partnership.

My Commission Expires: _____
Notary Public

STATE OF NEW MEXICO §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this 20 day of December, 2010, by Ray Willis as General Partner for HANSON McBRIDE PETROLEUM CO., a New Mexico Limited Partnership, a Partnership.

My Commission Expires: 9-13-2012

Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____ as _____ for NEARBURG EXPLORATION COMPANY, L.L.C., a limited liability company.

My Commission Expires: _____
Notary Public

STATE OF NEW MEXICO §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____ as _____ for SPIRAL, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

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MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 1 , 2010 ,
year

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA Township 19 South, Range 25 East, N.M.P.M.

Section 30: Lots 3, 4, E/2SW/4, SE/4

COUNTY OR PARISH OF Eddy County , STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

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OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II.
EXHIBITS

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

- X A. Exhibit "A," shall include the following information:
 - (1) Description of lands subject to this agreement,
 - (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 and burdens on production,
 - (5) Parties to agreement with addresses and facsimile numbers for notice purposes,
- X B. Exhibit "B," Form of Lease.
- X C. Exhibit "C," Accounting Procedure.
- X D. Exhibit "D," Insurance.
- X E. Exhibit "E," Gas Balancing Agreement.
- X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.
- G. Exhibit "G," Tax Partnership.
- X H. Other: Memorandum of Operating Agreement

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

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

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

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

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

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

14 Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other
15 burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or
16 cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of,
17 1/8th of 8/8ths and shall indemnify, defend and hold the other parties free from any liability therefor.

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

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

29 Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby,
30 and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in
31 said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement. It is recognized by the parties hereto
32 that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right,
33 subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Contract Area and to
34 receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of
35 whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the
36 Contract Area, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable
37 to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

38 **C. Subsequently Created Interests:**

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

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

56 **ARTICLE IV.**

57 **TITLES**

58 **A. Title Examination:**

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

73 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in
74 connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation
75 and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings
76 before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to
77 the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings.

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

1 Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental
2 agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct
3 charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

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

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 only for good cause by the affirmative vote of two 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 vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours exclusive of Saturday, Sunday or legal holidays of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

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

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

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

C. Employees and Contractors:

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

D. Rights and Duties of Operator:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

51 **A. ~~Initial Well~~**

52 ~~On or before the _____ day of _____, Operator shall commence the drilling of the Initial~~
53 ~~Well at the following location:~~

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59 and shall thereafter continue the drilling of the well with due diligence to

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

69 **B. Subsequent Operations:**

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

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

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

27 2. Operations by Less Than All Parties:

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

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

60 (b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be
 61 borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding
 62 paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and
 63 encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results
 64 in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore
 65 the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that
 66 participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate
 67 shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not
 68 increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened,
 69 Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in
 70 paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the
 71 well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the
 72 expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, ~~Reworking,~~
 73 ~~Sidetracking, Recompleting, Deepening or Plugging Back~~ of any such well by Consenting Parties in accordance with the
 74 provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the
 Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-
 Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, Sidetracking,

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1 Deepening, Re-completing or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-
2 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect
3 to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or
4 market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes,
5 royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production
6 from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

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

14 (ii) 500 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening,
15 Plugging Back, testing, Completing, and Re-completing, after deducting any cash contributions received under Article VIII.C.,
16 and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections),
17 which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

27 (c) Reworking, Re-completing or Plugging Back. An election not to participate in the drilling, Sidetracking or
28 Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in
29 such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full
30 recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to
31 participate in the Completing or Re-completing of a well shall be deemed an election not to participate in any Reworking
32 operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at
33 any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such
34 Reworking, Re-completing or Plugging Back operation conducted during the recoupment period shall be deemed part of the
35 cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 500 % of
36 that portion of the costs of the Reworking, Re-completing or Plugging Back operation which would have been chargeable to
37 such Non-Consenting Party had it participated therein. If such a Reworking, Re-completing or Plugging Back operation is
38 proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting
39 Parties in said well.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

62 6. Order of Preference of Operations: Except as otherwise specifically provided in this agreement, if any party desires to
63 propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such
64 party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform
65 an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal
66 holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be
67 conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such
68 alternate proposal shall contain the same information required to be included in the initial proposal. Each party receiving such
69 proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within
70 twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the
71 subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required
72 shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage
73 interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the
74

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

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

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

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

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

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

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

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

51 **D. Other Operations:**

52 Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of _____
 53 Sixty Thousand Dollars (\$ 60,000.00) except in connection with the
 54 drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously
 55 authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden
 56 emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion
 57 are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the
 58 emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so
 59 requesting an information copy thereof for any single project costing in excess of Twenty-Five Thousand Dollars
 60 (\$ 25,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that
 61 Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as
 62 salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but
 63 not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall
 64 be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the
 65 amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under
 66 Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively by those Articles). Operator shall deliver such
 67 proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent
 68 of any party or parties owning at least 75% of the interests of the parties entitled to participate in such operation,
 69 each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated
 70 to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms
 71 of the proposal.

72 **E. Abandonment of Wells:**

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

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

15 2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been
 16 conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has
 17 been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to
 18 such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk
 19 and expense of all the parties hereto. Failure of a party to reply within ~~sixty-(60)~~ thirty (30) days of delivery of notice of proposed
 20 abandonment shall be deemed an election to consent to the proposal. If within ~~sixty-(60)~~ thirty (30) days after delivery of notice of the
 21 proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its
 22 operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the
 23 applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties
 24 against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide
 25 proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well
 26 within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession
 27 of such well and plug and abandon the well.

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

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

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

58 F. Termination of Operations:

59 Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing,
 60 Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without
 61 consent of parties bearing 100 % of the costs of such operation; provided, however, that in the event granite or other
 62 practically impenetrable substance or condition in the hole is encountered which renders further operations impractical,
 63 Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the
 64 provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

65 G. Taking Production in Kind:

66 Option No. 1: Gas Balancing Agreement Attached

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

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

1 directly from the purchaser thereof for its share of all production.

2 If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate
 3 share of the Oil and Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by
 4 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
 5 time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by
 6 Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to
 7 the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise at any
 8 time its right to take in kind, or separately dispose of, its share of all Oil and Gas not previously delivered to a purchaser.
 9 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
 10 as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a
 11 period in excess of one (1) year.

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

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

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

27 Each party electing to take in kind or separately dispose of its proportionate share of the production from the Contract
 28 Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. Non-
 29 Operators shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder
 30 whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for
 31 Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to
 32 the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

31 ~~Option No. 2: No Gas Balancing Agreement:~~

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

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

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

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

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

66 ARTICLE VII.

67 EXPENDITURES AND LIABILITY OF PARTIES

68 A. Liability of Parties:

69 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations.
 70 and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the
 71 liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have
 72 any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation
 73 hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other
 74 partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or

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1 principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have
2 established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own
3 respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other
4 with respect to activities hereunder.

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B. Liens and Security Interests:

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

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

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

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

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

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

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

C. Advances:

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

D. Defaults and Remedies:

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

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

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

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

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

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

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

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

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

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

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

62 F. Taxes:

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

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

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

9 **ARTICLE VIII.**

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

11 **A. Surrender of Leases:**

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

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

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

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

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

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

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

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

64 ~~The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.~~ The provisions of this Article shall only
 65 apply to leases, or portions of leases, located within the Contract Area.

66 **C. Acreage or Cash Contributions:**

67 While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other
 68 operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall
 69 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
 70 the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the
 71 proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the
 72 extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any
 73 acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above
 74 provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled
 inside Contract Area.

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

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

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

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

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

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

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

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

29 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
30 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
31 undivided interest therein.

32 **F. Preferential Right to Purchase:**

33 (Optional-Check-if-applicable)

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

46 **ARTICLE IX.**

47 **INTERNAL REVENUE CODE ELECTION**

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

64 **ARTICLE X.**

65 **CLAIMS AND LAWSUITS**

66 Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure
67 does not exceed Thirty-Five Thousand Dollars (\$ 35,000.00) and if the payment is in complete settlement
68 of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over
69 the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling settling,
70 or otherwise discharging such claim or suit shall be a the joint expense of the parties participating in the operation from which the
71 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
72 hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall
73 immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

ARTICLE XII.
NOTICES

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

ARTICLE XIII.
TERM OF AGREEMENT

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

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

Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of 180 days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within 120 days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.

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

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

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

B. Governing Law:

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

C. Regulatory Agencies:

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

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

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

11 **ARTICLE XV.**
 12 **MISCELLANEOUS**

13 **A. Execution:**

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

29 **B. Successors and Assigns:**

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

33 **C. Counterparts:**

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

36 **D. Severability:**

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

ARTICLE XVI.
OTHER PROVISIONS

A. Notwithstanding any other provisions herein, if during the term of this agreement, a well is required to be drilled, deepened,
 reworked, plugged back, sidetracked, or recompleted, or any other operation that may be required in order to (1) continue a lease
 or leases in force and effect, or (2) maintain a unitized area or any portion thereof in force and effect, or (3) earn or preserve an
 interest in and to oil and/or gas and other minerals which may be owned by a third party or which, failing in such operation, may
 revert to a third party, or, (4) comply with an order issued by a regulatory body having jurisdiction in the premises, failing in which
 certain rights would terminate, the following shall apply. Should less than all of the parties hereto elect to participate and pay their
 proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at
 their sole cost, risk, and expense. Promptly following the conclusion of such operation, each of those parties not participating agree
 to execute and deliver an appropriate assignment to the total interest of each non-participating party in and to the lease, leases, or
 rights which would have terminated or which otherwise may have been preserved by virtue of such operation, and in and to the
 lease, leases or rights within the balance of the drilling unit upon which the well was drilled, excepting, however, wells theretofore
 completed and capable of producing in paying quantities. Such assignment shall be delivered to the participating parties in the
 proportion that they bore the expense attributable to the non-participating parties' interest. For the purpose of defining a required
 operation under this provision, such operation will be deemed required if proposed within six (6) months prior to the date such
 rights would terminate (including a Pugh Clause or Continuous Development Clause) or any extension thereof.

B. No production, whether oil or gas, may be sold from the lease acreage, or lands pooled therewith, to any party's subsidiaries,
 affiliates, or associates, without such selling party's written consent. All production sold from the lease acreage, or lands pooled
 therewith, will be an arm's length trade with a third party purchaser. It is expressly agreed if prior written consent is given to a
 party selling to themselves, its subsidiaries, affiliates, or associates, the other parties to the agreement will have the option to also
 sell to said purchaser, at the same or better price. In the event any party hereto, makes an arm's length trade with a third party
 purchaser, the remaining parties will have the option to also sell at the same or higher price.

C. In the event that an interest to this Agreement is foreclosed on and a judicial sale of the interest occurs, the redemption period
 allowed shall be one month from the date of the judicial sale or in the alternative the shortest period of time provided by the
 applicable state law where the property is situated.

D. Prior to commencement of any well drilled under this agreement, each non-operator must tender to the Operator its share of
 dry hole cost, as set out on Authority for Expenditure proposing such well.

E. In addition to the liens and security interest as provided herein, each Non-Operator to this Agreement, to secure payment of
 its share of expenses incurred under this Operating Agreement, grants Operator a lien on all of its right, title and interest now
 owned or hereafter acquired in the Contract Area including, but not limited to, the oil and gas leases, mineral estates and other
 mineral interests subject to this Operating Agreement and any properties now or hereafter pooled or unitized with any of the
 properties affected by such mineral interests; and all unsevered and unextracted oil, gas and other hydrocarbons that may be
 produced, obtained or secured from the lands covered and affected by such mineral interests. In addition to the rights and
 remedies afforded to Operator pursuant to the terms hereof, or at law or in equity, it is understood and agreed that each defaulting
 party grants to the Operator a contractual right of offset in and to all money, production proceeds from the sale of production and
 property of every kind or character of such defaulting party, now or at any time hereunder coming within Operator's custody or
 control, wheresoever located whether or not subject to the terms of the Agreement or any other agreement between Operator and
 defaulting party. Operator may, at its election, at any time from time to time, reduce (or eliminate, as the case may be) any debt
 owing to it by any defaulting party by applying such defaulting party's money, proceeds or property in the custody or control of

1 Operator to the balance owed on such debt and giving such defaulting party appropriate credit therefore. Any such amount so
2 applied shall first be applied to any past due interest, if any, then to any costs, including attorney's fees, incurred by Operator in the
3 collection of the proceeds or property, and then to the underlying debt. It is agreed and understood that Operator's contractual
4 right of offset shall extend to and include all proceeds of production attributable to the defaulting party from any wells in which the
5 defaulting party owns an interest. In addition to all rights and remedies afforded Operator under this agreement, in the event any
6 debt owing by the defaulting party to Operator shall exceed any money, proceeds of sale of production, or property of such
7 defaulting party as provided in the contractual right of offset as provided above, the Operator may elect to proceed and foreclose
8 the lien of Operator against the interest of any defaulting party in the Contract Area.

F. Any assignment, conveyance or other transfer of an Oil and Gas Lease or Oil and Gas Interest that is subject to this Operating
9 Agreement shall relieve the transferor from liability for the cost and expense of operations attributable to the transferred interest
10 which are conducted thereafter; provided that the transferor shall remain liable for and shall cause to be paid its proportionate
11 part of the cost and expense of all operations for which it was obligated to pay and were commenced prior to the actual transfer,
12 except costs and expenses arising out of or directly related to a specific operation in which the transferor elected (or was deemed to
13 have elected) not to participate pursuant to Article VI. From and after the effective date of the said assignment, conveyance or
14 other transfer, the transferee shall be deemed to be a party to this Operating Agreement.

G. Notwithstanding Article III A, if any party owns an unleased oil and gas interest in the Contract Area, that interest shall be
15 treated for the purposes of this agreement and during the term hereof as if it were a 100% Working Interest, reserving no royalty
16 interest and bearing no royalty, overriding royalty or other burdens. This provision shall be read in conjunction with Article III.B
17 and Exhibit "B" in calculating net revenue interest such that the calculations of net revenues are accounted for in conjunction with
18 this provision.

H. This operating agreement shall supersede any and all prior operating agreements between the parties, except for the North
19 Dagger Draw Upper Penn Unit Operating Agreement dated October 1, 2003 (herein NDDUP OA). At such time as NDDUP OA
20 terminates, this agreement shall be controlling

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Continued on Page 18

IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of December, 2010.

~~_____ who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception(s) listed below, is identical to the A.A.P.L. Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strike through and/or insertion and that are clearly recognizable as changes in Articles _____ have been made to the form.~~

OPERATOR

YATES PETROLEUM CORPORATION

By: John A. Yates, Jr.
John A. Yates, Jr.
Title: Attorney-in-Fact

NON-OPERATORS

SACRAMENTO PARTNERS LIMITED PARTNERSHIP

By: Peyton Yates
Peyton Yates
Manager of Weed Oil & Gas Company, L.C.,
General Partner of Sacramento Partners Limited
Title: Partnership

HANSON McBRIDE PETROLEUM CO.
A NEW MEXICO LIMITED PARTNERSHIP

By: _____
Title: _____

SPIRAL, INC.

By: _____
Title: _____

CATHIE CONE McCOWN

By: _____
Title: _____

AUVENSHINE'S CHILDREN'S TESTAMENTARY TRUST, CATHIE CONE McCOWN, TRUSTEE

By: _____
Cathie Cone McCown
Title: Trustee

KENNETH G. CONE, TRUSTEE OF THE TRUSTS CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O OF THE CHILDREN OF KENNETH G. CONE

By: _____
Kenneth G. Cone
Title: Trustee

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IN WITNESS WHEREOF, this agreement shall be effective as of the _____ day of _____,

_____, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the A.A.P.L. Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.

OPERATOR

YATES PETROLEUM CORPORATION

By: _____
John A. Yates, Jr.
Title: Attorney-in-Fact

NON-OPERATORS

SACRAMENTO PARTNERS LIMITED PARTNERSHIP

By: _____
Peyton Yates
Manager of Weed Oil & Gas Company, L.C.,
General Partner of Sacramento Partners Limited
Title: Partnership

HANSON McBRIDE PETROLEUM CO.
A NEW MEXICO LIMITED PARTNERSHIP

By: Ray Willis
Ray Willis
Title: President of McBride Oil & Gas Corporation
as General Partner

SPIRAL, INC.

By: _____
Title: _____

CATHIE CONE McCOWN

By: _____
Title: _____

AUVENSHINE'S CHILDREN'S
TESTAMENTARY TRUST, CATHIE CONE
McCOWN, TRUSTEE

By: _____
Cathie Cone McCown
Title: Trustee

KENNETH G. CONE, TRUSTEE OF THE
TRUSTS CREATED UNDER THE WILL AND
CODICIL OF KATHLEEN CONE, DECEASED
F/B/O OF THE CHILDREN OF KENNETH G.
CONE

By: _____
Kenneth G. Cone
Title: Trustee

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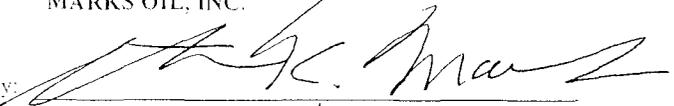
NON-OPERATORS

BANK OF OKLAHOMA, N.A., SUCCESSOR
TRUSTEE OF THE TRUST CREATED UNDER
THE WILL AND CODICIL OF KATHLEEN
CONE, DECEASED F/B/O THE CHILDREN OF
TOM R. CONE

By: _____

Title: Bank of Oklahoma, N.A. Successor Trustee

MARKS OIL, INC.

By: 

Title: Stephen K. Marks
President

NEARBURG EXPLORATION COMPANY, LLC

By: _____

Title: _____

KENNETH G. CONE

By: _____

Title: _____

TOM R. CONE

By: _____

Title: _____

RANDY LEE CONE

By: _____

Title: _____

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NON-OPERATORS

BANK OF OKLAHOMA, N.A., SUCCESSOR
TRUSTEE OF THE TRUST CREATED UNDER
THE WILL AND CODICIL OF KATHLEEN
CONE, DECEASED F/B/O THE CHILDREN OF
TOM R. CONE

By: _____

Title: Bank of Oklahoma, N.A. Successor Trustee

MARKS OIL, INC.

By: _____

Title: _____

NEARBURG EXPLORATION COMPANY, LLC

By: _____

Title: _____

KENNETH G. CONE

By: _____

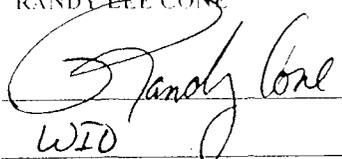
Title: _____

TOM R. CONE

By: _____

Title: _____

RANDY LEE CONE

By: 

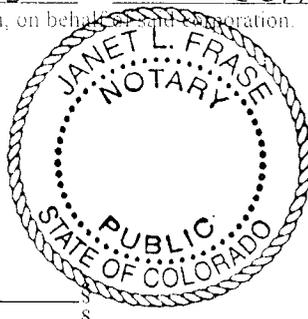
Title: WFO

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STATE OF COLORADO §
COUNTY OF DENVER §

The foregoing instrument was acknowledged before me this 22nd day of December, 2010, by Stephen K. Marks as President for MARKS OIL, INC., a Colorado corporation, on behalf of said corporation.

My Commission Expires: 11/22/2013



Janet L. Frase
Notary Public
Janet L. Frase

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Cathie Cone McCown as Trustee for AUVENSHINE'S CHILDREN'S TRUST, a trust.

My Commission Expires: _____
Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by CATHIE CONE McCOWN, dealing in her sole and separate property.

My Commission Expires: _____
Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Kenneth G. Cone as Trustee for TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF KENNETH G. CONE.

My Commission Expires: _____
Notary Public

STATE OF OKLAHOMA §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Bank of Oklahoma as Successor Trustee for TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF TOM R. CONE.

My Commission Expires: _____
Notary Public

STATE OF OKLAHOMA §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by RANDY LEE CONE, dealing in his sole and separate property.

My Commission Expires: _____
Notary Public

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STATE OF COLORADO §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____ as _____ for MARKS OIL, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Cathie Cone McCown as Trustee for AUVENSHINE'S CHILDREN'S TRUST, a trust.

My Commission Expires: _____
Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by CATHIE CONE McCOWN, dealing in her sole and separate property.

My Commission Expires: _____
Notary Public

STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Kenneth G. Cone as Trustee for TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF KENNETH G. CONE.

My Commission Expires: _____
Notary Public

STATE OF OKLAHOMA §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by Bank of Oklahoma as Successor Trustee for TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF TOM R. CONE.

My Commission Expires: _____
Notary Public

STATE OF Alaska §
COUNTY OF 3rd Judicial Dist §

The foregoing instrument was acknowledged before me this _____ day of January, 2011, by RANDY LEE CONE, dealing in his sole and separate property.

My Commission Expires: Jan 7, 2013
Notary Public



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STATE OF TEXAS §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by
KENNETH G. CONE, dealing in his sole and separate property.

My Commission Expires: _____
Notary Public _____

STATE OF MISSOURI §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by
TOM R. CONE, dealing in his sole and separate property.

My Commission Expires: _____
Notary Public _____

Exhibit A

Attached to and made a part of that Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation as Operator and Sacramento Partners Limited Partnership, et. al. as Non-operators.

(1) IDENTIFICATION OF LANDS SUBJECT TO AGREEMENT:

Township 19 South, Range 25 East, N.M.P.M
 Section 30: Lots 3, 4, E/2SW, SE/4
 Eddy County, New Mexico
 Containing 322.76 acres, more or less.

(2) RESTRICTIONS AS TO DEPTHS AND FORMATIONS:

Surface to the base of the cisco formation.

(3) PERCENTAGES OF PARTIES TO THIS AGREEMENT:

Name	Working Interest Lot 3, 4, E/2SW/4, SE/4
Yates Petroleum Corporation	80.679073%
Sacramento Partners Limited Partnership	0.576398%
Hanson McBride Petroleum Co. a New Mexico limited Partnership	0.193734%
Spiral, Inc.	0.576398%
Marks Oil, Inc.	2.836899%
Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	0.457398%
Kenneth G. Cone, Trustee of the Trusts Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children Of Kenneth G. Cone	0.457398%
Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.304932%
Randy Lee Cone	0.152467%
Cathie Cone McCown	0.457398%
Kenneth G. Cone	0.457398%
Tom R. Cone	0.457398%
Nearburg Exploration Company, L.L.C.	12.393109%
Total	100.000000%

(4) OIL AND GAS LEASES AND/OR INTEREST SUBJECT TO THIS AGREEMENT:

(A) Lease No.:	NM-0559175	
Lessor:	United States	
Original Lessee:	Betty S. Aspden	
Current Lessee:	Yates Petroleum Corporation	
Date:	March 1, 1966	
Status:	HBP	
Legal:	<u>Township 19 South - Range 25 East, N.M.P.M.</u> Sec. 30: N/2SE/4, SE/4SE/4 Eddy County, New Mexico 120.00 gross/net acres	
Working Interest:		
	Yates Petroleum Corporation	71.944512%
	Sacramento Partners Limited Partnership	0.394112%
	Hanson McBride Petroleum Co, a New Mexico limited Partnership	0.390810%
	Spiral, Inc.	0.394112%
	Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	0.312742%

Exhibit A

Attached to and made a part of that Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation as Operator and Sacramento Partners Limited Partnership, et. al. as Non-operators.

	Kenneth G. Cone, Trustee of the Trusts Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children Of Kenneth G. Cone	0.312742%
	Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.208495%
	Randy Lee Cone	0.104249%
	Cathie Cone McCown	0.312742%
	Kenneth G. Cone	0.312742%
	Tom R. Cone	0.312742%
	Nearburg Exploration Company, L.L.C.	25.000000%
	Total	100.000000%
Royalty Interest	1/8 th	
Overriding Royalty:		
	Robert E. Chambers, Jr.	1/6 of .05 of .1220291
	Robert E. Chambers, Jr., as Trustee for the Lollie Dee Chambers Descendants Trust for Robert E. Chambers, Jr., created under the Last Will of Lollie Dee Chambers, dated June 21, 1995	1/6 of .05 of .1220291
	Neva Chambers Dawson	1/6 of .05 of .1220291
	Neva Chambers Dawson, as Trustee for the Lollie Dee Chambers Descendant's Trust for Neva Chambers Dawson, created under the Last Will of Lollie Dee Chambers dated June 21, 1995	1/6 of .05 of .1220291
	Alice Ann Hanks Freeman, as her sole and separate property	.03 of .119395
	Celeste Chambers Lipscomb	1/6 of .05 of .1220291
	Celeste Chambers Lipscomb, as Trustee for the Lollie Dee Chambers Descendant's Trust for Neva Chambers Dawson, created under the Last Will of Lollie Dee Chambers dated June 21, 1995	1/6 of .05 of .1220291
	W. T. Probandt and Jeanette J. Probandt, H&W	.00824078
	The Betty Anderson Aspden Family Living Trust, Betsy Aspden Hurty and Barbara Gibbons, Successor Co-Trustees	.05
(B) Lease No.:	NM-54382	
Lessor:	United States	
Original Lessee:	Charles E. Nearburg	
Current Lessee:	Nearburg Exploration Company, LLC	
Date:	January 1, 1983	
Status:	HBP	
Legal:	<u>Township 19 South - Range 25 East, N.M.P.M.</u> Sec. 30: SESW Eddy County, New Mexico 40.00 gross/net acres	
Working Interest:	Yates Petroleum Corporation	71.944512%
	Sacramento Partners Limited Partnership	0.394112%
	Hanson McBride Petroleum Co, a New Mexico limited Partnership	0.390810%

Exhibit A

Attached to and made a part of that Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation as Operator and Sacramento Partners Limited Partnership, et. al. as Non-operators.

Spiral, Inc.	0.394112%
Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	0.312742%
Kenneth G. Cone, Trustee of the Trusts Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children Of Kenneth G. Cone	0.312742%
Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.208495%
Randy Lee Cone	0.104249%
Cathie Cone McCown	0.312742%
Kenneth G. Cone	0.312742%
Tom R. Cone	0.312742%
Nearburg Exploration Company, L.L.C.	25.000000%
Total	100.000000%

Royalty Interest: Sliding Scale 1/8th to 1/4th
 Overriding Royalty: None

(C) Lessor: S. P. Johnson, et. al.
 Original Lessee: Dorothy G. Kemper
 Current Lessee: Yates Petroleum Corporation
 Date: June 14, 1979
 Status: HBP
 Legal: Township 19 South - Range 25 East, N.M.P.M.
 Sec. 30: Lot 3, 4, E/2SW/4
 Eddy County, New Mexico
 162.76 Gross / 85.44 net acres

Working Interest:

Yates Petroleum Corporation	94.89121%
Sacramento Partners Limited Partnership	0.755592%
Spiral, Inc.	0.755592%
Auvenshine's Children's Testamentary Trust, Cathie Cone McCown, Trustee	0.599601%
Kenneth G. Cone, Trustee of the Trusts Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children Of Kenneth G. Cone	0.599601%
Bank of Oklahoma, N.A., Successor Trustee of the Trust Created Under the Will and Codicil of Kathleen Cone, Deceased for the Benefit of the Children of Tom R. Cone	0.399734%
Randy Lee Cone	0.199867%
Cathie Cone McCown	0.599601%
Kenneth G. Cone	0.599601%
Tom R. Cone	0.599601%
Total	100.000000%

Royalty Interest: 3/16th
 Overriding Royalty:

1 Robert E. Chambers, Jr. 1/6 of .05 of .25 of
 .524225714

Exhibit A

Attached to and made a part of that Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation as Operator and Sacramento Partners Limited Partnership, et. al. as Non-operators.

2	Robert E. Chambers, Jr., as Trustee for the Lollie Dee Chambers Descendants Trust for Robert E. Chambers, Jr., created under the Last Will of Lollie Dee Chambers, dated June 21, 1995	1/6 of .05 of .25 of .524225714
3	Neva Chambers Dawson	1/6 of .05 of .25 of .524225714
4	Neva Chambers Dawson, as Trustee for the Lollie Dee Chambers Descendant's Trust for Neva Chambers Dawson, created under the Last Will of Lollie Dee Chambers dated June 21, 1995	1/6 of .05 of .25 of .524225714
5	Celeste Chambers Lipscomb	1/6 of .05 of .25 of .524225714
6	Celeste Chambers Lipscomb, as Trustee for the Lollie Dee Chambers Descendant's Trust for Neva Chambers Dawson, created under the Last Will of Lollie Dee Chambers dated June 21, 1995	1/6 of .05 of .25 of .524225714
7	W. T. Probandt and Jeanette J. Probandt, H&W	0.0082408
8	Alice Ann Hanks Freeman, a her sole and separate property	.03 of .119395

Overrides 1-6 applies only to Lots 3 and NE/4SW/4

Override 7 applies to Lots 3, 4, E/2SW

Override 8 applies only to Lot 4 and SE/4SW/4

(D) Un-leased Minerals Yates Petroleum Corporation
Legal: Township 19 South - Range 25 East, N.M.P.M.
Sec. 30: Lot 4, SE/4SW/4
Eddy County, New Mexico
81.39 gross / 68.164125 net acres
Working Interest: Yates Petroleum Corporation

(E) Un-leased Minerals Marks Oil, Inc.
Legal: Township 19 South - Range 25 East, N.M.P.M.
Sec. 30: Lot 4, SE/4SW/4
Eddy County, New Mexico
81.39 gross / 9.156375 net acres
Working Interest: Marks Oil, Inc.

(5) ADDRESS OF PARTIES FOR NOTICE PURPOSES:

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210
P: 575.748.1471
F: 575.748.4572

Sacramento Partners Limited
Partnership
105 South 4th Street
Artesia, NM 88210
P: 575.748.1471
F: 575.748.4572

Nearburg Exploration Company,
L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
P: 432.686.8235
F: 432.686.7806

Spiral, Inc.
P. O Box 1933
Roswell, NM 88201-1933
P: 575.623.6601
F: 575.627.2439

Hanson-McBride Petroleum Co.,
a New Mexico Limited Partnership
P. O. Box 1515
Roswell, NM 88202-1515
P: 575.622.7330
F: 575.622.7331

Kenneth G. Cone, Trustee of the
Trusts created under the Will and
Codicil of Kathleen Cone, dec. f/b/o
children of Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
P: 432.687.4593
F:

Exhibit A

Attached to and made a part of that Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation as Operator and Sacramento Partners Limited Partnership, et. al. as Non-operators.

Kenneth G. Cone
P. O. Box 11310
Midland, TX 79702
P: 432.687.4593
F:

Tom R. Cone
P. O. Box 400
Southwest City, MO 64863
P: 918.854.3170
F:

Randy Lee Cone
P. O. Box 552
Jay, OK 74346
P: 907.770.2664
F:

Bank of Oklahoma, N.A., Successor
Trustee of the Trust Created under
the Will and Codicil of Kathleen
Cone, dec., f/b/o children of Tom R.
Cone
P. O. Box 1588
Tulsa, OK 74101-1588
P: 918.588.6229
F: 918.624.5257

Auvenshine's Children's
Testamentary Trust,
Cathie Cone McCown, Trustee
P. O. Box 507
Dripping Spring, TX 78620
P: 512.858.1641
F:

Cathie Cone McCown
P. O. Box 658
Dripping Spring, TX 78620
P: 512.858.1641
F:

Marks Oil, Inc.
1775 Sherman St., Suite 2990
Denver, CO 80203
P: 303.861.7974
F: 303.863.0616

EXHIBIT B

Producers 88 Rev (5 Year Lease) 5-96
YPC Revised Form(ONE YEAR PAID UP LEASE)
OIL AND GAS LEASE

Form 345

Hall-Poorbaugh Press, Inc.
Roswell, New Mexico

THIS AGREEMENT made this _____ day of _____, 2010, between _____, as Lessor (whether one or more), and _____, as Lessee,

WITNESSETH:

1. Lessor, in consideration of Ten and No/100 Dollars (\$10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in _____ County _____ to-wit:

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of one year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder:

3. The royalties to be paid by Lessee are: (a) on oil, 1/8th of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected, Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance produced from said land and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/8th of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8th of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut-in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check, or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil or any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata, need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instruments designating the pooled unit, shall be considered as operations for drilling on or production of oil and gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on acreage basis that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well shall be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well shall be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the county in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term of oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 90 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land or from land pooled therewith. If, after the expiration of the primary term of the lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil and gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 200 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessor may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty(60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement
dated December 1, 2010 between Yates Petroleum Corporation
as Operator and Sacramento Partners Limited Partnership,
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 of Petroleum Accountants Societies of North America

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

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. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators

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 rate of twelve percent (12%) per annum 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. 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 1. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits 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.

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. Rentals and Royalties

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

2. 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

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 2A of this Section II. Such costs under this Paragraph 2B 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 2A 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 2A and 2B of this Section II.

D Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II

3. Employee Benefits

Operator's current costs of 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 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. 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.

5. 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, recognized barge terminal, or railway receiving point where like material is normally available, 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, recognized barge terminal, or railway receiving point 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, there shall be no equalization of actual gross trucking cost of \$200 or less excluding general expenses

6. Services

The cost of contract services equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1.3 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

7. 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 investment not to exceed eight per cent (8%) 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 7A 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.

8. 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.

9. 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

10. 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.

11. 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 Workers' 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 market rates.

12. 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 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:

- () (XX) 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 2A, 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 () 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 \$ 5400.00
Producing Well Rate \$ 540.00

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

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive 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, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive 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] 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 may be made for the month in which plugging and abandonment operations are completed on any well.
- [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. 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 Fields 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 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 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, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment, also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and or gross 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 total costs if such costs are more than \$ 25,000.00 but less than \$ 100,000.00 ; plus
- B. 3 % of total costs in excess of \$ 100,000.00 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. 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-Operator 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.

1. Purchases

Material purchased shall be charged to 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 reason, credit shall be passed to the Joint Account when an adjustment has been received from 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 bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe shall be priced at the current new price in effect on date of movement on a maximum carload or large load weight basis, regardless of quantity transferred, equalized to the lowest published price (i.e. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available)
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds 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 where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

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
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, 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 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

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

C Other Used Material (Condition C and D)

(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 2A of this Section IV. 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

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the 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 and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15c) per hundred weight on all regular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such regular goods are equated under provisions of Paragraph 5 of Section II.

(2) Material involving creation of a Joint Account shall be charged at applicable percentage of the current knocked-down price of new Material.

3 Premium Prices

Whenever Material is not available at the same or a substituted listed price 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 written notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators therefor. 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 be taken 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

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with 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 or change of interest 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.

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation, as Operator, and Sacramento Partners Limited Partnership, et al, as Non-Operators

ADDITIONAL INSURANCE PROVISIONS

Operator, during the term of this agreement, shall carry insurance for the benefit and at the expense of the parties hereto, as follows:

(A) Workman's Compensation Insurance as contemplated by the state in which operations will be conducted, and Employer's Liability Insurance with limits of not less than \$1,000,000.00 per employee.

(B) Public Liability Insurance:

Bodily Injury and Property Damage - \$1,000,000.00 single limit each occurrence.

(C) Automobile Public Liability Insurance:

Bodily Injury \$500,000.00 each person.

\$1,000,000.00 each occurrence.

Property Damage - \$500,000.00 each accident.

(or)

Bodily Injury and Property Damage - \$1,000,000.00 combined single limit.

(D) Control of Well and Extra Expense - \$10,000,000.00- Limit of Liability

Except as authorized by this Exhibit "D", Operator shall not make any charge to the joint account for insurance premiums. Losses not covered by Operator's insurance (or by insurance required by this agreement to be carried for the benefit and at the expense of the parties hereto) shall be charged to the joint account.

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation, as Operator, and Sacramento Partners Limited Partnership, et al, as Non-Operators

GAS BALANCING AGREEMENT

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

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

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

2. On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party. For US Federal Income Tax purposes, each party agrees to compute and report income to the Internal Revenue Service based on the quantity of gas taken for its account (the cumulative method) in accordance with the requirements of US Treasury Regulations Section 1.761-2(d)(3).

3. At all times while gas is produced from the Contract Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and other similar interests.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

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

unit of such party with gas in place and the denominator of which is the total percentage interest in such proration unit of all parties with gas in place currently taking or delivering to a purchaser.

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

6. If a proration unit ceases to produce gas and/or liquid hydrocarbons in paying quantities before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party received, less applicable taxes theretofore paid, at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made. For gas, the price of which is not regulated by federal, state or other governmental agencies, the price basis shall be the price received for the sale of the gas. For gas, the price of which is subject to regulation by federal, state or other governmental authorities, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission or any other governmental authority, pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required to be refunded by such authority, such additional collected amount to be accounted for at such time as final determination is made with respect hereto.

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

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

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

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation, as Operator, and Sacramento Partners Limited Partnership, as Non-Operators

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

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

1. The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin or sex. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin or sex. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provisions of this non-discrimination clause.

2. The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin or sex.

3. The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

5. The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11245 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

7. The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance. Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

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

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

CERTIFICATION OF NON-SEGREGATED FACILITIES

Operator assures Non-Operators 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. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion, or national origin, because of habit; local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 of September 24, 1965.

Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C.-1001.

EXHIBIT "H"

Attached to and made a part of that certain Operating Agreement dated December 1, 2010, between Yates Petroleum Corporation, as Operator, and Sacramento Partners Limited Partnership, et al, as Non-Operators

MEMORANDUM OF OPERATING AGREEMENT

This Agreement, entered into by and between Yates Petroleum Corporation, herein "Operator" and the signatory party or parties other than Operator, herein "Non-Operator", whether one or more, have entered into an Operating Agreement, herein "Operating Agreement" dated December 1, 2010, covering the lands and leases (the "Contract Area"), all identified in Exhibit "A" to this Memorandum. Collectively the Operator and Non-Operator will be referred to as the "Parties".

Article VII.B of the Operating Agreement, entitled "Liens and Security Interests," provides for the creation and attachment of a lien for default in payment of sums due under the terms of the Operating Agreement. The Parties desire the right to file and perfect such a lien, and, in order to enable each Party to do so, the terms of the Operating Agreement are incorporated into this Memorandum for all purposes. A complete copy of the Operating Agreement may be reviewed at the offices of the Operator by persons having a bona fide interest in the Leases.

This Memorandum is placed of record for the purpose of placing all persons on notice of the existence of the Operating Agreement. The Operating Agreement shall be deemed to be binding on Operator and Non-Operator and their successors and assigns, and in full force and effect until modified, or the Leases expire. All modifications may be evidenced by an amendment to this Memorandum being placed of record.

This Memorandum is signed by Operator and Non-Operator as of the date of acknowledgment of their signatures below, but is deemed effective for all purposes as of the date of the Operating Agreement stated above.

OPERATOR

YATES PETROLEUM CORPORATION

By: _____
JOHN A. YATES, JR.
Title: ATTORNEY-IN-FACT

NON-OPERATORS

SACRAMENTO PARTNERS LIMITED PARTNERSHIP

By: _____
Peyton Yates
Manager of Weed Oil & Gas Company, L.C., General Partner of Sacramento Partners Limited Partnership
Title: _____

HANSON McBRIDE PETROLEUM CO., A NEW MEXICO LIMITED PARTNERSHIP

By: _____
Title: _____

SPIRAL, INC.

By: _____
Title: _____

MARKS OIL, INC.

By: _____

Title: _____

NON-OPERATORS

AUVENSHINE'S CHILDREN'S
TESTAMENTARY TRUST, CATHIE CONE
McCOWN, TRUSTEE

By: _____

Cathie Cone McCown

Title: Trustee

CATHIE CONE McCOWN

By: _____

Title: _____

KENNETH G. CONE, TRUSTEE OF THE
TRUSTS CREATED UNDER THE WILL AND
CODICIL OF KATHLEEN CONE, DECEASED
F/B/O THE CHILDREN OF KENNETH G.
CONE

By: _____

Kenneth G. Cone

Title: Trustee

BANK OF OKLAHOMA, N.A., SUCCESSOR
TRUSTEE OF THE TRUST CREATED UNDER
THE WILL AND CODICIL OF KATHLEEN
CONE, DECEASED F/B/O THE CHILDREN OF
TOM R. CONE

By: _____

Bank of Oklahoma, N.A.

Title: Successor Trustee

NEARBURG EXPLORATION COMPANY, LLC

By: _____

Title: _____

RANDY LEE CONE

By: _____

Title: _____

KENNETH G. CONE

By: _____

Title: _____

TOM R. CONE

By: _____

Title: _____

