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Exhibit A

OCD Case 20190
(Lakewood 20H well)
Spur Energy Partners, LLC
Affidavit of
Nash Bell

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

APPLICATION OF PERCUSSION PETROLEUM
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

CASE NO. 20190

AFFIDAVIT

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

Nash Bell, being duly sworn, deposes and states:

1. I am over the age of 18, I am a Petroleum Landman for Spur Energy Partners, LLC, and have personal knowledge of the matters stated herein. I have previously testified before the Oil Conservation Division ("Division") and my credentials as an expert petroleum landman are a matter of record with the Division.

2. My area of responsibility of Spur Energy Partners, LLC includes the area of Eddy County in New Mexico.

3. I am familiar with the application filed by Percussion Petroleum Operating, LLC, Spur Energy Partners, LLC's predecessor in interest.

4. I am familiar with the status of the lands that are subject to this application.

5. I submit the following information pursuant to NMAC 19.15.4.12.A(1) in support of the above referenced compulsory pooling application.

6. In **Case 20190** Applicant seeks an order pooling all mineral interests in the N. Seven Rivers; Glorieta-Yeso Pool (97565) from a depth of 2,803 to 3,700 feet underlying the E/2 E/2 of Section 34, Township 19 South, Range 25 East, NMPM, Eddy County, New

Mexico. Applicant seeks to dedicate the horizontal spacing units described below to the following well:

Attached hereto as **Exhibit 1** is a copy of the C-102 and Tract Map for the foregoing well.

7. The parties being pooled and the percent of their interests are shown in **Exhibit 2** for the respective case. The owners of overriding royalty interests are also identified in **Exhibit 2**.

8. Spur Energy Partners, LLC, or its predecessor in interest, Percussion Petroleum Operating, LLC, has conducted a diligent search of the public records in the county where the well is located and conducted phone directory and computer searches to locate contact information for parties entitled to notification, and mailed all parties well proposals. A copy of Communication Timeline is attached hereto as **Exhibit 3**.

9. In my opinion, Spur Energy Partners, LLC, or its predecessor in interest, Percussion Petroleum Operating, LLC, has made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed well.

10. **Exhibit 4** is a copy of proposal letter sent to working interest owners, which were sent in October 2018 with attachments, for the proposed wells together with the AFE.

11. **Exhibit 5** contains updated Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable and is comparable to the costs of other wells of similar depths and length drilled in this area of New Mexico. Spur Energy Partners, LLC requests overhead and administrative rates of \$8,000.00/month for drilling a well and \$800.00/month for a producing well. These rates are fair, and comparable to the rates charged by other operators for wells of this type in this area of Southeastern, New Mexico.

Spur Energy Partners, LLC requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

12. Spur Energy Partners, LLC requests the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.

13. Spur Energy Partners, LLC requests that it be designated operator of the well.

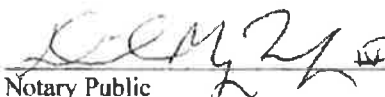
14. I attest that the information provided herein is correct and complete to the best of my knowledge and belief.

15. The granting of this application is in the interests of conservation and the prevention of waste.



NASH BELL

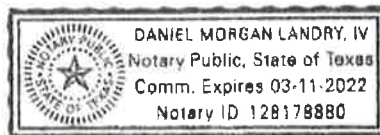
SUBSCRIBED AND SWORN to before me this 27th day of September, 2020, by NASH BELL on behalf of SPUR ENERGY PARTNERS, LLC.



Notary Public

My Commission Expires:

03-11-2022



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161 Fax: (505) 393-0720

DISTRICT II
811 N First St., Artesia, NM 88210
Phone: (505) 748-1283 Fax: (505) 748-0720

DISTRICT III
1000 Rio Arriba Road, Aztec, NM 87410
Phone: (505) 334-6174 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-1460 Fax: (505) 476-1462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name LAKEWOOD FEDERAL	Well Number 20H
OCRID No	Operator Name PERCUSSION PETROLEUM OPERATING, LLC	Elevation 3496'

Surface Location

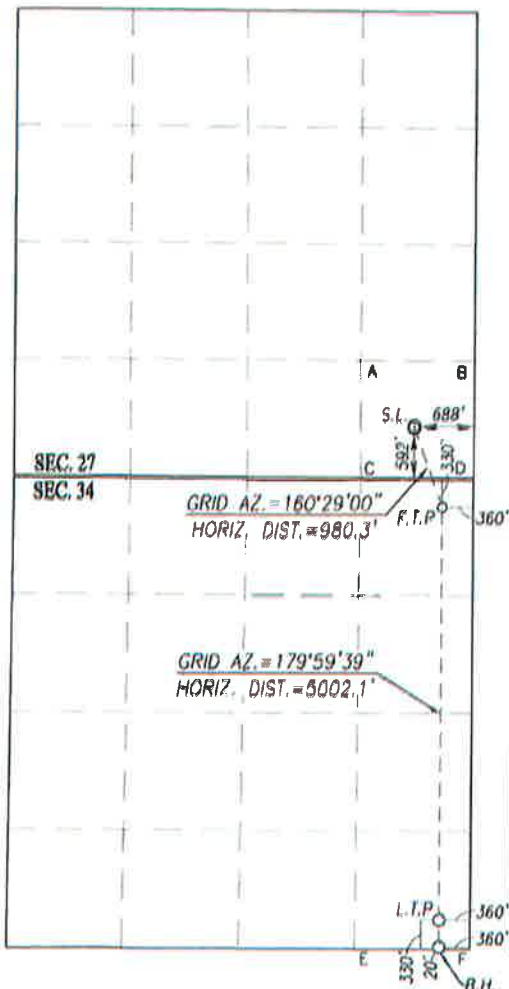
UT. or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	19-S	25-E		592	SOUTH	688	EAST	EDDY

Bottom Hole Location If Different From Surface

UT. or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	34	19-S	25-E		20	SOUTH	360	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



SCALE: 1"=2000'

GEODETIC COORDINATES NAD 83 NME SURFACE LOCATION Y=591510.1 N X=500396.6 E LAT.=32.626041° N LONG.=104.466317° W FIRST TAKE POINT NAD 83 NME Y= 590586.3 N X= 500724.0 E LAT.=32.623503° N LONG.=104.465250° W	GEODETIC COORDINATES NAD 27 NME SURFACE LOCATION Y=591449.2 N X=499218.0 E LAT.=32.625927° N LONG.=104.465798° W FIRST TAKE POINT NAD 27 NME Y= 590525.5 N X= 499545.5 E LAT.=32.623388° N LONG.=104.464731° W
---	---

CORNER COORDINATES TABLE

NAD 27 NME

A - Y= 592191.8 N, X= 458605.8 E
B - Y= 592183.5 N, X= 459906.7 E
C - Y= 590860.9 N, X= 458608.1 E
D - Y= 590853.2 N, X= 459905.3 E
E - Y= 585506.9 N, X= 458579.4 E
F - Y= 585504.1 N, X= 459905.8 E

CORNER COORDINATES TABLE

NAD 83 NME

A - Y= 592252.7 N, X= 499784.3 E
B - Y= 592244.4 N, X= 501085.2 E
C - Y= 590921.8 N, X= 499786.7 E
D - Y= 590914.1 N, X= 501083.9 E
E - Y= 585567.6 N, X= 499758.0 E
F - Y= 585564.8 N, X= 501084.4 E

LAST TAKE POINT NAD 83 NME Y= 585895.4 N X= 500724.5 E LAT.=32.610609° N LONG.=104.465230° W	LAST TAKE POINT NAD 27 NME Y= 585834.8 N X= 499945.9 E LAT.=32.610498° N LONG.=104.464710° W
BOTTOM HOLE LOCATION NAD 83 NME Y= 585585.5 N X= 500724.5 E LAT.=32.609757° N LONG.=104.465228° W	BOTTOM HOLE LOCATION NAD 27 NME Y= 585524.9 N X= 499945.9 E LAT.=32.609644° N LONG.=104.464709° W

OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____


E-mail Address _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

FEBRUARY 21, 2018

Date of Survey _____

Signature of Professional Surveyor:  _____

Certificate Number: Ronald J. Eidson 12641 3239

ACK RRV 3/26/18 JWSC W.O. 18 11 0123

TRACT PLAT



ORRI Owners

<u>ORRI Owners</u>	<u>Net ORRI</u>
William H. Bowen	1.50000%
Drilmor, Inc.	1.12500%
Charles R. Wiggins	0.31250%
Richard H. Coats and his wife, Sigrid M. Coats	0.31250%
Rio Arriba Investments, LLC	0.12500%
Feagan Energy, Inc.	0.12500%
Rockhill Royalty Partners	0.25000%
Teresa Rene Norman and Robert Clay Norman, co- Trustees of the Elizabeth J. Norman Living Trust	0.75000%
Coquina 73-A Explorartion Program	0.15625%
TOTAL	4.656250%

Pooled Parties

<u>WI Owner</u>	<u>WI</u>
Heirs or Devisees of Ernie Belo	0.054642%
J. W. Gendron	0.081963%
E.G. Holden Testamentary Trust	0.027321%
Heirs or Devisees of Dr. Isaac A. Kawasaki	0.054643%
Betsy H. Keller	0.027321%
Charles Cline Moore	0.136606%
Nearburg Exploration Company	0.109284%
Adolph P. Schuman Marital Trust	0.054643%
Space Building Corporation	0.136606%
Frederick Van Vranken	0.054643%
TOTAL	0.737672%

Communication Timeline

October 31, 2018 – Initial proposals (Percussion) sent for the Lakewood Federal Com #20H well.

November 30, 2018 – Percussion received well proposal for Lakewood 34 Y2PA Fed Com #1H from Mewbourne.

December 22, 2018 – Publication filed in Carlsbad Current-Argus to notice other parties.

December 2018 – One party elected to participate in the well and enter into an OA, but the OA has not yet been executed.

January 18, 2019 – Percussion filed application for compulsory pooling (Case No. 20190).

January 18, 2019 – Notice of Application letter mailed to all interest owners subject to pooling proceedings and vertical offset owners of the Pool.

January 23, 2019 – Publication filed in Carlsbad Current-Argus to notice other parties.

January 2019 – Mewbourne filed application for compulsory pooling (Case No. 20248).

February 2019 – Percussion's Case No. 20190 was contested by Mewbourne.

March 2019 - February 2020 – Motions for Continuance were filed.

March 2020 – September 2020 – Negotiations for trade between Spur (Percussion's successor in title) and Mewbourne took place.

September 2020 – Trade agreement reached between Spur and Mewbourne. Anticipate closing prior to issuance of order.



Sent Certified Mail, Return Receipt Requested

October 31, 2018

REC'D NOV 6

To all working interest owners shown on enclosed Exhibit "A-3" as referenced below

RE: Well Proposal & Letter Agreement
Lakewood Federal 20H well
Section 34, T19S, R25E
Eddy County, New Mexico

Percussion Petroleum Operating, LLC ("Percussion") hereby proposes to drill and complete the Lakewood Federal 20H, to an approximate total vertical depth of 2,890' as a horizontal upper Yeso well (the "Subject Well") at the following proposed location (subject to change upon staking and survey).

Lakewood Federal 20H well - Horizontal Yeso Well, Eddy County, NM

- Proposed Surface Hole Location - 592' FSL & 688' FEL, Section 27, T19S-R25E
- Proposed Bottom Hole Location - 20' FSL & 360' FEL, Section 34, T19S-R25E

Attached in duplicate is AFE No. 1190 which specifies total drilling and completed costs to be estimated at \$4,407,000.

In support of this well and future development, Percussion proposes to form a Working Interest Unit covering the E2/E2 of Section 34 in Township 19 South, Range 25 East, Eddy County, New Mexico, containing 160 acres of land, more or less, insofar, and only insofar, as the same covers rights from the top of the Yeso formation to the base of the Yeso formation (the "WIU"). For purposes herein, top of the Yeso formation shall be 2,279' MD and the base of the Yeso formation shall be 4,460' MD based on the Len Mayer 1 (30-015-05926) RDL_Neutron_Porosity_21N log from Section 28-T18S-R26E, Eddy County, NM; and the term "horizontal well" shall be defined as a directional well bore with one or more laterals that extend a minimum of one hundred feet (100') horizontally in the target zone. The current Yeso formation working interest ownership is attached and this well will apply to depths above 3,100' subsurface.

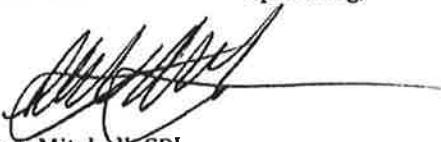
Part of the proposed WIU, the E2/E2 of Section 34, is likely governed by operating agreements also covering the Yeso Formation which pertains to many of the same parties within this proposal and which would administer operations for vertical wells. For the mutually exclusive development within the WIU as to horizontal wells, and any concept wells (i.e. micro seismic wells, pilot hole wells), Percussion herein submits a new operating agreement ("NOA") dated October 31, 2018, a 1982 AAPL form, to govern proposals and operations within the WIU, and which shall supersede any existing operations only as to said horizontal well development and operations. The Exhibit "A" to the NOA will be completed in the near term pending transactional decisions of the working interest parties.

As an alternative to participation, Percussion offers to acquire a party's leasehold rights as to the Yeso formation, only. Percussion will pay \$1,500/acre said leasehold rights. The selling party will deliver its leasehold interest effective January 1, 2018, exclusive of existing wellbores and production from said wellbores. The acquisition of the leasehold will be subject to a mutually acceptable sales agreement and assignment warranting title by the seller, by through and under, but not otherwise.

Please indicate your election as to the Subject Wells by marking any single item 1), 2) or 3) below in the space provided and returning a copy of this letter agreement to the undersigned within thirty (30) days of receipt, otherwise you may be subject to the compulsory pooling provisions of the State of New Mexico. If you mark any item that pertains to AFEs and/or the NOA, then please execute and return copies of the same together with your executed copy of this letter agreement to Percussion within said thirty (30) day period. Exhibit "A" to the NOA shall be provided at a later date after all of the working interest percentages of the non-operators have been determined.

If you have any questions regarding this proposal, please do not hesitate to contact the undersigned by e-mail at stan@percussionpetroleum.com or by phone at 713-331-0125. Thank you very much for your assistance and cooperation. We look forward to working with you on this matter.

Yours very truly,
Percussion Petroleum Operating, LLC



Stan Mitchell, CPL
Sr. Consulting Landman

enclosures

Lakewood Federal 20H Well Election

☒ 1) Elect to participate in the drilling and completing of the Lakewood Federal 20H well based upon the calculation of its working interest as stated above in the formation of the WIU, and agrees to the terms and conditions of this letter agreement and NOA as stated above, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the WIU.

_____ 2) Elect to sell all of its leasehold interest, including all right, title and interest in the Yeso formation, exclusive of existing wellbores, based upon a price of \$1,500.00 per net leasehold acre, delivering an assignment with special warranty on mutually agreed forms.

_____ 3) The undersigned elects not to participate in the drilling and casing of the proposed Lakewood Federal #20H.

Agreed to and Accepted this 14th day of December, 2018, by:

Company: Nearburg Exploration Company, L.L.C.

By: 

Name: DUANE A DAVIS

Title: COO / CEO

**PERCUSSION PETROLEUM, LLC****WELL COST ESTIMATE**

FIELD: N. Seven Rivers; Gloria-Vaso
WELL NAME: Lakewood Fed Com N20H
DISTRICT: Article (2)
LOCATION: 192° PBL 88° PBL 37-100-24E
TYPE: OH

AFE #:
TARGET RES:
CO/RT:
START DATE:
DATE:

Acct Code

22223

1100
Yaso
Eddy, NM
10/3/2016

Project Details:**INTANGIBLE COSTS**

LAND SERVICES
LEGAL FEES
INSURANCE & BONDS
OVERHEAD
PERMITS & SURVEYING
LOC. ROW, SURF. COND RIG & ROAD
DRILL RIG MOB/DEMOB
RIG COST - DRILLING (DAYWORK)
RIG COST - DRILLING (FOOTAGE)
RIG COST - DRILLING (TURNKEY)
RIG FUEL, ELEC, WATER & FRAC WATER
WATER SOURCING
WATER HANLING
TELEPHONE & FAX
TRANSP/O / TRUCKING / HOTSHOT
CONTRACT SUPERV. ENGRG & DESIGN
WELDING & OTH CONTR SRVC/LABOR
RENTAL EQUIPMENT - DOWNHOLE
RENTAL EQUIPMENT - SURFACE
BITS
CASING CREW & EQUIPMENT
CEMENTING SERVICES & PUMP DOWNS
DIRECTIONAL DRILLING & SURVEYS
FISHING TOOLS & SERVICE
DRILLING & COMPLETION FLUIDS
MUD LOGGING
LOGGING - OPENHOLE, FT. SWC
DRIL. STEM TST, CORING & CORE ANALY
TUBULAR TESTING AND INSPECTION
CUTTINGS AND FLUIDS DISPOSAL
ABANDONMENT
CONTINGENCY AND MISC COSTS
ACCURED IDC DRILLING
NON-OP IDC DRILLING
TRANSFER TO DRY/ABANDONMENT
TRANSFER TO PRODUCING PROPERTY
RIG COST - COMPLETION / WO
RIG COST - COIL TUB/BNUBB/NITRO
PERF. PLUG, WL SERV, PCE, C-H LOG
FRAC AND STIMULATION SERVICES
PROD WELL TESTING & SWABBING
ACCURED IDC COMPLETION
NON-OP IDC COMPLETION

DRILLING		COMPLETION		FACILITY		TOTAL
ACCOUNT CODE	AMOUNT	ACCOUNT CODE	AMOUNT	ACCOUNT CODE	AMOUNT	WELL
2260.05	\$25,000					\$25,000
2260.10	\$10,000					\$10,000
2260.18						\$0
2260.20		2300.30				\$0
2260.26	\$15,000					\$15,000
2260.30	\$40,000	2300.30	\$2,800			\$42,800
2260.35	\$40,000					\$40,000
2260.40	\$180,000					\$180,000
2260.46						\$0
2260.50						\$0
2260.65	\$40,000	2300.65	\$250,000			\$290,000
2260.68	\$10,000	2300.68	\$310,000			\$320,000
2260.67	\$5,000	2300.67	\$65,000			\$70,000
2260.70		2300.70				\$0
2260.76	\$25,000	2300.76	\$10,000			\$35,000
2260.80	\$40,000	2300.80	\$15,000			\$55,000
2260.85	\$45,000	2300.85	\$17,000			\$62,000
2260.90	\$50,000	2300.90	\$15,000			\$65,000
2260.95	\$110,000	2300.95	\$175,000			\$285,000
2260.100	\$35,000					\$35,000
2260.105	\$20,000	2300.105				\$20,000
2260.110	\$75,000	2300.110	\$65,000			\$140,000
2260.115	\$125,000					\$125,000
2260.120		2300.120				\$0
2260.125	\$25,000	2300.125	\$20,000			\$45,000
2260.130	\$15,000					\$15,000
2260.135	\$5,000					\$5,000
2260.145						\$0
2260.150	\$5,000	2300.150				\$5,000
2260.165	\$80,000	2300.165	\$15,000			\$95,000
2260.170						\$0
2260.200		2300.200		2600.200		\$0
2260.500						\$0
2260.700						\$0
2260.810		2300.810		2600.810		\$0
2260.820		2300.820		2600.820		\$0
		2300.65	\$100,000			\$100,000
		2300.60	\$25,000			\$125,000
		2300.140	\$145,000			\$145,000
		2300.155	\$1,550,000			\$1,550,000
		2300.150	\$30,000			\$30,000
		2300.500				\$0
		2300.700				\$0
TOTAL INTANGIBLE COSTS		\$990,000	\$2,645,000	\$0		\$3,635,000

TANGIBLE COSTS

DRIVE PIPE, CONDUCTOR CASING
SURFACE CASING
INTERMEDIATE CASING
CASING LINER & HARDWARE
HANGER, DOWN HOLE CSG ACCESS
WELLHEAD EQUIPMENT
ACCURED TANGIBLE DRILLING
NON-OP TANGIBLE DRILLING
TRANSFER TO DRY/ABANDONMENT
TRANSFER TO PRODUCING PROPERTY
PRODUCTION CASING
PRODUCTION TUBING
TUBINGHEAD & TREE
PACKERS & SUBSURFACE EQUIPMENT
RODS, PUMPS, ANCHORS
ACCURED TANGIBLE COMPLETION
NON-OP TANGIBLE COMPLETION
SURFACE EQUIP - ARTIFICIAL LIFT
SURF EQUIP - PUMP UNIT & MOTOR
VALVES, FITTINGS & MISC EQUIP
SEPARATOR, HEATER TREATER, DEHY
GUN BARREL, TANK & RELATE EQUIP
COMPRESSORS & RELATED EQUIP
METERS & LACT EQUIPMENT
SWD PUMP & EQUIPMENT
FLOWLINE, L-PIPE, P/L MAT'L & T-J
PROD FAC-FAB&INSTAL W/LAB&SUPR
POWER & ELECTRICAL INSTALLATION
CONTINGENCY AND MISC COSTS
ACCURED FACILITY
NON-OP FACILITIES

DRILLING		COMPLETION		FACILITY		TOTAL
ACCOUNT CODE	AMOUNT	ACCOUNT CODE	AMOUNT	ACCOUNT CODE	AMOUNT	WELL
2380.05						\$0
2380.10	\$35,000					\$35,000
2380.15						\$0
2380.25	\$20,000	2400.25				\$20,000
2380.30		2400.30				\$0
2380.40	\$15,000					\$15,000
2380.500						\$0
2380.700						\$0
2380.810		2400.810		2600.810		\$0
2380.820		2400.820		2600.820		\$0
		2400.20	\$160,000			\$160,000
		2400.35	\$15,000			\$15,000
		2400.45	\$12,000			\$12,000
		2400.50	\$5,000			\$5,000
		2400.55				\$0
		2400.59				\$0
		2400.60				\$0
		2400.70		2800.70	\$40,000	\$40,000
				2800.85		\$0
				2800.70	\$50,000	\$50,000
				2600.75	\$30,000	\$30,000
				2600.80	\$20,000	\$20,000
				2800.85		\$0
				2800.90	\$10,000	\$10,000
				2600.95	\$15,000	\$15,000
				2600.100	\$20,000	\$20,000
				2600.105	\$50,000	\$50,000
				2600.108	\$75,000	\$75,000
				2600.200		\$0
				2600.500		\$0
				2600.700		\$0
TOTAL TANGIBLE COSTS		\$70,000	\$192,000	\$310,000		\$572,000
TOTAL WELL COSTS		\$1,060,000	\$3,037,000	\$310,000		\$4,407,000

Prepared By: Lelan J. Anders

Date

Approved By: John H. Campbell III

Date

This AFE is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.

DISTRICT I
1623 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name LAKEWOOD FEDERAL	Well Number 20H
OGRID No.	Operator Name PERCUSSION PETROLEUM OPERATING, LLC	Elevation 3496'

Surface Location

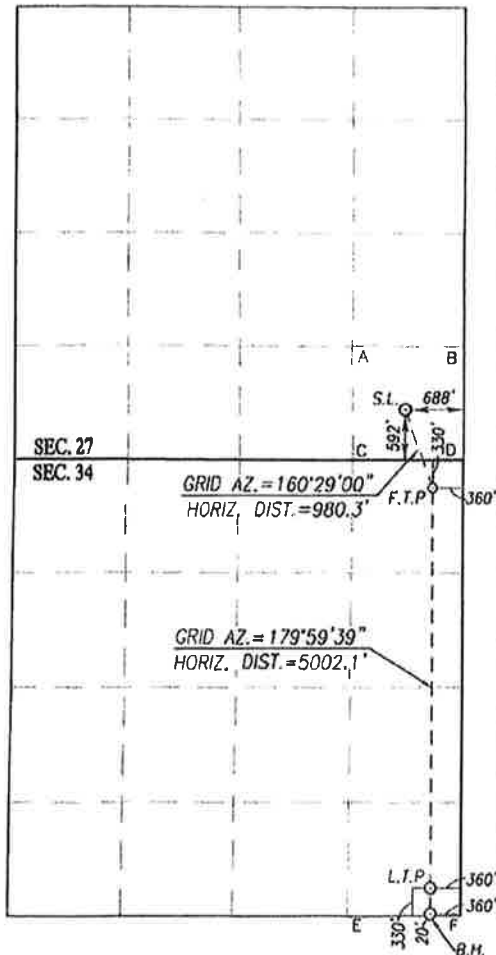
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	19-S	25-E		592	SOUTH	688	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	34	19-S	25-E		20	SOUTH	360	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



SCALE: 1"=2000'

GEODETIC COORDINATES	GEODETIC COORDINATES
NAD 83 NME	NAD 27 NME
SURFACE LOCATION	SURFACE LOCATION
Y=591510.1 N	Y=591449.2 N
X=500396.6 E	X=459218.0 E
LAT.=32.626041° N	LAT.=32.625927° N
LONG.=104.466317° W	LONG.=104.465798° W
FIRST TAKE POINT	FIRST TAKE POINT
NAD 83 NME	NAD 27 NME
Y=590586.3 N	Y=590525.5 N
X=500724.0 E	X=459545.5 E
LAT.=32.623503° N	LAT.=32.623389° N
LONG.=104.465250° W	LONG.=104.464731° W

CORNER COORDINATES TABLE

NAD 27 NME

A - Y= 592191.8 N, X= 458605.8 E
B - Y= 592183.5 N, X= 459906.7 E
C - Y= 590860.9 N, X= 458608.1 E
D - Y= 590853.2 N, X= 459905.3 E
E - Y= 585506.9 N, X= 458579.4 E
F - Y= 585504.1 N, X= 459905.8 E

CORNER COORDINATES TABLE

NAD 83 NME

A - Y= 592252.7 N, X= 499784.3 E
B - Y= 592244.4 N, X= 501085.2 E
C - Y= 590921.8 N, X= 499786.7 E
D - Y= 590914.1 N, X= 501083.9 E
E - Y= 585567.6 N, X= 499758.0 E
F - Y= 585564.8 N, X= 501084.4 E

LAST TAKE POINT

NAD 83 NME

Y= 585895.4 N
X= 500724.5 E
LAT.=32.610609° N
LONG.=104.465230° W

LAST TAKE POINT

NAD 27 NME

Y= 585834.8 N
X= 459545.9 E
LAT.=32.610496° N
LONG.=104.464710° W

BOTTOM HOLE LOCATION

NAD 83 NME

Y= 585585.5 N
X= 500724.5 E
LAT.=32.609757° N
LONG.=104.465228° W

BOTTOM HOLE LOCATION

NAD 27 NME

Y= 585524.9 N
X= 459545.9 E
LAT.=32.609644° N
LONG.=104.464709° W

OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

FEBRUARY 21, 2018

Date of Survey
Signature of Professional Surveyor



Ronald J. Eidson
Certificate Number 12641
Ronald J. Eidson 3239

ACK REV.:3/26/18 JWSC W.O.: 18.11.0123

Exhibit "A-3"

Lakewood Federal #20 Well Proposal Parties, Addresses and Working Interests

Parties and Addresses:

St. Devote, LLC
Attn: Josh Grisham
919 Milam St, Ste. 2475
Houston, TX 77002

Mewbourne Oil Company
P.O. Box 7698
Tyler, TX 75711

Mewbourne Energy Partners 09-A LP
P.O. Box 7698
Tyler, TX 75711

Mewbourne Development Corporation
P.O. Box 7698
Tyler, TX 75711

CWM 2000-B Ltd
P.O. Box 7698
Tyler, TX 75711

CWM 2000-B II Ltd
P.O. Box 7698
Tyler, TX 75711

3MG Corporation
P.O. Box 7698
Tyler, TX 75711

Gendron Rev. Liv. Trust
Robert P. Gendron, Trustee
380 Abbey Road
Indiana, PA 15701

Joseph R. Hodge
404 W. 27th Street
Houston, TX 77008

Unknown Heirs and Devisees of Ernie Bello, Dec'd
c/o Lorraine Bello & Erlaine Bello-Trombetta
1570 Alwea Drive
Honolulu, HI 96817


E.G. Holden Testamentary Trust
c/o James T. Farrell
2505 Green Street
San Francisco, CA 94123

Sanford J. Hodge
Arcadia Realty Group
3500 Maple Ave, Suite 1165
Dallas, TX 75219

Heirs and/or Devisees of Dr. Isaac A. Kawasaki
734 Kalanipuer Street
Honolulu, HI 96825

Betsy H. Keller
c/o James T. Farrell
2505 Green Street
San Francisco, CA 94123

EOG Y
Attn: Janet Richardson
104 South Fourth Street
Artesia, NM 88210

Nearburg Exploration Company, L.L.C. 
P.O. Box 823085
Dallas, TX 75382-3085

Adolph P. Schuman Marital Trust
Paul J. Sax, Co-Trustee
405 Howard Street
San Francisco, CA 94105

Space Building Corporation
P.O. Box 283
East Taunton, MA 02718

J. Fredrick Van Vranken, Jr
950 Regency Square, Apt. #202
Vero Beach, FL 32967

Robert B. Bunn, Trustee of the Rob't B. Bunn Rev. Trust
Address Unknown

Exhibit "A-3"

Working Interests of the Parties by Depth:

From the Top of the Yezo Formation to 3,700 Feet

St. Devote LLC	43.233770%
Mewbourne Oil Company	9.791667%
Mewbourne Energy Partners 09-A LP	16.500000%
Mewbourne Development Corporation	5.500000%
CWM 2000-B Ltd	7.833333%
CWM 2000-B II Ltd	3.375000%
3MG Corporation	7.000000%
Heirs of Emie Belo	0.054643%
J.W. Gendron	0.081964%
Joseph R. Hodge	0.009107%
Sanford J. Hodge, III	0.009107%
E.G. Holden Testamentary Trust	0.027321%
Heirs of Dr. Isaac A. Kawasaki	0.054643%
Betsy Keller	0.027321%
EOG Y	0.136606%
Nearburg Exploration Company	0.109285%
Adolph P. Schuman	0.054643%
Space Building Corporation	0.136606%
Frederick Van Vranken	0.054643%
Robert B. Bunn, Trustee	6.010345%

Total: 100.000000%

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED: October 31, 2018

OPERATOR: Percussion Petroleum Operating, LLC

CONTRACT AREA: EAST-HALF EAST-HALF OF SECTION 34 -TOWNSHIP 19 SOUTH - RANGE 25 EAST, AS TO THE YESO FORMATION ONLY

COUNTY OR PARISH

EDDY COUNTY, OF STATE OF NEW MEXICO

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

OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

DEFINITIONS

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

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

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

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

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

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

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

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.

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

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

EXHIBITS

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

A. Exhibit "A" shall include the following information:

- (1) Description of lands subject to this agreement,
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Parties to agreement with addresses and telephone numbers for notice purposes,
- (4) Percentages or fractional interests of parties to this agreement,
- (5) Oil and Gas leases and/or Oil and Gas interests subject to this agreement,
- (6) Burdens on production

B. Exhibit "B" Form of Lease.

C. Exhibit "C", Association Procedures.

D. Exhibit "D", Insurance.

E. Exhibit "E", Gas Balancing Agreement

F. Exhibit "F", Notice of Joint Operation Agreement, Lien, Security, Interests, and Financial Statement

G. There is no Exhibit "G" to this agreement.

~~Exhibit "H", Form of Lease. Please attach your version of the Exhibit H to the section titled "Attachments."~~

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

INTERESTS OF PARTIES

Oil and Gas Interests:

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

Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties ~~to the extent of due on each party's share of production~~ which shall be borne as hereinafter set forth.

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

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

Excess Royalties, Overriding Royalties and Other Payments:

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

Subsequently Created Interests:

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

If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,

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

TITLES

Title Examination:

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

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

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

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

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

Loss of Title:

Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests; and,

The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;

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

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

Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

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

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

Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

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

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

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

OPERATOR

Designation and Responsibilities of Operator:

Petroleum Operating, LLC shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

Resignation or Removal of Operator and Selection of Successor:

Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, ~~no longer owns an interest hereunder in the Contract Area~~, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

Employees:

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

Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

DRILLING AND DEVELOPMENT

Initial Well:

Subject to Operator approval of title and regulatory requirements, on or before June 1, 2019, Operator shall commence the drilling of a well for oil and gas at the following location:

SHL: 592' FSL and 688' FEL in Section 27-T18S-26E, BHL: 20' FSL and 360' FEL in Section 34-T19S-R25E, Eddy County, NM

and shall thereafter continue the drilling of the well with due diligence to test the Yesso formation above 3,100' subsurface unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

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

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

Subsequent Operations:

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

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

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

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

300% of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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

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

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

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

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

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

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

Sidetracking: Except as hereinafter provided, these provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

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

If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvageable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

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

TAKING PRODUCTION IN KIND:

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

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

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

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

Access to Contract Area and Information:

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

Abandonment of Wells:

Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

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

3. **Abandonment of Non-Consent Operations:** The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

EXPENDITURES AND LIABILITY OF PARTIES

Liability of Parties:

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

Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such

party bears the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

Payments and Accounting:

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

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

Limitation of Expenditures:

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

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

~~o **Option No. 2:** All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.~~

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

Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of ~~\$50,000.00~~ except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of \$25,000 but less than the amount first set forth above in this paragraph.

Rentals, Shut-in Well Payments and Minimum Royalties:

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

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

Taxes:

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

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

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

Insurance:

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

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

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

Surrender of Leases:

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

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignor or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

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

Renewal or Extension of Leases:

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

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

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

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

The provisions in this Article shall also be applicable to extensions of oil and gas leases.

Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area. If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C. This paragraph shall not be applicable to the contribution of acreage by the contributing parties toward the Initial or Substitute Test Well.

Maintenance of Uniform Interests:

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

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

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

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

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

Waiver of Rights to Partition:

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

Preferential Right to Purchase:

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

INTERNAL REVENUE CODE ELECTION

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

CLAIMS AND LAWSUITS

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

FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspending during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, ~~contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.~~ The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

NOTICES

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

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.

~~o 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.~~

o Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 120 days from the date of abandonment of said well. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

COMPLIANCE WITH LAWS AND REGULATIONS

Laws, Regulations and Orders:

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

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.

Regulatory Agencies:

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

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

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

OTHER PROVISIONS

Notwithstanding any provisions contained herein to the contrary, the parties hereto agree as follows:

A. Non-Operators authorize Operator to receive, and direct all product purchasers to pay to Operator, all proceeds of production from or attributable to the Contract Area. As evidence of this authority, all products purchasers may rely solely on a copy of this provision, authenticated by Operator, in lieu of the need for any additional consents or transfer orders from the Non-Operators. While Operator is receiving all proceeds of production, Operator obligates itself to make payments of all Working and Royalty Interest Revenues attributable to the Interests covered hereby.

B. Any party creating the necessity for separate measurement facilities shall alone bear all costs of such facilities. Any party using separate production measurement facilities shall keep accurate records of such production in accordance with applicable state and federal regulations, and upon Operator's request, under the terms of this agreement or any agreement executed in conjunction with this agreement or any agreement executed in conjunction with this agreement, true and complete copies of said records shall be furnished to Operator. Said production records supplied to the Operator shall be treated as confidential information and shall be used by Operator only to the extent necessary to fulfill its duties as Operator.

C. All costs and expenses incurred by Operator in securing attorneys, geologists, engineers, exhibits and related documentation, for the preparation and filing of material relative to the sale of oil and/or gas shall be borne by all parties in accordance with their respective interests as set forth on Exhibit "A", attached hereto and made a part hereof.

D. All costs and expenses including fees and expenses of attorneys and consultants incurred by Operator which may arise due to other operators in the area applying for non-standard locations and/or other regulatory hearings shall be borne by all parties in accordance with their respective interests as set forth on Exhibit "A", attached hereto and made a part hereof.

E. The parties hereto agree to execute a Notice of Joint Operating Agreement Lien in the form of Exhibit "F" to this agreement in order to permit perfection of the hereinabove described security interests by placing said NOTICE of record in the county in which the Contract Area is located and in accordance with the Uniform Commercial Code of the State in which the Contract Area is located.

F. If a party to this agreement elects not to participate in a proposed operation or, if a consenting party fails to timely pay its share of the costs involved in such operation, and is determined to be a non-participating party, such party shall not have access to or be entitled to receive well information with regard to operations conducted on the Contract Area.

G. **Priority of Operations – Horizontal Wells:** Notwithstanding anything else in this agreement to the contrary, it is agreed that where a horizontal well subject to this agreement has been drilled to the objective displacement and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such horizontal well, the following shall control the order of priority of further operations:

- First: Complete drilling operations of all proposed laterals;
- Second: Extension or deepening of any lateral;
- Third: Kick out and drill an additional lateral in the same zone;
- Fourth: Attempt a completion in a lateral, including testing and logging;

Fifth: Plug back the well to a zone above the zone in which a lateral was drilled; if there is more than one proposal to plug back, the proposal to plug back to the next deepest prospective zone shall have priority over a proposal to plug back to a shallower prospective zone; and

Sixth: Plug and abandon as provided for in Article VI.E;

Provided, however, that if at the time the Consenting Parties are considering any of the above, the hole or equipment is in such a condition that Operator recommends not to conduct the particular contemplated operation involved for fear of placing the hole, equipment and/or objective zone in jeopardy, or result in the loss of any or all of them prior to completing the horizontal well in the objective zone, such operation shall be eliminated from the priorities set forth above. With regard to proposals for additional logging, coring or testing, if any, but not all, of the parties entitled to make elections to the proposals elect to pay the costs thereof, they may do so, and the only penalty to any party that elects not to pay such costs is that it shall not be entitled to the corresponding logs, cores or results of tests or any analyses of them without the consent of all parties who participated in the additional logging, coring or testing.

H. Priority of Operations – Vertical Wells: Notwithstanding anything else in this agreement to the contrary, it is agreed that where a vertical well subject to this agreement has been drilled to the objective displacement and the Consenting Parties cannot agree upon the sequence and timing of further operations regarding such vertical well, the following shall control the order of priority of further operations:

First: Additional testing, coring or logging;

Second: Completion attempts without plugging back in ascending order from deepest to shallowest depths;

Third: Sidetracking in the order of least deviation from the original bottom hole location to the greatest deviation;

Fourth: Deepening of well below the authorized depth in descending order from shallowest to the deepest depths;

Fifth: Plugging back and completion attempts in ascending order from the deepest to the shallowest depths; and

Sixth: Plug and abandon as provided for in Article VI.E;

Provided, however, if at any time when proposals of any of the above operations are being considered, the hole or equipment is in such a condition that Operator recommends not to conduct one or more particular operations because they might put the hole, equipment and/or objective zone in jeopardy, or result in the loss of any or all of them, such operation shall be eliminated from the above order of priority. With regard to proposals for additional logging, coring or testing, if any, but not all, of the parties entitled to make elections to the proposals elect to pay the costs thereof, they may do so, and the only penalty to any party that elects not to pay such costs is that it shall not be entitled to the corresponding logs, cores or results of tests or any analyses of them without the consent of all parties who participated in the additional logging, coring or testing.

I. Parties hereto recognize that Percussion Petroleum Operating, LLC and St. Devote LLC are wholly owned subsidiaries of Percussion Petroleum, LLC, and, notwithstanding anything contained herein to the contrary, agree to Percussion Petroleum Operating, LLC serving as Operator of this agreement even though it owns no leasehold interest committed to this agreement; such leasehold interest, however, being owned by St. Devote LLC.

J. It is agreed and understood this agreement shall supersede and replace any other operating agreement(s) to which any of the parties hereto are subject to, and which cover any portion of the Contract Area of this agreement, but insofar, and only insofar, as this agreement pertains to any horizontal wells drilled therein, including, but not limited to, any other wells drilled to support or test concepts (i.e. micro seismic wells, pilot holes wells) pertaining to such horizontal wells, drilled from and after September 14, 2018 in said Contract Area during the term of this agreement.

K. Operator shall comply where applicable with the following clauses contained in 41 CFR:

- 60-1.4(a) (Equal Employment Opportunity);
- 1-12.803-10 (Certification of Non-Segregated Facilities);
- 60-250 (Employment Opportunity for Veterans);
- 60-741 (Employment Opportunity for Handicapped Individuals);
- 1-1.710 (Subcontracting With Small Business Concerns);
- 1-1.805 (Subcontracting With Labor Surplus Area Concerns);
- 1-1.1310 (Subcontracting With Minority Business Enterprises);

These clauses are incorporated herein by reference if and to the extent applicable to this contract by law, executive order, or regulation. Operator represents that he is in compliance with the reporting requirements of 41 CFR 60-1.7 and the Affirmative Action Program requirements of 41 CFR 60-1.40 and 60.2.

L. Notwithstanding anything to the contrary, the "drill site" and "contract area" also refer to the well pad and drilled/drilling lateral to drill to and through offset Sections to access and produce lands within the S/2S/2 of Section 28 and SE/4SE/4 of Section 29 of Township 18 South-Range 26 East, Eddy County, NM.

MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of October 31, 2018.

Stan Mitchell, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in computerized form by ContractRoom. No changes, alterations, or modifications, other than those in Articles II. A., III. B.1., V. B.1 & B.2., VI.A., VIII. B., C. & F., have been made to the form.

OPERATOR

Percussion Petroleum Operating, LLC

919 Milan St., Suite 2475

Houston, TX 77002

By: _____

Print: _____

As: _____

NON-OPERATORS

St. Devote LLC

919 Milan St., Suite 2475

Houston, TX 77002

By: _____

Print: _____

As: _____

FOXLEY Resources, Inc.

104 South 4th Street

Artesian, NM 88210

By: _____

Print: _____

As: _____

Mewbourne Development Corporation

P.O. Box 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

CWM 2000-B II Ltd

P.O. Box 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

Gendron Rev. Liv. Trust

380 Abbey Road

Indiana, PA 15701

By: _____

Print: _____

As: _____

Mewbourne Oil Company

P.O. Box 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

Mewbourne Energy Partners 09-A LP

P.O. Box 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

CWM 2000-B Ltd

P.O. Box 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

3MG Corporation

P.O. 7698

Tyler, TX 75711

By: _____

Print: _____

As: _____

Joseph R. Hodge

404 W. 27th Street

Houston, TX 77008

By: _____

Print: _____

As: _____

Unknown Heirs of Ernie Bello, Dec'd
1570 Alwea Drive
Honolulu, HI 96817

By: _____
Print: _____
As: _____

Sanford J. Hodge
3500 Maple Ave., Suite 1165
Dallas, TX 75219

By: _____
Print: _____
As: _____

Nearburg Exploration Company, L.L.C.
P.O. Box 823085
Dallas, TX 75382-3085

By: DAVE A DAVIS
Print: DAVE A DAVIS
As: COO / CEO

Space Building Corporation
P.O. Box 283
East Taunton, MA 02718

By: _____
Print: _____
As: _____

Robert B. Bunn Rev. Liv. Trust
c/o Robert B. Bunn
Address Unknown

By: _____
Print: _____
As: _____

E.G. Holden Test. Trust c/o James T. Farrell
2505 Green Street
San Francisco, CA 94123

By: _____
Print: _____
As: _____

Heirs of Dr. Isao A. Kawasaki, Dec'd
734 Kalanipuer Street
Honolulu, HI 96825

By: _____
Title: _____
As: _____

Adolph P. Schuman Marital Trust
405 Howard Street
San Francisco, CA 94105

By: _____
Print: _____
As: _____

J. Fredrick Van Vranken, Jr
950 Regency Square, Apt. 202
Vero Beach, FL 32967

By: _____
Print: _____
As: _____

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED OCTOBER 31 OF 2018, BETWEEN PERCUSSION PETROLEUM OPERATING LLC, AS OPERATOR, AND ST. DEVOTE LLC, ET AL, AS NON-OPERATORS

Oil & Gas Lease

THIS AGREEMENT made this _____ day of _____, between _____ of _____, hereinafter called lessor (whether one or more) and _____, with an address of _____, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil, gas and associated hydrocarbons, conducting seismic operations, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said oil, gas and associated hydrocarbons, the following described land in Eddy County, New Mexico, to-wit:

Said land is estimated to comprise _____ acres, whether it actually comprises more or less, sometimes hereinafter referred to as "leased premises". This lease covers and includes any interest which lessor may own in any streets, alleys, highways, railroads, canals, rivers or any contiguous, adjacent or adjoining land to the leased premises.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of _____ from this date (called primary term) and as long thereafter as oil, gas or associated hydrocarbons is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16th of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected, or from time to time, at the option of lessee, lessee may sell the oil produced and saved from said land and pay lessor 3/16th of the net amount received by lessee, computed at the wellhead; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16th of the gas used, provided that on gas sold on or off the premises, the royalties shall be 3/16th of the net amount received by lessee from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee, or its designee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party, or its designee making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The net amount received by lessee from the sale of oil, gas or associated hydrocarbons on or off the leased premises shall be the Price established by the sales contract entered into in good faith by lessee and purchaser for such term and under such conditions as are customary in the industry. "price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments, including, but not limited to any costs associated with treating, processing, separating, metering, transporting, compressing, and all other costs and expenses associated with handling the oil and/or gas between the wellhead and point of sale.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil, gas and associated hydrocarbons. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the leased premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled oil, gas or associated hydrocarbons from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled oil, gas or associated hydrocarbons from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil, gas or associated hydrocarbons, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 90 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil, gas or associated hydrocarbons, so long thereafter as oil, gas or associated hydrocarbons is produced from said land. If, after the expiration of the primary term all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 90 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production of oil, gas or associated hydrocarbons, then this lease shall remain in full force so long thereafter as oil, gas or associated hydrocarbons is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200ft.) of any residence or barn now on said land without lessor's consent.

8. Whenever used in this lease the "operations" shall mean any of the following: construction activities in preparation for and/or actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas or associated hydrocarbons, whether or not in paying quantities.

9. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or the executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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

11. 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, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

12. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

By: _____

ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, _____ by _____

Notary Public

Notary Seal:

COPAS 2005 ACCOUNTING PROCEDURE

EXHIBIT "C"

ACCOUNTING PROCEDURE JOINT OPERATIONS

Attached to and made part of that certain Operating Agreement dated October 31, 2018, between Percussion Petroleum Operating, LLC, as Operator, and St. Devote LLC, et al, as Non-Operators.

GENERAL PROVISIONS – ACCOUNTING PROCEDURE

IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING "ALTERNATIVE" PROVISIONS, OR SELECT ALL THE COMPETING "ALTERNATIVE" PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.

IN THE EVENT THAT ANY "OPTIONAL" PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT OF THE PARTIES IN SUCH EVENT.

DEFINITIONS

All terms used in this Accounting Procedure shall have the following meaning, unless otherwise expressly defined in the Agreement:

"Affiliate" means for a person, another person that controls, is controlled by, or is under common control with that person. In this definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) "person" means an individual, corporation, partnership, trust, estate, **unincorporated** organization, association, or other legal entity.

"Agreement" means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting Procedure is attached.

"Controllable Material" means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

"Equalized Freight" means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest Railway Receiving Point to the property.

"Excluded Amount" means a specified excluded trucking amount most recently recommended by COPAS.

"Field Office" means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable field personnel.

"First Level Supervision" means those employees whose primary function in Joint Operations is the direct oversight of the Operator's field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling

- Responsibility for day-to-day direct oversight of rig operations

- Responsibility for day-to-day direct oversight of construction operations

- Coordination of job priorities and approval of work procedures

- Responsibility for optimal resource utilization (equipment, Materials, personnel)

- Responsibility for meeting production and field operating expense targets

- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities

- Responsibility for all emergency responses with field staff

- Responsibility for implementing safety and environmental practices

- Responsibility for field adherence to company policy

- Responsibility for employment decisions and performance appraisals for field personnel

- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATEMENTS AND BILLINGS

The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written notice to the Operator.

ADVANCES AND PAYMENTS BY THE PARTIES

Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within fifteen (15) days after receipt of the advance

request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.

Except as provided below, each Party shall pay its proportionate share of all bills in full ~~within thirty (30) days~~ ~~within fifteen (15) days~~ of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Wall Street Journal on the first day of each month the payment is ~~delinquent~~, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the Wall Street Journal ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%) per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working interest or Participating Interest, as applicable; or

being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement; or

being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or

charges outside the adjustment period, as provided in Section I.4 (Adjustments).

ADJUSTMENTS

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

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

a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or

an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or

a government/regulatory audit, or

a working interest ownership or Participating Interest adjustment.

EXPENDITURE AUDITS

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

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

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

A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with the additional deadlines in Section I.5.B or I.5.C, the Operator's waiver of its rights to assert a statute of limitations defense against the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations; provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or I.5.C.

The Operator shall provide a written response to all exceptions in an audit report within ~~three hundred eighty (380)~~ three hundred sixty (360) ~~one hundred eighty (180)~~ days after Operator receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive response to an exception within this ~~three hundred sixty (360)~~ one hundred eighty (180) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

The lead audit company shall reply to the Operator's response to an audit report within ~~thirty (30)~~ ninety (90) days of receipt, and the Operator shall reply to the lead audit company's follow-up response within ~~thirty (30)~~ ninety (90) days of receipt; provided, however, each Non-Operator shall have the right to represent itself if it disagrees with the lead audit company's position or believes the lead audit company is not adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response to an exception within this ~~thirty (30)~~ ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding ~~twenty-four (24)~~ fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually ~~agreed~~ location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

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

Forfeiture

Penalties

~~If the Non-Operators fail to meet the deadline in Section I.5.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non-Operators. If the Operator fails to meet the deadlines in Section I.5.B or I.5.C, any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.~~

APPROVAL BY PARTIES

General Matters

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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

Amendments

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of two (2) or more Parties, one of which is the Operator, having a combined working interest of at least 100%, which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

Affiliates

For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates.

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

DIRECT CHARGES

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

RENTALS AND ROYALTIES

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

LABOR

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

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

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

Operator's employees providing First Level Supervision,

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

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

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

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

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

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

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

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

Training costs as specified in COPAS MFI-35 ("Charging of Training Costs to the Joint Account") for personnel whose salaries and wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.

Operator's current cost of established plans for employee benefits, as described in COPAS MFI-27 ("Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation"), applicable to the Operator's labor costs chargeable to the Joint Account under Sections II.2.A and B based on the Operator's actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.

Award payments to employees, in accordance with COPAS MFI-49 ("Awards to Employees and Contractors") for personnel whose salaries and wages are chargeable under Section II.2.A.

MATERIAL

Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV (Material Purchases, Transfers, and Dispositions). Only such Material shall be purchased

for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

TRANSPORTATION

Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.

Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material from the Joint Property to the Operator's warehouse or other storage point shall be paid for by the Joint Property using one of the methods listed below.

If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per hundred weight charge plus fuel ~~surcharges~~ from the Railway Receiving Point to the Joint Property. The Operator shall consistently apply the selected alternative.

If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged directly to the Joint Property and shall not be included when calculating the Equalized Freight.

SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to contractors shall be chargeable pursuant to COPAS MFI-49 ("Awards to Employees and Contractors").

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, ~~Shore Base Facilities, Offshore Facilities, and~~ Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (Labor). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed 12% per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For ~~automotive~~ equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

AFFILIATES

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

For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed \$50,000 in a given calendar year.

The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or charges prior to billing Non-Operators for such Affiliates goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*). If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be zero dollars (\$ 0.00).

DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section 1.6.A (*General Matters*) or otherwise provided for in the Agreement.

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

TAXES AND PERMITS

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

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section 1.6.A (*General Matters*).

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

INSURANCE

Net premiums, deductibles, or self-insured retentions (SIRs) paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. ~~In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be used for personnel performing work On-site, and such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.~~

COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation.

ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable. Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

ABANDONMENT AND RECLAMATION

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

OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

OVERHEAD

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

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

warehousing, other than for warehouses that are jointly owned under this Agreement

design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)

inventory costs not chargeable under Section V (*Inventories of Controllable Material*)

procurement

administration

accounting and auditing

gas dispatching and gas chart integration

human resources

management

supervision not directly charged under Section II.2 (*Labor*)

legal services not directly chargeable under Section II.9 (*Legal Expense*)

taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)

preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.

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

DRILLING AND PRODUCING OPERATIONS

As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this Section III, the Operator shall charge on either: *Percentage Basis, Section III.1.C*

Technical Services

Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead - Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services: shall be charged direct to the Joint Account.

Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead - Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services: shall be charged direct to the Joint Account, only to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the **overhead** rates.

Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

Fixed Rate Basis

The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month \$7,000 (prorated for less than a full month)

Producing Well Rate per month \$700

Application of Overhead—Drilling Well Rate shall be as follows:

Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. ~~Charges for offshore and inland~~

~~waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first.~~ No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive workdays shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

Application of Overhead—Producing Well Rate shall be as follows:

An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.

Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.

A one well charge shall be made for the month in which plugging and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one well charge shall be made whether or not the well has produced.

An active gas well shut in because of overproduction, operational reasons, force majeure, regulatory reasons, market conditions, or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided, however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the effective date of such rates, in accordance with COPAS MF1-47 ("Adjustment of Overhead Rates").

Percentage Basis—

Operator shall charge the Joint Account at the following rates:—

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

~~Operating Rate of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (Rentals and Royalties) and II.9 (Legal Expense); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes; and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property. —~~

Application of Overhead—Percentage Basis shall be as follows:—

The Development Rate shall be applied to all costs in connection with:—

~~drilling, redrilling, sidetracking, or deepening of a well~~

~~a well undergoing plugback or workover operations for a period of five (5) or more consecutive workdays~~

~~preliminary expenditures necessary in preparation for drilling~~

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

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

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

MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of \$100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in

the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

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

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

8% of total costs if such costs are less than \$100,000; plus

5% of total costs in excess of \$100,000 but less than \$1,000,000; plus

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

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

8% of total costs if such costs are less than \$100,000; plus

5% of total costs in excess of \$100,000 but less than \$1,000,000; plus

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

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

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

For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any other overhead provisions.

In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7 (*Affiliates*), the provisions of this Section III.2 shall govern.

AMENDMENT OF OVERHEAD RATES

The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).

MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

DIRECT PURCHASES

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

TRANSFERS

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

PRICING

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

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

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

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

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

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

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

FREIGHT

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

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

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

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

Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point. Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All transportation costs are subject to Equalized Freight as provided in Section II.4 (Transportation) of this Accounting Procedure.

TAXES

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

CONDITION

Condition "A" – New and unused Material in sound and serviceable condition shall be charged at one hundred percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). Material transferred from the Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties owning such Material, pursuant to Section I.6.A (*General Matters*). All refurbishing costs required or necessary to return the Material to original condition or to correct handling, transportation, or other damages will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

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

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

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

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

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

Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher pressure service lines than standard line pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General Matters*).

Condition "E" – Junk shall be priced at prevailing scrap value prices.

OTHER PRICING PROVISIONS

Preparation Costs

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

Loading and Unloading Costs

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

DISPOSITION OF SURPLUS

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

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or other dispositions as agreed to by the Parties.

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

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

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

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

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

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

SPECIAL PRICING PROVISIONS

PREMIUM PRICING

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

SHOP-MADE ITEMS

Items fabricated by the Operator's employees, or by contract laborers under the direction of the **Operator**, shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either twenty-five percent (25%) of the current price as determined in Section IV.2.A (*Pricing*) or scrap value, whichever is higher. In no event shall the amount charged exceed the value of the item commensurate with its use.

MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at eighty percent (80%) of K-55/J-55 price as determined in Sections IV.2 (*Transfers*). Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of Controllable Material shall be made within twelve (12) months following the taking of the inventory or receipt of Non-Operator inventory report. Charges and credits for overages or shortages will be valued for the Joint Account in accordance with Section IV.2 (*Transfers*) and shall be based on the Condition "B" prices in effect on the date of physical inventory unless the inventorying Parties can provide sufficient evidence another Material condition applies.

DIRECTED INVENTORIES

Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of any directed inventory.

Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to commencement of the inventory. Expenses of directed inventories may include the following:

A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.

Actual transportation costs and Personal Expenses for the inventory team.

Reasonable charges for report preparation and distribution to the Non-Operators.

NON-DIRECTED INVENTORIES

OPERATOR INVENTORIES

Physical inventories that are not requested by the Non-Operators may be performed by the Operator, at the Operator's discretion. The expenses of conducting such Operator-initiated inventories shall not be charged to the Joint Account. B.

NON-OPERATOR INVENTORIES

Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory field work.

SPECIAL INVENTORIES

The expense of conducting inventories other than those described in Sections V.1 (*Directed Inventories*), V.2.A (*Operator Inventories*), or V.2.B (*Non-Operator Inventories*), shall be charged to the Party requesting such inventory; provided, however, inventories required due to a change of Operator shall be charged to the Joint Account in the same manner as described in Section V.1 (*Directed Inventories*).

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT
DATED OCTOBER 31 OF 2018, BETWEEN PERCUSSION PETROLEUM OPERATING
LLC, AS OPERATOR, AND ST. DEVOTE LLC, ET AL, AS NON-OPERATORS

INSURANCE

Operator shall carry insurance for the benefit of the joint account covering Operator's operations upon the Contract Area subject to the Operating Agreement to which this Exhibit "D" is attached as follows:

(a) Workmen's compensation insurance in accordance with the requirements of the laws of the State or States where work is conducted and employers liability insurance of Five Hundred Thousand Dollars (\$500,000.00) bodily injury by accident and Five Hundred Thousand Dollars (\$500,000.00) bodily injury by disease per employee, with a policy limit of Five Hundred Thousand Dollars (\$500,000.00) for bodily injury by disease.

(b) Public liability insurance with limits of One Million Dollars (\$1,000,000.00) as to any one person, and One Million Dollars (\$1,000,000.00) as to any one occurrence.

(c) Automobile public liability insurance with a combined single limit of up to One Million Dollars (\$1,000,000.00) per accident.

(d) Umbrella catastrophe liability of Ten Million Dollars (\$10,000,000.00) each occurrence and Ten Million Dollars (\$10,000,000.00) aggregate.

Each policy of insurance issued pursuant to the provisions of (a), (b), (c) or (d) of this section shall provide by endorsement or otherwise that the provisions of the policy are extended to cover the interest of the Non-Operator for whom the assured is acting as Operator, agent, or contractor under contract, but only with respect to operations conducted by named assured, and shall charge the premiums for all such insurance to the joint account.

Operator carries Control of Well Insurance covering its proportionate share of expenses involved in controlling a blowout, the expense of re-drilling and certain other related costs. Coverage under this agreement is available to non-operating working interest owners. Such insurance is optional, however, and if not rejected by the non-operating working interest owners prior to spud date, they will be billed accordingly. Any working interest owner rejecting above coverage shall be responsible for its proportionate share of such loss, anything in this agreement to the contrary notwithstanding.

Operator shall furnish, upon request, to Non-Operators a certificate covering each policy of insurance issued pursuant to this section.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED OCTOBER 31 OF 2018, BETWEEN PERCUSSION PETROLEUM OPERATING, LLC., AS OPERATOR, AND ST. DEVOTE LLC, ET AL, AS NON-OPERATORS

GAS BALANCING AGREEMENT

During the period or periods when any party hereto has no market for, or such party's purchaser is unable to take, or if any party fails to take its share of gas, the other parties shall be entitled to produce, take and deliver each month one hundred percent of the allowable gas production assigned to the unit area by the appropriate governmental entity having jurisdiction, and each of such parties shall be entitled to take its pro-rata share of such production. All parties hereto shall share in and own the condensate recovered at the surface in accordance with their respective interests, but each party taking such gas shall own all of the gas delivered to its purchaser.

Each party unable to market its full share of the gas produced shall be credited with underproduction equal to its share of the gas produced, less its share of gas taken or sold, used in lease operations, vented or lost. Operator shall maintain a current account of the gas balance between the parties and shall furnish all parties hereto annual statements showing the total quantity of gas produced, taken or sold, used in lease operations, vented or lost, and the total quantity of condensate recovered. After seventy-two (72) hours prior notice to Operator, any party may begin taking or delivering its share of gas produced.

In addition to its share, each underproduced party, until it has recovered its underproduction and balanced its gas account, shall be entitled to take or deliver a volume of gas equal to twenty-five percent (25%) of each overproduced party's share of gas produced. If more than one party is entitled to take additional gas, they shall divide such additional gas in proportion to their unit participation.

It is recognized that the purpose of this provision is to permit any party not marketing or taking its share of current gas production to defer its production from the reservoir and permit the other party or parties to pass clear title to all gas which is marketed or taken on a current basis. Therefore, in the event production of gas permanently ceases prior to the time that the accounts of the parties have been balanced, the complete balancing shall be made based upon the price actually received by each overproduced party for gas produced and sold in excess of its share, such gas being the last volumes produced from such well or wells.

Each party producing and taking gas shall pay any and all production taxes due on such gas. At all times while gas is produced from the Contract Area, each party hereto, while producing, taking or delivering any gas to a purchaser, shall pay or cause to be paid, all royalties due on the gas produced, taken or delivered to a purchaser. Such royalty payments shall be paid to all royalty owners in the well spaced unit of the well being produced and shall be for each royalty owner's proportionate share of the royalty due on production.

If, after one (1) year from the date of first sales and on a quarterly basis thereafter, an out-of-balance condition exists because of any party's inability or failure to take or deliver its share of production, then at the election of either the over-balanced party or the under-balanced party, either may require a cash balancing. The price basis for a cash-balancing pursuant to terms of this paragraph shall be the over-balanced party's price received during the period for which the cash balancing covers less applicable taxes, royalties and gathering or marketing fees. The payment for such overproduction shall be in the order of accrual (first in first out). This option may be exercised quarterly by either party during the thirty (30) day period immediately following the quarterly anniversary of the date of first sales of gas by the first party selling any gas from the well.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN JOINT OPERATING AGREEMENT DATED SEPTEMBER 14TH OF 2018, BY AND BETWEEN PERCUSSION PETROLEUM OPERATING, LLC, AS OPERATOR, AND ST. DEVOTE LLC, ET AL, AS NON-OPERATOR(S).

MEMORANDUM OF OPERATING AGREEMENT
STATEMENT OF LIENS, SECURITY AGREEMENT AND FINANCING STATEMENT

Reference is hereby made to that certain Joint Operating Agreement dated as of September 14, 2018, by and between Percussion Petroleum Operating, LLC as Operator and St. Devote LLC, et al, as Non-Operator(s), (the "Operating Agreement"). If there is any conflict between the terms of the Operating Agreement and this Memorandum, the terms of the Operating Agreement shall control.

This Memorandum of Operating Agreement, Statement of Liens, Security Agreement and Financing Statement ("the Memorandum") shall be effective when the Operating Agreement becomes effective.

The parties hereto have entered into the Operating Agreement which provides for the development and production of crude oil, natural gas and associated substances from the lands and leases (the "Contract Area") described in Exhibit "A" attached hereto. The Operating Agreement contains an Accounting Procedure, along with provisions giving the parties hereto mutual liens and security interests where one or more parties hereto become debtors to one or more parties hereto. This Memorandum incorporates by reference all of the terms and conditions of the Operating Agreement, including but not limited to the lien and security interest provisions.

The purpose of this Memorandum is to place third parties on notice of the Operating Agreement, and to secure and perfect the mutual liens and security interests of the parties hereto.

The Operating Agreement specifically provides that:

1. The Operator 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 the Operating Agreement.
2. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area.
3. Each Non-Operator(s) grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil or gas or both when extracted (and proceeds from sale of such oil or gas) and its interest in all equipment, to secure payment of its share of expenses, together with interests thereon at the rate provided in the Accounting Procedure. To the extent that Operator has a security interest under the Uniform Commercial Code ("the Code") of the state in which the Contract Area is located, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the rights or security interest for the payment thereof.
4. If any Non-Operator fails to pay its share of costs when due, Operator may require other Non-Operators to pay their proportionate part of the unpaid share.
5. The Operator grants to Non-Operator a lien and security interest equivalent to that granted to Operator as described in Paragraph 3 above, to secure payment by Operator of its own share of costs when due.

The Operating Agreement contains other provisions which do not conflict but supplement the above described provisions, including non-consent provisions which provide that parties who elect not to participate in certain operations shall be deemed to have relinquished their interests until the consenting parties are able to recover their costs of such operations plus a specified amount. Should any person or firm desire additional information regarding the Operating Agreement or wish to inspect a copy of the Operating Agreement, said person or firm should contact the Operator.

For purpose of perfecting said liens and security interests, the undersigned parties agree that this Memorandum covers all right, title and interest of the debtor(s) in:

1.
 - A. All personal property located upon or used in connection with the Contract Area.
 - B. All fixtures on the Contract Area.
 - C. All oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.
 - D. All accounts resulting from the sale of the items described in subparagraph C at the wellhead of every well located on the Contract Area or on lands pooled therewith.
 - E. All items used, useful, or purchased for the production, treatment, storage, transportation, manufacture, or sale of the items described in subparagraph C.
 - F. All accounts, contract rights, rights under any gas balancing agreement, general intangibles, equipment, inventory, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights, whether now owned or existing or hereafter acquired or arising located in the Contract Area.
 - G. All severed and extracted oil, gas, and associated substances now or hereafter produced from or attributable to the Contract Area, including without limitation oil, gas and associated substances in tanks or pipelines or otherwise held for treatment, transportation, manufacture, processing or sale.
 - H. All the proceeds and products of the items described in the foregoing paragraphs now existing or hereafter arising, and all substitutions therefor, replacements thereof, or accessions thereto.

- I. All personal property and fixtures now and hereafter acquired in furtherance of the purposes of the Operating Agreement located and dealing specifically with operations in the Contract Area.
2. Certain of the above-described items are, or are to become, fixtures of the Contract Area.
3. The proceeds and products of collateral are also covered.
4. All real property within the Contract Area, including all oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.
5. All fixtures within the Contract Area.
6. All real property and fixtures now and hereafter acquired in furtherance of the purposes of the Operating Agreement located and dealing specifically with operations in the Contract Area.

This Memorandum is to be filed for record in the real estate records of the county or counties in which the Contract Area is located, and in the Uniform Commercial Code records. The name and address of each party who has executed the subject Operating Agreement are identified on Exhibit A.

On default of any covenant or condition of the Operating Agreement, in addition to any other remedy afforded by law or the practice of the state in which the Contract Area is located, each party to the agreement and any successor to such party by assignment, operation of law, or otherwise, shall have, and is hereby given and vested with the power and authority to take possession of and sell any interest which the defaulting party has as described above and to foreclose this lien in the manner provided by law.

Upon expiration of the Operating Agreement and the satisfaction of all debts, the Operator may file of record a Release of this Memorandum on behalf of all parties concerned.

It is understood and agreed by the parties hereto that if any part, term, or provision of this Memorandum is by the courts held to be illegal or in conflict with any law of the state where made, the validity of the remaining portions or provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if this Memorandum did not contain the particular part, terms or provision held to be invalid.

This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns. The failure of one or more parties owning an interest in the Contract Area to execute this Memorandum shall not in any manner affect the validity of the Memorandum as to those parties who have executed this Memorandum.

A party having an interest in the Contract Area can ratify this Memorandum by execution and delivery of an instrument of ratification, adopting and entering into this Memorandum and such ratification shall have the same effect as if the ratifying party hereby consents to its ratification and adoption by any party who may have or may acquire any interest in the Contract Area.

This Memorandum may be executed or ratified in one or more counterparts and all of the executed or ratified counterparts shall together constitute one instrument. For purposes of recording, only one copy of this Memorandum with individual signature pages attached thereto need be filed of record.

OPERATOR:

Percussion Petroleum Operating, LLC

NON-OPERATOR(S):

St. Devote LLC

By: _____

Print: _____

Title: _____

Address:
919 Milam Street, Suite 2475
Houston, Texas 77002

Print: _____

Title: _____

Address:
919 Milam Street, Suite 2475
Houston, Texas 77002

NON-OPERATOR(S):

Mewbourne Oil Company

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

EOG Y Resources, Inc.

By: _____

Print: _____

Title: _____

Address: 104 South 4th Street
Artesia, NM 88210

NON-OPERATOR(S):

Mewbourne Energy Partners 09-A LP

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

Mewbourne Development Corporation

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

CWM 2000-B Ltd

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

CWM 2000-B II Ltd

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

NON-OPERATOR(S):

3MG Corporation

By: _____

Print: _____

Title: _____

Address: P.O. Box 7698
Tyler, TX 75711

NON-OPERATOR(S):

Gendron Rev. Liv. Trust

By: _____

Print: _____

Title: _____

Address: 380 Abbey Road
Indiana, PA 15701

NON-OPERATOR(S):

Joseph R. Hodge

By: _____

Print: _____

Title: _____

Address: 404 27th Street
Houston, TX 77008

NON-OPERATOR(S):

Unknown Heir/Devises of Ernie Bello, Dec'd

By: _____

Print: _____

Title: _____

Address: 1570 Alwea Drive
Honolulu, HI 96817

NON-OPERATOR(S):

E. G. Holden Testamentary Trust

By: _____

Print: _____

Title: _____

Address: 2505 Green Street
San Francisco, CA 94123

NON-OPERATOR(S):

Betsy H. Keller

By: _____

Print: _____

Title: _____

Address: 2505 Green Street
San Francisco, CA 94123

NON-OPERATOR(S):

Sanford J. Hodge

By: _____

Print: _____

Title: _____

Address: 3500 Maple, Ave., Suite 1165
Tyler, TX 75711

NON-OPERATOR(S):

Heirs/Devises of Dr. Isaac Kawasaki, Dec'd

By: _____

Print: _____

Title: _____

Address: 734 Kalanipuer Street
Honolulu, HI 96825

NON-OPERATOR(S):

Nearburg Exploration

By:  _____

Print: _____

Title: _____

Address: P.O. Box 823085
Dallas, TX 75382

NON-OPERATOR(S):

Adolph P. Schuman Marital Trust

By: _____

Print: _____

Title: _____

Address: 405 Howard, Street
San Francisco, CA 94105

NON-OPERATOR(S):

Space Building Corporation

By: _____

Print: _____

Title: _____

Address: P.O. Box 283
East Taunton, MA 02718

NON-OPERATOR(S):

J. Frederick Van Vranken

By: _____

Print: _____

Title: _____

Address: 950 Regency Square, Apt. # 202
Vero Beach, FL 32967

NON-OPERATOR(S):

Robert B. Bunn, Trustee of the Rob't B. Bunn Rev. Trust

By: _____

Print: _____

Title: _____

Address: Unknown

NON-OPERATOR(S):

By: _____

Print: _____

Title: _____

Address:

EXHIBIT "A"

Attached to and made a part of that certain **MEMORANDUM OF OPERATING AGREEMENT STATEMENT OF LIENS, SECURITY AGREEMENT AND FINANCING STATEMENT** dated October 31, 2018 by and between Percussion Petroleum Operating, LLC, as Operator, and St. Devote LLC, et al, as Non-Operator(s).

(Subject to Change in Ownership Upon Final Participation)

I. CONTRACT AREA:

Township 19 South – Range 25 East
Section 34: East Half of the East Half
Eddy County, New Mexico

II. RESTRICTIONS AS TO DEPTHS

As to the Yeso formation only, defined as the top of the Yeso formation at 2,279' MD and the base of the Yeso formation is at 4,460' MD based on the Len Mayer 1 (30-015-05926) RDL_NEUTRON_POROSITY_21N log from Section 28-T18S-R28E. Working interests are broken out further within the Yeso formation below under "WORKING INTERESTS OF THE PARTIES BY DEPTH".

III. NAMES, CONTACTS AND ADDRESS OF THE PARTIES

Operator:
Percussion Petroleum Operating, LLC
Attn: Josh Grisham
919 Milam Street, Suite 2475
Houston, TX 77002
Phone: 713-518-1331
Fax: 713-255-0261

Non-Operators:

St. Devote, LLC
Attn: Josh Grisham
919 Milam St, Ste. 2475
Houston, TX 77002

Sanford J. Hodge
Arcadia Realty Group
3500 Maple Ave, Suite 1165
Dallas, TX 75219

Mewbourne Oil Company
P.O. Box 7698
Tyler, TX 75711

Heirs/Devisees of Dr. Isaac A. Kawasaki
734 Kalanipuer Street
Honolulu, HI 96825

Mewbourne Energy Partners 09-A LP
P.O. Box 7698
Tyler, TX 75711

Betsy H. Keller
c/o James T. Farrell
2505 Green Street
San Francisco, CA 94123

Mewbourne Development Corporation
P.O. Box 7698
Tyler, TX 75711

EOG Y
Attn: Janet Richardson
104 South Fourth Street
Artesia, NM 88210

CWM 2000-B Ltd
P.O. Box 7698
Tyler, TX 75711

Nearburg Exploration Company
P.O. Box 823085
Dallas, TX 75382-3085

CWM 2000-B II Ltd
P.O. Box 7698
Tyler, TX 75711

Adolph P. Schuman Marital Trust
Paul J. Sax, Co-Trustee
405 Howard Street
San Francisco, CA 94105

3MG Corporation
P.O. Box 7698
Tyler, TX 75711

Gendron Rev. Liv. Trust
Robert P. Gendron, Trustee
380 Abbey Road
Indiana, PA 15701

Joseph R. Hodge
404 W. 27th Street
Houston, TX 77008

Unknown Heirs and Devisees
of Ernie Bello, Dec'd
c/o Lorraine Bello & Erlaine Bello-Trombetta
1570 Alwea Drive
Honolulu, HI 96817

E.G. Holden Testamentary Trust
c/o James T. Farrell
2505 Green Street
San Francisco, CA 94123

Space Building Corporation
P.O. Box 283
East Taunton, MA 02718

J. Fredrick Van Vranken, Jr
950 Regency Square, Apt. #202
Vero Beach, FL 32967

Robert B. Bunn, Trustee Trust
Address Unknown

IV. WORKING INTERESTS OF THE PARTIES:

From the Top of the Yeso Formation to 3,700 Feet

St. Devote LLC	43.233770%
Mewbourne Oil Company	9.791667%
Mewbourne Energy Partners 09-A LP	16.500000%
Mewbourne Development Corporation	5.500000%
CWM 2000-B Ltd	7.833333%
CWM 2000-B II Ltd	3.375000%
3MG Corporation	7.000000%
Heirs of Ernie Belo	0.054643%
J.W. Gendron	0.081964%
Joseph R. Hodge	0.009107%
Sanford J. Hodge, III	0.009107%
E.G. Holden Testamentary Trust	0.027321%
Heirs of Dr. Isaac A. Kawasaki	0.054643%
Betsy Keller	0.027321%
EOG Y	0.136606%
Nearburg Exploration Company	0.109285%
Adolph P. Schuman	0.054643%
Space Building Corporation	0.136606%
Frederick Van Vranken	0.054643%
Robert B. Bunn, Trustee	<u>6.010345%</u>

Total: 100.000000%

V. OIL AND GAS LEASES TO THE CONTRACT AREA

Lease No. 1

Lessor: United States of America, NMNM 0504364-B
Lessee: American National Petroleum, et al
Dated: February 1, 1964

Lands: NE4/NE/ SE4/NE4 of Section 34, Township 19 South,
Range 25 East (containing 80 acres)

Royalty: 1/8th

Lease No. 2

<u>Lessor:</u>	United States of America. NMNM 31200
<u>Lessee:</u>	Mewbourne Oil Company
<u>Dated:</u>	September1, 1977
<u>Lands:</u>	<u>Township 19 South, Range 25 East, N.M.P.M.</u> Section 34: E2/SE4 (containing 80 acres)
<u>Royalty:</u>	1/8 th

SEP Permian LLC
AUTHORITY FOR EXPENDITURE

AFE NO.: D20114	COMPANY
AFE DESC: LAKEWOOD FEDERAL COM 20H	DIVISION
DATE: 09/03/2020	OPERATOR:
AFE TYPE: DRILL COMPLETE AND EQUIP	102 - SEP PERMIAN,
GROSS/NET: G	LLC

DETAIL OF EXPENDITURES	DRYHOLE	COMPLETION	EQUIP-TIE	SUPPLEMENT	TOTAL	ACTUAL
LOCATION - OPS		29,000.00	0.00		29,000.00	
TOTAL:		29,000.00	0.00		29,000.00	
LOCATION/DAMAGES-LAND		10,000.00	0.00		10,000.00	
TOTAL:		10,000.00	0.00		10,000.00	
TITLE WORK/OPINIONS - LAND		60,000.00	0.00		60,000.00	
TOTAL:		60,000.00	0.00		60,000.00	
SURVEY - LAND		5,000.00	0.00		5,000.00	
TOTAL:		5,000.00	0.00		5,000.00	
DRILLING RENTALS: SURFACE		44,013.00	0.00		44,013.00	
TOTAL:		44,013.00	0.00		44,013.00	
DRILLING RENTALS: SUBSURFACE		25,000.00	0.00		25,000.00	
TOTAL:		25,000.00	0.00		25,000.00	
DRILL MUD & COMPL FLUID		25,000.00	0.00		25,000.00	
TOTAL:		25,000.00	0.00		25,000.00	
WELLSITE SUPERVISION		27,900.00	0.00		27,900.00	
TOTAL:		27,900.00	0.00		27,900.00	
GROUND TRANSPORT		9,000.00	0.00		9,000.00	
TOTAL:		9,000.00	0.00		9,000.00	
CONTRACT DRILLING (DAY RATE/TUF		122,500.00	0.00		122,500.00	
TOTAL:		122,500.00	0.00		122,500.00	
DIRECTIONAL TOOLS AND SERVICES		97,350.00	0.00		97,350.00	
TOTAL:		97,350.00	0.00		97,350.00	
FLUID & CUTTINGS DISPOSAL		62,300.00	0.00		62,300.00	
TOTAL:		62,300.00	0.00		62,300.00	
FRAC TANK RENTALS		180.00	0.00		180.00	
TOTAL:		180.00	0.00		180.00	
BITS		30,500.00	0.00		30,500.00	
TOTAL:		30,500.00	0.00		30,500.00	
FUEL, WATER & LUBE		23,400.00	0.00		23,400.00	
TOTAL:		23,400.00	0.00		23,400.00	
CEMENT		32,500.00	0.00		32,500.00	
TOTAL:		32,500.00	0.00		32,500.00	
CASING CREWS AND LAYDOWN SERV		7,500.00	0.00		7,500.00	
TOTAL:		7,500.00	0.00		7,500.00	
PROD CSG CREW AND LAYDOWN SEI		7,500.00	0.00		7,500.00	
TOTAL:		7,500.00	0.00		7,500.00	
MUD LOGGER		9,000.00	0.00		9,000.00	
TOTAL:		9,000.00	0.00		9,000.00	
MOB/DEMOB RIG		16,800.00	0.00		16,800.00	
TOTAL:		16,800.00	0.00		16,800.00	
VACUUM TRUCKING		15,000.00	0.00		15,000.00	
TOTAL:		15,000.00	0.00		15,000.00	
DRILLPIPE INSPECTION		10,000.00	0.00		10,000.00	
TOTAL:		10,000.00	0.00		10,000.00	
CONTRACT LABOR/SERVICES		38,000.00	0.00		38,000.00	
TOTAL:		38,000.00	0.00		38,000.00	
MISC IDC/CONTINGENCY		85,596.18	0.00		85,596.18	
TOTAL:		85,596.18	0.00		85,596.18	
SURFACE CASING		23,478.00	0.00		23,478.00	
TOTAL:		23,478.00	0.00		23,478.00	
PRODUCTION/LINER CASING		126,040.75	0.00		126,040.75	
TOTAL:		126,040.75	0.00		126,040.75	
CONDUCTOR PIPE		20,000.00	0.00		20,000.00	
TOTAL:		20,000.00	0.00		20,000.00	
WELLHEAD		14,000.00	0.00		14,000.00	
TOTAL:		14,000.00	0.00		14,000.00	
LINER HANGER/CASING ACCESSORY		15,000.00	0.00		15,000.00	

SEP Permian LLC
AUTHORITY FOR EXPENDITURE

AFE NO.:	D20114	COMPANY	
AFE DESC:	LAKEWOOD FEDERAL COM 20H	DIVISION	
DATE:	09/03/2020	OPERATOR:	
AFE TYPE:	DRILL COMPLETE AND EQUIP	102 - SEP PERMIAN,	
GROSS/NET:	G	LLC	

TOTAL:	15,000.00	0.00	15,000.00
EQUIP RENT	44,000.00	0.00	44,000.00
TOTAL:	44,000.00	0.00	44,000.00
RENTALS: SURFACE IRON	65,000.00	0.00	65,000.00
TOTAL:	65,000.00	0.00	65,000.00
DRILLING RENTALS: SUBSURFACE	10,000.00	0.00	10,000.00
TOTAL:	10,000.00	0.00	10,000.00
DRILL MUD & COMPL FLUID	275,000.00	0.00	275,000.00
TOTAL:	275,000.00	0.00	275,000.00
WELLSITE SUPERVISION	46,250.00	0.00	46,250.00
TOTAL:	46,250.00	0.00	46,250.00
COMPLETION CHEMICALS	110,000.00	0.00	110,000.00
TOTAL:	110,000.00	0.00	110,000.00
GROUND TRANSPORT	10,000.00	0.00	10,000.00
TOTAL:	10,000.00	0.00	10,000.00
PUMPDOWN	25,000.00	0.00	25,000.00
TOTAL:	25,000.00	0.00	25,000.00
CASED HOLE WIRELINE	82,000.00	0.00	82,000.00
TOTAL:	82,000.00	0.00	82,000.00
FRAC PLUGS	44,000.00	0.00	44,000.00
TOTAL:	44,000.00	0.00	44,000.00
FRAC/FLUID SW DISPOSAL	10,000.00	0.00	10,000.00
TOTAL:	10,000.00	0.00	10,000.00
FRAC TANK RENTALS	10,000.00	0.00	10,000.00
TOTAL:	10,000.00	0.00	10,000.00
FLOWBACK	47,000.00	0.00	47,000.00
TOTAL:	47,000.00	0.00	47,000.00
STIMULATION AND PUMPING SERVICE	300,000.00	0.00	300,000.00
TOTAL:	300,000.00	0.00	300,000.00
PROPPANT	150,000.00	0.00	150,000.00
TOTAL:	150,000.00	0.00	150,000.00
FUEL, WATER & LUBE	120,000.00	0.00	120,000.00
TOTAL:	120,000.00	0.00	120,000.00
CASING CREWS AND LAYDOWN SERVICE	2,500.00	0.00	2,500.00
TOTAL:	2,500.00	0.00	2,500.00
COMPLETION/WORKOVER RIG	51,500.00	0.00	51,500.00
TOTAL:	51,500.00	0.00	51,500.00
KILL TRUCK	2,500.00	0.00	2,500.00
TOTAL:	2,500.00	0.00	2,500.00
COIL TUBING, SNUBBING, NITRO SVC	10,000.00	0.00	10,000.00
TOTAL:	10,000.00	0.00	10,000.00
CONTRACT LABOR - ARTIFICIAL LIFT	17,500.00	0.00	17,500.00
TOTAL:	17,500.00	0.00	17,500.00
CONTRACT LABOR - ELECTRICAL/AU	20,000.00	0.00	20,000.00
TOTAL:	20,000.00	0.00	20,000.00
CONTRACT LABOR - WELL LEVEL	15,000.00	0.00	15,000.00
TOTAL:	15,000.00	0.00	15,000.00
FACILITY PAD CONSTRUCTION	17,500.00	0.00	17,500.00
TOTAL:	17,500.00	0.00	17,500.00
MISC INTANGIBLE FACILITY COSTS	5,000.00	0.00	5,000.00
TOTAL:	5,000.00	0.00	5,000.00
CONTRACT LABOR - AUTOMATION	5,750.00	0.00	5,750.00
TOTAL:	5,750.00	0.00	5,750.00
EQUIPMENT RENTALS	3,750.00	0.00	3,750.00
TOTAL:	3,750.00	0.00	3,750.00
FREIGHT & HANDLING	3,750.00	0.00	3,750.00
TOTAL:	3,750.00	0.00	3,750.00
CONTRACT LABOR - ELECTRICAL	10,000.00	0.00	10,000.00

SEP Permian LLC
AUTHORITY FOR EXPENDITURE

AFE NO.: D20114		COMPANY	
AFE DESC: LAKEWOOD FEDERAL COM 20H		DIVISION	
DATE: 09/03/2020		OPERATOR:	
AFE TYPE: DRILL COMPLETE AND EQUIP		102 - SEP PERMIAN,	
GROSS/NET: G		LLC	
TOTAL:		10,000.00	0.00
FACILITY CONSTRUCTION LABOR		45,000.00	0.00
TOTAL:		45,000.00	0.00
BITS		1,000.00	0.00
TOTAL:		1,000.00	0.00
OVERHEAD POWER		12,500.00	0.00
TOTAL:		12,500.00	0.00
PARTS & SUPPLIES - ARTIFICIAL LIFT		50,000.00	0.00
TOTAL:		50,000.00	0.00
PARTS & SUPPLIES - ELECTRICAL/AU		5,000.00	0.00
TOTAL:		5,000.00	0.00
PARTS & SUPPLIES - WELL LEVEL		20,000.00	0.00
TOTAL:		20,000.00	0.00
TUBING		44,250.00	0.00
TOTAL:		44,250.00	0.00
TUBING HEAD/XMAS TREE		10,000.00	0.00
TOTAL:		10,000.00	0.00
VESSELS		41,750.00	0.00
TOTAL:		41,750.00	0.00
ELECTRICAL - OVERHEAD & TRANSF		12,500.00	0.00
TOTAL:		12,500.00	0.00
LACT		18,750.00	0.00
TOTAL:		18,750.00	0.00
AUTOMATION METERS, SENSORS, V/I		23,750.00	0.00
TOTAL:		23,750.00	0.00
MISC FITTINGS & SUPPLIES		20,000.00	0.00
TOTAL:		20,000.00	0.00
PUMPS & PUMP SUPPLIES		7,500.00	0.00
TOTAL:		7,500.00	0.00
MISC TANGIBLE FACILITY COSTS		2,500.00	0.00
TOTAL:		2,500.00	0.00
TANKS (OIL & WATER)		43,750.00	0.00
TOTAL:		43,750.00	0.00
CONTAINMENT		15,000.00	0.00
TOTAL:		15,000.00	0.00
PIPING		12,500.00	0.00
TOTAL:		12,500.00	0.00
ELECTRICAL - FACILITY		61,250.00	0.00
TOTAL:		61,250.00	0.00
TOTAL THIS AFE:		2,951,557.93	0.00