

A A P L FORM 610 1982

MODEL FORM OPERATING AGREEMENT

SRO STATE EXPLORATORY UNIT

OPERATING AGREEMENT

DATED

May 8 2009

JK

OPERATOR Marbob Energy Corporation

CONTRACT AREA SEE ATTACHED EXHIBIT A

COUNTY OR PARISH OF Eddy STATE OF New Mexico

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

NMOCC CASE Nos 15441 15481 15482
NEX SRO2 LLC AND SRO3 LLC
Exhibit No 42
February 28 2017

C 002168

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OPERATING AGREEMENT

THIS AGREEMENT entered into by and between Marbob Energy Corporation

heretofore known and referred to as "Operator" and the signatory party or parties other than Operator sometimes hereinafter referred to individually hereinafter as "Non-Operator" and collectively as "Non-Operators"

WITNESSETH

WHEREAS the parties to the agreement are owners of oil and gas leases and/or oil and gas interests in land identified in Exhibit A and the parties hereto entered into 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 hereinafter provided

NOW THEREFORE, the parties agree as follows

ARTICLE I
DEFINITIONS

As used in this agreement the following words and terms shall have the meanings hereinafter ascribed to them
A. The term "oil and gas" shall mean oil, natural gas, gas condensate, and all other liquid or gaseous hydrocarbons and their marketable substances produced therefrom, unless a different definition is specifically stated
B. The terms "oil and gas leases" and "leasehold" shall mean the oil and gas leases covering the lands underlying the Contract Area which are owned by the parties to this agreement
C. The terms "oil and gas interests" shall mean leasehold and mineral interests in the Contract Area which are owned by the parties to this agreement
D. The term "Contract Area" shall mean all the lands, oil and gas leasehold interests, and oil and gas interests developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit A
E. The term "drilling" shall mean the area fixed for the drilling of a well by order or rule of any state or federal regulatory authority if drilling is not fixed by any such rule or order. Drilling unit shall be the drilling unit as established by the pattern drilling of the Contract Area fixed by express agreement of the Drilling Parties
F. The term "drills" shall mean the oil and gas leasehold interest on which a proposed well is to be located
G. The terms "Drilling Party" and "Contracting Party" shall mean a party who agrees to join and pay its share of the cost of any production and related operations of the agreement
H. The terms "Non-Drilling Party" and "Non-Contracting Party" shall mean a party who elects not to participate in proposed operations.

Unless the context otherwise clearly indicates word used in the singular shall include the plural and the feminine shall include the masculine and the feminine

ARTICLE II
EXHIBITS

The following exhibits indicated below and attached hereto are incorporated and made part hereof
[] Exhibit A shall include the following information
(1) Identification of lands subject to this agreement
(2) Restrictions if any as to depths, formation or substances
(3) Percentages fractional interests participating in the agreement
(4) Oil and gas leases and/or oil and gas interests subject to this agreement
(5) Addresses of parties for notice purposes
[] Exhibit B Form of Lease
[] Exhibit C Accounting Procedure
[] Exhibit D Insurance
[] Exhibit E Gas Billing Agreement
[] Exhibit F Non-Discretionary and Certain Non-Segregated Facilities
[] Exhibit G Partnership
If any provision of any exhibit, except Exhibits E and G is inconsistent with any provision contained in the body of this agreement the provisions of the body of this agreement shall prevail

ARTICLE III
INTERESTS OF PARTIES

4 A Oil and Gas Interests

6 If y party wns l d gas i terest the C ntra t Area that terest shall be treated fo ll purposes f d is agr emt
7 and during th term hereof as if t were co ered by th form f l nd gas lease attached hereto as Exhibit B" and th wner thereof
8 shall b deemed to n b th the roy lty interest reserved i su h lease and th interest f the lessee there nder
9

10 B Interests of Parties In Costs and Production

12 Unless l nged by other provis ns, ll cost and liabilities incurred in operat ons u der this agreement shall be borne and
13 paid, and all equipment and materials equred in operations on the Contract Area shall b owned by th parties a th lr interests re set
14 forth in Exhib t A In the same manner the part es shall also wn ll produ tion f l and gas from the Contract Area subject to ll
15 payment of royalties to th ext t f _____ 1/6 _____ w lch shall be borne as hereinafter set forth.

17 R gardless f which party has contributed th lease(s) d/or l and gas i terest(s) hereto o w l h royalty is d a u d
18 payable, each party entitled to oces o a share of produ t on f oil and gas fr m the Contract Area shall bea and shall pay o del cr o
19 cause to b pa d del red t ll extent f its interest in s ch p d cr th royalty mo t stipulated herea bo and sh ll hold th
20 other part es free from any l ability ther for No p rty shall ever b responsible, howe r p ice bas s higher thn the price recee d
21 by su h party t ny other party lessor royalty wner and f any such ther party lessor or royalty w r hould demand d
22 rece tlement on a higher price bas s th party ntribut g the ffected lease shall bea th dditional roy lty burden t b i bl t
23 such h gher price.

25 Nothing contained in this Art cl III B sh ll be d cmed an ssignme t or cros -assignment f interests covered hereby

27 C. Excess Royalties O rring Royalties and O tle Payne t

29 U less l nged by other pro sio s f the terest of any party in any lease co ered h by is subject t y roy lty
30 erding royalty produ tion payment or other b rden o product n ex ess of the amount stipulated Artcl III B such p rty s
31 burdened shall assume nd alo bea all such excess obligations and shall unde mfy d hold the other parties hereto harmless fro any
32 and ll cl ns and demands fo payment asserted by wns of such excess burden.

34 D S b quently Created Interests

36 If any party sh uld hereafter cat erred g yalty produ tion payment o der burd n pay bl out of product n
37 unbutable t rts working terest her nder or if such a burden sted prior to th s agreement and is not set forth in Exhib t A
38 was not disclosed in writ g t ll oil or parties pri to ll excc t on of th gr ement by all parties or is not jointly acknowledged a d
39 accepted obligat on of all parties (any uch terest being hereinafter referred to as subsequoe tly created interest respec t f th
40 t mng f t creat d th party out of whos working interest th subsequenly cat d i terest is derived b g hereinafter ferred
41 to as burdened party") and.

43 1 If th b rdened party is requie d nder th gr ement to assign r rel qu sh to ny other party or parties, ll port o
44 of t wo ki g interest a d r th produ ctio tribuabl thereto sa d other party o parties shall receiv sa d ssignme t and
45 produ ct on fee nd lear f sa d subseq enly created interest and the burdened party hall demnfy and save sa d other party
46 or parties, harmless f any and ll claims and d mands f payment asserted by owners of the subsequently created interest
47 and.

49 2 If th burdened party fa ls to pay when d c, is share of expenses chargeable h unde all provisio of Art l VII B shall b
50 enforceable against the subsequently created interest th same maner as they are enforceable against th work g interest f
51 th burdened party

ARTICLE IV
TITLES

56 A. Title Examination

58 Title ex mination shall b mad th drllsite f any proposed well pri t commencement t f drllng operations or f
59 d Drll g Part s so req est, t ll exam natio shall b mad th leases d/ l d gas i terests i luded, or planned t be cl d
60 ed i th drllng unit are nd such well The opinon w ll include the w eral p f the work ng interest, m orals, royalty erding
61 royalty and produ ct o payments due th pphcabl leases At the t me ll p oposed each party contributing lessor and/or oil and
62 gas interests t the drllsite, t be i luded in such drllng It shall furnis to Operator all abstracts (including federal lease status
63 reports) t ll opinons, title papers and e rat c material ts possession free of charge. All such i formation not in the possess on f or
64 made ava bl to Operator by th parties, but necessary for the examinat on of th t tle shall be b ta ned by Operator Operator shall
65 ea se tll to be examined by attorneys on its staff or by outside tom ys. Copies of all title opinons shall be fun shed to each party
66 hereto The c st incurred by Operat ths tll program shall b born f llows

68 Opt. N.1. Costs incurred by Operato produ ng abstracts and title exam tion (includi g preliminary supplemental
69 shut n gas royalty op nns and d lision order tll op nns) shall be part of the admnistrati e overhead as provided n Exhibit "C"
70 and shall not be a d rct charge, whether performed by Operator s staff attorneys o by outside ttorney

ARTICLE IV
continued

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

6
7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required to connect a
8 well with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 agreements or declarations as well as the handling of the governmental agencies for the securing of spacing pool orders.
10 This shall not prevent any party from proceeding in its behalf in such hearing.

11
12 No well shall be drilled in the Contract Area until after (1) the title to the drill site or drilling unit has been examined as to
13 provided and (2) the title has been approved by the examining agency or title has been accepted by all of the parties who are to participate
14 in the drilling of the well.

15
16 **B. Loss of Title:**

17
18 Failure of Title: Should any oil and gas interest on lease, or interest therein be lost through failure of title, which loss results in
19 reduction of interest from that shown in Exhibit A, the party contributing the affected lease or interest shall have ninety (90) days
20 from final determination of title failure to acquire a new lease or other instrument during the entirety of the title failure which equiva
21 lents will not be subject to Article VIII B and failing to do so this agreement nevertheless, shall be deemed to apply to all remaining oil
22 and gas leases and interests: and

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

26 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has
27 been lost, but the interests of the parties shall be revised on a prorata basis, as of the time it is determined finally that title failure has oc
28 curred so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract
29 Area by the amount of the interest lost.

30 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled in the Contract Area is
31 increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increased inter
32 est (less its undivided share attributable thereto) until it has been reimbursed for the amount paid by it in connection with such
33 well.

34 (d) Should any person or party to this agreement, who is determined to be the owner of any interest in the title which has
35 failed, pay in any manner a proportion of the cost of operation, development or equipment, such amount shall be paid to the party or parties
36 who bear the costs which are so funded.

37 (e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be
38 borne by the party or parties whose title failed in the same proportion as which they shared in such prior production.

39 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest
40 claimed by any party hereto to be the interest of the parties herein thereto which shall defend until the interest is determined to be
41 connected therewith.

42
43 2. Loss by No Payment or Erroneous Payment of Amount Due. If through mistake or oversight, any rental shut-in well
44 payment, minimum royalty or royalty payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required
46 payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment,
47 the acquisition will not be subject to Article VIII B. The interests of the parties shall be revised on a prorata basis effective as of the
48 date of termination of the lease in which the party who failed to make proper payment will no longer be credited with a interest
49 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
50 required payment shall not have been fully reimbursed at the time of the loss, the proceeds of the sale of oil and gas attributable to
51 the lost interest, calculated on a prorata basis for the development and operating costs theretofore paid on account of such interest,
52 shall be reimbursed for unrecovered costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled
53 or wells previously abandoned) from so much of the following as is necessary to effect reimbursement.

54 (a) Proceeds of oil and gas, less operating expenses therefor accrued to the credit of the lost interest on a prorata basis
55 up to the amount of unrecovered costs;

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

60 (c) Any monies, up to the amount of unrecovered costs that may be paid by any party who is or becomes, the owner of the interest
61 lost in the production of the Contract Area or becoming a party to this agreement.

62
63 3. Other Losses. All losses incurred, other than those set forth in Articles IV B 1 and IV B 2 above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be readjustment of interests in the operating portion of
65 the Contract Area.

ARTICLE V
OPERATOR

A. Designation and Responsibilities of Operator

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

B. Resignation or Removal of Operator and Selection of Successor

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 that selection of successor Operator may be removed if it fails to carry out its duties hereunder 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 including the interest of Operator. Such resignation or removal shall 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, less a successor Operator has been elected and assumes the duties of Operator. In either event, Operator after effective date of resignation or removal shall be bound by the terms hereof as a Non-Operator. A change of corporate name or structure of Operator or transfer of Operator 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 elected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be elected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit A, provided however that an Operator which has been re-elected or re-elected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit A remaining after expiration of the term of the Operator that was removed.

C. Employees

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

D. Drilling Contracts

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

ARTICLE VI
DRILLING AND DEVELOPMENT

A. Initial Well

On or before the 1st day of August, 2009, Operator shall commence the drilling of well for oil and gas at the following location:
**A legal location in Section 4 T26S R28E
Eddy County New Mexico**

and shall thereafter continue the drilling of the well with due diligence to sufficiently test the Bone Spring formation.

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

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

ARTICLE VI
continued

1 If Operator's judgment is well will of produce or gas paying quantities and wishes to plug and abandon
2 well dry hole, then provisions of Article VI.C.1 shall thereafter apply

6 B Subsequent Operations

8 1. Proposed Operations. Should any party heret desire to drill any well on the Contract Area other than the well produced
9 by Article VI.A or to rework deeper plug back or dry hole drilled through joint expense of all parties or well jointly owned by all
10 the parties and not then producing in paying quantities, the party desiring to drill or rework, deep plug back such a well shall give the
11 other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation
12 to be reached, the estimated cost of the operation. The parties receiving such notice shall have thirty (30) days after receipt of the notice
13 with which to notify the party with whom the work which they elect to participate in the cost of the proposed operation. If drilling
14 in a location, notice of proposal to rework plug back or drill deeper may be given by telephone and the response period shall be
15 limited to forty-eight (48) hours exclusive of Saturday, Sunday and legal holidays. If the party receives such notice to comply with
16 the period above fixed shall constitute a contract by that party not to participate in the cost of the proposed operation. Any notice or
17 response given by telephone shall be promptly confirmed in writing.

21 If all parties elect to participate in such proposed operation, Operator shall within ninety (90) days of expiration of the notice
22 period fulfill in (30) days (or promptly as possible after the expiration of the forty-eight (48) hour period when drilling is on location
23 to as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties
24 unless heret provided otherwise and such commencement may be extended upon written consent of all parties by Operator. The other parties
25 to the period of up to thirty (30) calendar days of the sole opinion of Operator such additional time is reasonably necessary to obtain
26 permission from governmental authorities surface rights (including rights-of-way) or appropriate drilling equipment to implement the
27 actual operations matter required for the proper completion. Notwithstanding the foregoing provisions of Article XI of the
28 actual operations heret herein to be commenced with the term provided in the foregoing extends thereof specifically permitted here in
29 if any party heret shall default in said operation, written notice proposed operation must be resubmitted to the other parties
30 during the provisions hereof if the proposed operation had been made.

34 2. Operations by Less than All Parties. If any party receives such notice as provided in Article VI.B.1 of VILD (Optional
35 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
36 giving the notice and such other parties as shall elect to participate in the operation shall within ninety (90) days after the expiration of
37 the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when drilling is on
38 location as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all
39 work for the account of the Consenting Parties, provided however that drilling rig or other equipment is located, and if Operator
40 a Non-Consenting Party the Consenting Parties shall either (a) request Operator to perform the work required by such proposed operation
41 to the extent of the Consenting Parties or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting
42 parties shall, when conducting operations on the Contract Area pursuant to this Article VI.B.2, shall comply with all terms and
43 conditions of this agreement.

47 If less than all parties propose proposed operation, the proposing party immediately after the expiration of the applicable
48 notice period, shall advise the Consenting Parties of the total interest of the parties proposing such operation and its recommendation as
49 to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party within forty-eight (48) hours
50 (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to () participate
51 in the operation and its proportionate interest therein. Except as herein provided, (b) carry its proportionate part of Non-Consenting Parties interests and
52 failure to do so the proposing party shall be deemed an electing party () in the drilling rig location, then the term period of
53 such response shall not exceed the total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party
54 at its election may withdraw the proposal if there is insufficient participation and shall promptly notify all parties of the decision.

59 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportion that they have
60 elected to bear under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold interests involved in such
61 operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties.
62 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
63 sole cost and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article shall result in a
64 production of oil or gas paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk.

ARTICLE VI
continued

1 and the well shall then be turned over to the Operating Party and shall be operated by the latter at the expense of the consenting parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by the Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall own and be entitled to receive in proportion to their respective interests, if such Non-Consenting Party has an interest in the well, the proceeds from the sale of the production therefrom, net of the production taxes, royalties, overriding royalties and the interests not excepted by Article III D payable to the producer, measured by the production from such well according to the respective interests. The proceeds shall equal the total flow of production.

(a) 200% of the share of the Non-Consenting Party shall be the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, skid, separate treater, pump, gas separator and piping) plus 200% of each such Non-Consenting Party's share of the total cost of the well completion and finishing operations. The Non-Consenting Party's share of the cost of the well completion and finishing operations shall be determined by the ratio of the Non-Consenting Party's share of the total cost of the well completion and finishing operations to the total cost of the well completion and finishing operations. The Non-Consenting Party's share of the total cost of the well completion and finishing operations shall be determined by the ratio of the Non-Consenting Party's share of the total cost of the well completion and finishing operations to the total cost of the well completion and finishing operations.

(b) \$500 / of that part of the costs and expenses for drilling, reworking, deepening, plugging back, testing and completion incurred by any cash contributions received under Article VIII C and \$500 / of the total cost of the well completion and finishing operations which would have been chargeable to such Non-Consenting Party if it had participated therein.

See first paragraph of Page 6a

As to the cost of the drilling, deepening or plugging back of a well, the cost of the drilling, deepening or plugging back of a well shall be determined by the ratio of the cost of the drilling, deepening or plugging back of a well to the total cost of the drilling, deepening or plugging back of a well. The cost of the drilling, deepening or plugging back of a well shall be determined by the ratio of the cost of the drilling, deepening or plugging back of a well to the total cost of the drilling, deepening or plugging back of a well. The cost of the drilling, deepening or plugging back of a well shall be determined by the ratio of the cost of the drilling, deepening or plugging back of a well to the total cost of the drilling, deepening or plugging back of a well.

See second paragraph of Page 6a

During the period of the Consenting Parties' operations, the Non-Consenting Parties' share of the production of the well shall be determined by the ratio of the Non-Consenting Parties' share of the production of the well to the total production of the well. The Non-Consenting Parties' share of the production of the well shall be determined by the ratio of the Non-Consenting Parties' share of the production of the well to the total production of the well. The Non-Consenting Parties' share of the production of the well shall be determined by the ratio of the Non-Consenting Parties' share of the production of the well to the total production of the well.

In the case of reworking, plugging back or deepening of a well, the Consenting Parties shall be permitted to use, free of cost, the equipment and materials owned by the Non-Consenting Parties which are located on the well and which are necessary for the reworking, plugging back or deepening of the well. The Consenting Parties shall account for all such equipment and materials to the Non-Consenting Parties at the time of the reworking, plugging back or deepening of the well. The Consenting Parties shall account for all such equipment and materials to the Non-Consenting Parties at the time of the reworking, plugging back or deepening of the well.

Within sixty (60) days after the completion of any operations 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 a detailed statement of the cost of the drilling, deepening, plugging back, testing, completion, and equipping of the well for production or as a part of the operating party in lieu of an itemized statement of such costs. The Non-Consenting Parties may submit a detailed statement of monthly billings. Each month thereafter during the term of the operating parties, being amended as provided by the parties, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of the costs and liabilities incurred in the operation of the well, together with statements of the quantity of oil and gas produced from the well and the net proceeds realized from the sale of the well's production during the preceding month, determined by the quantity of oil and gas produced during a month. The Consenting Parties shall use the industry accepted method of measurement, but not limited to metering or period of well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with the operations of the well which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unrecovered costs of the work done and the equipment purchased in determining the interest of such Non-Consenting Party shall be determined as also provided if there is a credit balance, it shall be paid to such Non-Consenting Party.

See third paragraph of Page 6a

ARTICLE VI
continued

1 Notwithstanding any language under Article VI B to the contrary in any well in which a completion attempt
2 may be made at more than one depth each party who participated in the initial operations hereto shall have the right to
3 make a separate election as to each interval in which a completion is proposed. Should a party hereto elect not to
4 participate in a completion attempt as to any one interval then those parties who elect to participate in the completion
5 attempt as to that interval shall in the proportions they have elected to bear share all costs risks and expenses of
6 such completion attempt. Any recoupment of said expenses shall be made solely from the product on all attributable to
7 that interval.

8 Gas production attributable to a Non-Consenting Party's relinquished interest upon such Party's election
9 shall be sold to its purchaser if available, under the terms of its existing gas sale contract. Such Non-Consenting Party
10 shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the
11 amounts provided for in this Article are recovered from the Non-Consenting Parties' relinquished interest. If such Non-
12 Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery or has not made
13 the election as provided above the Consenting Parties shall own and be entitled to receive and sell such Non-
14 Consenting Party's share of gas as hereinabove provided during the recoupment period.

15 Notwithstanding any provisions to the contrary in this or any other agreement a Non-Consenting Party upon
16 notice in the writing to Operator and/or any party carrying all or part of the non-consenting interest shall have the right
17 at all times and from time to time within two (2) years of the date it received notice that payout has occurred to audit
18 Operator's and/or carrying party accounts and records relating to or connected with its operations on the Contract
19 Area or on land pooled therewith regardless of when such operations were conducted.

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ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party a relinquished interest then the interest provided for above, the relinquished interest 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 as well as the material and equipment in or pertaining to and the product on thereof as such Non-Consenting Party would have been entitled to had it participated in the drilling, workover, 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 cost of the operations as well as in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

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

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The provision of all Article shall have no application whatsoever to the drilling of a well as described in Article VI.A except (a) as to Article VII.D.1 (Option No. 2) if drilled, or (b) to the reworking, deepening and plugging back of a 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 actually completed for production, ceases to produce pay quantities.

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

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4 Sidetracking. Except as hereinafter provided, the provisions of this agreement applicable to a deepening operation shall also be applicable to any proposal to occasionally control and intentionally drill a well from vertical to change the bottom hole location (herein called sidetracking) unless done to strengthen the hole to drill around junk in the hole because of the mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation does not own an interest in the affected well bore (that is, none of the non-participating parties, tender of the well bore, owns its proportionate share (equal to its interest in the sidetracking permit) of the sidetracking well bore to be utilized as follows.

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(a) If the proposal for sidetracking exists a dry hole, reimbursement shall be on the basis of the total cost incurred in the initial drilling of the well down to the depth to which the sidetracking operation is started.

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(b) If the proposal for sidetracking is a well which has previously produced, reimbursement shall be on the basis of the well salvage materials and equipment down to the depth at which the sidetracking permit is started, determined in accordance with the provisions of Exhibit C unless the estimated cost of sidetracking is greater than the estimated cost of plugging and abandoning.

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If the permit that notice for sidetracking operation is given while the drilling is to be utilized in location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and 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 additional time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, said time shall be allocated between the parties taking additional time to respond on a day-for-a-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. If either interest takes the response period proposal for sidetracking shall be limited to thirty (30) days.

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C. TAKING PRODUCTION IN KIND

Each party shall have the right to 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 preparation of treatment gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI
continued

1 eq red t pay for only its proportionate share of such part of Operator's surface facilities which it uses

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

6
7 In the event any party shall fail to make the arrangements necessary to take in kind or separately disposed of its proportionate share of
8 the oil produced from the Contract Area, Operator shall have the right to sell the production at will by the party owning the
9 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
10 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
11 owner of the production to exercise at any time its right to take in kind, or separately disposed of, its share of oil not previously
12 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
13 time as are consistent with the normal methods of the industry under the particular circumstances but in no event for a period in excess
14 of ninety (90) days.

15
16 In the event one or more parties separate disposition of its share of the gas causes split-streamed deliveries to separate pipelines and/or
17 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
18 be allocated to at the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing
19 agreement between the parties hereto, whether such an agreement is attached as Exhibit E or is a separate agreement.

20 **See Below

21 D Access to Contract Area and Information

22
23 Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations
24 and shall have access to reasonable times to information pertaining to the development or operation thereof including Operator's books
25 and records relating thereto. Operator upon request shall furnish each of the other parties with copies of all forms or reports filed with
26 governmental agencies, daily drilling reports, well logs, tank tables, daily gas and run-in-kilometers and reports of stock in hand at the first of
27 each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of
28 gathering and furnishing information to Non-Operator other than that specified above shall be charged to the Non-Operator that re-
29 quest the information.

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31 E. Abandonment of Wells

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33 1. Abandonment of Dry Holes. Except for a well drilled or deepened pursuant to Article VI B.2, a well which has been
34 drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall be plugged and abandoned
35 without the consent of the parties. Should Operator after diligent effort, be unable to complete a well, the party or parties who should plug and
36 within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) all cost of the proposed plug and abandon-
37 ment shall be borne by the party or parties who consented to the proposed abandonment. All such wells shall be plugged and abandoned in
38 coordination with applicable regulations and at the cost and risk of the party or parties who participated in the cost of drilling, deepening
39 such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further
40 operations in accordance with the provisions of Article VI B.

41
42 2. Abandonment of Well that Have Produced. Except for a well in which Non-Consenting party has been admitted
43 hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed and
44 produced shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall
45 be plugged and abandoned in accordance with applicable regulations and the cost, risk and expenses of all the parties hereto. If within
46 thirty (30) days after receipt of notice of the proposed abandonment, the parties do not agree to the abandonment of such well,
47 those wishing to continue its operation for the term of the term of the well shall be open to production to each of the other
48 parties in proportion to their share of the value of the well's salvable material and equipment determined in accordance with the provisions of
49 Exhibit C, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign
50 its non-abandoning parties, with a warranty expressed or implied as to title or as to quantity, fitness for use of the equipment and
51 material and its interest in the well and related equipment together with its interest in the leasehold estate as to but only as to the
52 term or terms of the formation or formations then open to production. If the interest of the abandoning party or parties in and gas lease, limited to the
53 gas interest, such party shall execute and deliver to the non-abandoning party or parties, if and as far as it is limited to the interval or in-
54 tervals of the formation or formations then open to production, a term of one (1) year and so long thereafter as oil and/or gas is pro-
55 duced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit
56

57 **Notwithstanding any provision to the contrary to this or any other agreement, each party shall have the right at all
58 times and from time to time upon written notice to audit all of taking party and/or operator's records and accounts
59 related to or in connection with production or allocation of production from the contract area. Auditing of settlement
60 records shall also be applicable if taking party and/or operator distributes proceeds to the auditing party.

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ARTICLE VI
continued

1 B. The assignments or leases limited shall encompass the drilling unit upon which the well is located. The payments by and of
2 assignments or leases to the assignees shall be based upon the relationship of their respective percentage of participation in the
3 Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of
4 interest in the remaining portfolio of the Contract Area.

5
6 Thereafter, the dominant parties shall have no further responsibility, liability or interest in the production of production from
7 the well in the interval or intervals then open other than the royalty retained in any lease made under the terms of this Article. Upon
8 request, the Operator shall continue to operate the assigned well for the account of the abandoning parties at their rates and charges con-
9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned
10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to
11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations thereon subject to the pro-
12 visions hereof.

13
14 3. Abandonment of Non-Consented Operations. The provisions of Article VI E.1 or VI E.2 above shall be applicable between
15 Consenting Parties in the event of the proposed abandonment of a well excepted from said Articles provided however no well shall be
16 permanently plugged and abandoned and all parties having the right to conduct further operations thereon shall have been notified
17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of Article
18 VI E.

ARTICLE VII
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties

24
25 The liability of the parties shall be several or joint and collective. Each party shall be responsible for its obligations and
26 shall be liable only for its proportionate share of the costs of drilling and operating the Contract Area. Accordingly, the items granted
27 to the parties in Article VII B give to each party only the debts of each party to the other parties to create, no
28 shall this agreement be construed as creating a partnership or association or partnership between the parties as partners.

B. Liability for Payment Defaults

31
32 Each Non-Operator grants to Operator its present and gas rights in the Contract Area, and a security interest in its share
33 of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expenses together with interest thereon
34 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the
35 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 ob-
36 taining of judgment by Operator for the incurred business shall not be deemed election of remedies otherwise specified herein
37 rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share
38 of expenses, Operator shall have the right without prejudice to their other remedies to collect from the purchaser the proceeds from
39 the sale of such Non-Operator share of oil and/or gas until the amount owed by such Non-Operator plus interest has been paid. Each
40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of a party's default. Operator grants a like lien
41 and security interest to the Non-Operator to secure payment of Operator's proportionate share of expenses.

42
43 If any party fails to be liable to pay its share of expenses within sixty (60) days after rendition of statement therefor by
44 Operator, the non-defaulting parties shall demand that Operator pay the unpaid amount in the proportion that
45 the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to the extent
46 reimbursed therefrom, be subrogated to the security rights described in the foregoing paragraph.

C. Payment and Accounting

49
50 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development
51 and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate
52 share of the expenses provided in Exhibit "C". Operator shall keep accurate records of the financial account created
53 showing expenses incurred and charges and credits made and recorded.

54
55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance
56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding
57 month which right may be exercised only by submission to each such party of an itemized statement of such estimated expense together
58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted
59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within
60 fifteen (15) days after its estimate and invoice is received. If any party fails to pay its share of such estimate within said time limit
61 it shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual
62 payments to the end that each party shall bear and pay its proportionate share of actual expenses incurred or more.

D. Limitation of Expenditures

66
67 1. Drill or Deepen. Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened
68 pursuant to the provisions of Article VI B.2 of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII
continued

1 Opt. No. 1 All necessary expenditures for drilling or deepening, testing, completion and equipment of the well including
2 necessary tankage and/ or surface facilities.

3
4 Opt. No. 2 All necessary expenditures for drilling or deepening, testing of the well. When such well has reached its
5 authorized depth and all tests have been completed, the results thereof must be reported to the parties. Operator shall give immediate notice
6 to the Non-Operators who have the right to participate in the completion of the well. The parties receiving such notice shall have forty-eight
7 (48) hours (exclusive of Saturday, Sunday and legal holidays) within which to elect to participate in the setting of casing and the completion of
8 the well. Such election, when made, shall include necessary expenditures for the completion and equipment of such well.
9 Such necessary tankage and/ or surface facilities for any party receiving such notice to reply within the period to be fixed shall
10 constitute a liability on that party not to participate in the completion of the well. If one or more, but less than all of the parties
11 elect to participate and to attempt completion, the provisions of Article VI.B.2 hereof (the phrase "reworking, deepening or plugging
12 back as contemplated in Article VI.B.2 shall be deemed to include completion") shall apply to the parties thereafter included by less
13 than all parties.

14
15 2 Reworking Plugging Back. With the consent of all parties, no well shall be reworked, plugged back, except well reworked or
16 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
17 include all necessary expenditures and costs of such operations and completion and equipment of said well including necessary tankage
18 and/ or surface facilities.

19
20 3 Other Operations. With respect to the completion of all parties Operator shall undertake any single project reasonably estimated
21 to require an expenditure in excess of two hundred thousand Dollars (\$ 25,000.00)
22 except operations with respect to drilling, reworking, deepening, completion, recompleting or plugging back of which have been
23 previously provided for by this agreement. Provided however that, in case of explosion, fire, flood or other sudden
24 emergency whether of the same or different nature, Operator may take such steps and incur such expenses as it is deemed
25 to be in the best interests of the well and the property but Operator shall promptly as possible report the emergency to the other
26 parties. If Operator prepares authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so request
27 an informational copy thereof of any single project cost greater than fifteen thousand
28 Dollars (\$ 15,000.00) but less than the amount first set forth in this paragraph.

30 B. RENTALS - WIP YMC's - DIMINTY LIES

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32 Rentals of the well, including any royalties which may be required under the terms of any lease shall be paid by the
33 party or parties who subjected such lease to this agreement. The cost of the operation of the well or more parties who have
34 incurred interests in such lease under this agreement such parties may designate the source of such payments for and on
35 behalf of the leaseholders. Any party may request that the well be drilled or reworked, per the provisions of this agreement. If
36 failure to make payment of any amount shall result in the well being shut-in, the party through whom such payment is required
37 shall be liable for the cost of such shut-in. Any loss which results from a shut-in shall be borne in accordance with the provisions
38 of Article IV.B.2.

39
40 Operator shall notify Non-Operator of the anticipated completion of the well at least thirty (30) days in advance of the
41 production of gas or oil. (5) days (excluding Saturday, Sunday and legal holidays) at the earliest opportunity permitted by
42 circumstances, prior to taking such action, but assumes liability for failure to do so in the event of failure by Operator to notify
43 Non-Operator of the loss of any lease or to be terminated by Non-Operator for failure to make timely payment of shut-in payments
44 if the well is shut-in by the parties hereto under the provisions of Article IV.B.3.

46 F. TAXES

47
48 Beginning with the first calendar year after the effective date of operation of the well, Operator shall be liable for ad valorem taxes on all property
49 subject to this agreement which by law should be assessed for ad valorem taxes. Operator shall pay all such taxes assessed thereon before they
50 become delinquent. Prior to the next calendar year, the Non-Operator shall furnish Operator information as to burden (to include, but not
51 be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-
52 Operator. If the assessed value of the leasehold estate is determined by reason of its being subject to outstanding expenses or
53 overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of
54 owners of the leasehold estate. Operator shall adjust the charge to such owner or owners so to reflect the benefit of such reduction
55 in the ad valorem taxes based upon separate ad valorem taxes upon separate interests of each party's working interest then and not with respect
56 anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax
57 share generated by each party's working interest. Operator shall bill the other parties for their proportionate share of all tax payments
58 in the manner provided in Exhibit C.

59
60 If Operator considers any assessment improper, Operator may at its discretion, protest within the time and manner
61 prescribed by law and prosecute the protest to final determination. If the parties agree to abandon the protest prior to final
62 determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay under protest all such taxes and any
63 interest and penalty. When any such protest or assessment shall have been finally determined, Operator shall pay the tax and any
64 cost together with a just interest and penalty accrued, and the total cost shall then be assessed against the parties, to be paid by them as
65 provided in Exhibit "C".

66
67 Each party shall pay or cause to be paid its production severance, excise, gas and other taxes imposed upon or with respect
68 to its production or handling of gas or oil produced under the terms of this agreement.

ARTICLE VII continued

1 G Insurance

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3 At all times while operation proceeds hereunder Operator shall comply with the workmen compensation law of
4 the state where the premises being conducted, provided, however that Operator may be self-insurer of liability under said
5 personal laws in which event the only hedge that shall be made to the joint account shall be as provided in Exhibit C. Operator shall
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit D attached to and made part
7 hereof. Operator shall require all contractors engaged in work on the Contract Area to comply with the workmen compensation
8 law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.
9
10 In the event of mobility or liability insurance specified in said Exhibit D or subsequently occurs the approval of the
11 parties hereto shall be made by Operator for premium schedule of Operator's own equipment.

ARTICLE VIII ACQUISITION MAINTENANCE OR TRANSFER OF INTEREST

16 A Surrender of Leases

17
18 The leases covered by this agreement insofar as they embrace acreage in the Contract Area shall not be surrendered in whole
19 or in part unless all parties consent thereto.
20
21 However, if any party desires to surrender its interest in any lease or any portion thereof, and the other parties do not
22 agree or consent thereto, the party desiring to surrender shall give, with its express or implied warranty of title, all of its interest
23 in the lease or portion thereof and its well in the oil and gas property which may be located thereon and its rights produced
24 therefrom secured to the parties consenting to such surrender. If the interest of the assigning party includes oil and gas
25 interest the assigning party shall execute and deliver to the party or parties consenting to such surrender an oil and gas lease covering
26 said oil and gas interest for a term of (1) year and so long thereafter as land is being produced from the land covered thereby. The
27 lease to be delivered shall be in the form attached hereto as Exhibit B. Upon assignment of lease, the assigning party shall be relieved from all
28 obligations thereafter arising but not theretofore accrued, with respect to the interest assigned or leased and the payment of any well
29 or shut-in royalties and the assigning party shall have no further interest in the assigned or leased premises or its equipment and pro-
30 duced other than the royalty received on any lease made under the terms of this Article. The party assigning or lessee shall pay to the
31 party assigning or lessee the estimated salvage value of the better interest in any well and equipment attributable to the assigned or
32 leased acreage. The value of the material shall be determined according to the provisions of Exhibit C less the estimated cost of
33 salvaging and the estimated stripping and abandonment. If the assignor or lessee favors the former the net party interest
34 shall be shared by such parties in the proportion that the interest fees bears to the total interest of the such parties.
35

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

41 B Renewal of Oil and Gas Leases

42
43 If any party desires to renew any oil and gas lease subject to this agreement, all other parties shall be notified promptly and
44 shall have the right for a period of thirty (30) days following receipt of such notice to elect to participate in the purchase of the
45 renewal lease, as far as such lease affects the Contract Area, by paying to the party who owned the lease the proportionate
46 portion of the acquisition cost allocated to that part of such lease within the Contract Area which shall be in proportion to the
47 interests held at that time by the parties in the Contract Area.

49 If some, but less than all of the parties elect to participate in the purchase of renewal lease it shall be owned by the parties
50 who elect to participate therein, in proportion to their respective ownership of the respective percentage of the Contract Area
51 in the aggregate of the percentage of participation in the Contract Area of all parties participating in the purchase of such renewal lease.
52 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

54 Each party who participates in the purchase of a well lease shall be given assignment of its proportionate interest in
55 the acquisition of the well lease without warranty.

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

63 The provisions in this Article shall not be applicable to oil and gas leases.

65 C. Acreage or Cash Contribution

67 While this agreement is in force, if any party contracts for a contribution towards the drilling of a well or any other
68 operation on the Contract Area such contribution shall be paid to the party who conducted the drilling or other operation and shall be
69 paid by the party at the cost of such drilling or other operation. If the contribution be in the form of acreage the party to whom the
70 contribution is made shall promptly tender an assignment of the acreage with the warranty of title to the Drilling Parties in the proportion

ARTICLE VIII continued

1 In a Drilling Parties shared the cost of drilling the well. Such agreement shall become a separate Contract Area, if the intent possible by provisions of this agreement. Each party shall promptly notify the other parties of any change in cash contributions. It may be in support of any well or by other production in 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 wells drilled inside the Contract Area.

6 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 contribution contemplated in Article VIII.C.

D. Maintenance of Unfinished Wells

11 For the purpose of maintaining and safety of wells, the drilling leasehold interests created by this agreement shall obligate members to make their disposition of their interest in the leasehold interest in the Contract Area and wells, equipment and production less subject to the provisions hereof.

15 The interest of the party in all leases and equipment disposed of on

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

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

22 If, in any lease, the interest of a party is divided among a group of more co-owners, Operator, in its discretion, may require such co-owner to appoint a single trustee to act with full authority to execute all expenses related to the lease and to pay such party's share of all joint expenses and to deal generally with the well and the co-owners of such party's interest with the scope of operations embraced in this agreement; however, all such co-owners shall have the right to enter into a deed to the contract agreement 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 their share of the sale proceeds thereof.

E. Waiver of Right of Privity

31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereby waives its undivided interest in the Contract Area and its right to make any claim against the other parties in its interest therein.

F. Preferential Right to Purchase

37 Should any party desire to sell all or any part of its interest 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 merge or its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company or to any company in which any one party owns a majority of the stock.

ARTICLE IX INTERNAL REVENUE CODE ELECTION

50 This agreement is intended to create and shall not be construed to create a relationship of partnership or association for profit between or among the parties. Notwithstanding any provision hereof that the rights and liabilities hereunder are created 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 irrevocably elects to be excluded from the application of the provisions of Subchapter K, Chapter 1, Section 1361 of the Internal Revenue Code of 1954, as amended, authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute to each party her by affected such evidence of its 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, if the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected go 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 notice 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, or any provisions similar to those in Subchapter K, Chapter 1, Section A of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is made in a party her by affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party takes that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X
CLAIMS AND LAWSUITS

Operator may settle any single insured third party damage claim suit or judgments hereunder if the expenditure does not exceed five thousand Dollars (\$ 15,000.00) and if the payment is in full settlement of such claim 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 settlement, or otherwise discharging liability shall be the joint expense of the parties participating in the operation from which the claim suit arises. If a claim is made against any party of any party insured on account of any matter arising from operations hereunder or 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 suit shall be treated as any other claim suit involving operations hereunder.

ARTICLE XI
FORCE MAJEURE

If a party is considered unable, wholly or in part, to perform its obligations under this agreement, then the other obligations to make timely payments, that party shall give to all other parties prompt written notice of the force majeure with reasonable particulars concerning it. Thereupon, the obligations of the party giving notice shall be affected by the force majeure shall be suspended during, but not longer than, the continuance of the force majeure. The affected party shall use all available means to terminate the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied in all reasonable dispatch shall not require the settlement of strikes or lockouts or other labor difficulties by the party involved, or contrary to its wishes, where all such difficulties shall be handled solely by the discretion of the party concerned.

The term force majeure as here employed, shall mean act of God, strike, lockout or other industrial disturbance, act of war, rebellion, pestilence, fire, storm, flood, explosion, governmental curfew, or any other delay, restriction or act of variability of equipment and other causes, whether fixed or specifically enumerated or otherwise, which is not reasonably within the control of the party liable thereunder.

ARTICLE XII
NOTICES

All notices to be required between the parties as required by any of the provisions of this agreement unless otherwise specifically provided shall be given in writing by mail, telegram, post or airtel, or by telex, telecopy or addressed to the parties to whom the notice is given at the addresses listed on Exhibit A. The obligation to give notice 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 condition or any expedient notice shall be deemed given when deposited in the mail with the registered company with postage charges prepaid or sent by telex, telecopy or airtel. The party shall have the right to change its address by giving written notice to the other parties.

ARTICLE XIII
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time elected below provided however that the parties hereto shall be bound as to the term of the lease or oil and gas interest created or to be created by the parties beyond the term of this agreement.

One Year to the beginning of the first oil and gas leases subject to this agreement and thereafter in definite force to the parties in the Contract Area whether by production or extension, renewal, or otherwise.

One Year if the entire 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 in the agreement in full force so long as any well or wells produce, or are capable of production for a continuous period of 180 days from cessation of production provided however that if prior to the expiration of such period, or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder the agreement shall continue in force until such operations have been completed and if production results therefrom the 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, or 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 is completed or is in progress within 180 days from the date of abandonment of such well.

It is agreed, however, that the termination of this agreement shall not release any party herefrom any liability which has accrued or shall accrue prior to the date of such termination.

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ARTICLE XIV
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders
This agreement shall be subject to the conservation laws of the state in which the Contract Areas located and valid rules, regulations, and orders of any duly constituted regulatory body of said state, and all other applicable federal and state laws and orders, rules, regulations, and orders.

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

C. Regulatory Agencies
Notwithstanding to whom granted or bestowed, the Operator shall have the right to obtain or release any right, privilege, benefit, or other advantage which Non-Operators may have under federal, state, or local rules, regulations, orders, or laws under such laws, regulations, orders, or laws pertaining to oil, gas, and mineral operations including the location, operation, production of wells or tracts affected 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 or resulting directly or indirectly from Operator's interpretation or application of rules, regulations, orders, or laws 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 payable to such Non-Operator for production, together with interest, damages, or other charges by Operator as a result of such incorrect interpretation or application.
Non-Operator authorizes Operator to prepare and submit such documents as may be required to be submitted to the purchase of any crude oil, lease, 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 and all 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 and file certifications and other information which is required to be furnished by said Act, a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV
OTHER PROVISIONS

A. Priority of Operations
Notwithstanding anything herein to the contrary, it is agreed that when a well drilled under the terms of this Agreement shall have been drilled to the objective formation or depth and the parties participating in the well cannot mutually agree upon the sequence and timing of further operations regarding said well, the proposals shall be considered in the following order:
1. A proposal to attempt to complete the well at either the objective depth or objective formation including the testing and logging of such well at such depth.
2. A proposal to plug back and attempt to complete said well above the objective formation (if there is more than one proposal to plug back, the proposals will be considered in ascending order).
3. A proposal to deepen said well in order to attempt a completion below the objective formation (if there is more than one proposal to deepen, the proposals shall be considered in descending order).
4. A proposal to track the well and
5. A proposal to plug and abandon the well.
B. Notwithstanding any other provisions herein regarding the terms of this agreement, a well is required to be drilled, deepened, reworked, plugged back, sidetracked, or recompleted or any other operation that may be required in order to (1) continue a lease or leases in force and effect or (2) maintain a unitized area or a portion thereof in force and effect, or (3) earn or preserve and interest in and to oil and/or gas and other minerals which may be owned by a third party or which falling in such operation may revert to a third party or (4) comply with a order issued by a regulatory body having jurisdiction in the premises falling in which certain rights would terminate, the following shall apply: Should less than all parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at their sole cost, risk, and expense. Promptly following the conclusion of such operation, each of those parties not participating agree to execute and deliver an appropriate assignment to the total interest of each non-participating party in and to the lease, leases, or rights LIMITED TO THE SRO UNIT DEPTHS which would have terminated or which otherwise may have been preserved by virtue of such operation and in and to the lease, leases, or rights LIMITED TO THE SRO UNIT DEPTHS within the balance of the drilling unit upon which the well was drilled, excepting however wells therefore completed and capable of producing in paying quantities. Such assignment shall be delivered to the participating parties in the proportion that they bore the expense attributable to the non-participating parties interest. For the purposes of defining a required operation under this provision, such operation will be deemed required if proposed within thirteen (13) months prior to the date such rights would terminate.

C. This Operating Agreement dated May 8, 2009 supersedes and replaces any current Operating Agreement covering the contract area.

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ARTICLE XVI
MISCELLANEOUS

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

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 this 14th day of May (year) 2009

OPERATOR

MARBOB ENERGY CORPORATION

Ray Miller RD

NON OPERATORS

PITCH ENERGY CORPORATION

THE ALLAR COMPANY

Ray Miller RD

YATES PETROLEUM CORPORATION

EG3 INC

YATES DRILLING COMPANY

ABO PETROLEUM CORPORATION

MYCO INDUSTRIES INC

CHESAPEAKE EXPLORATION LLC

NEARBURG EXPLORATION COMPANY LLC

LEGEND NATURAL GAS III LP

DEVON ENERGY PRODUCTION COMPANY LP

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the SRO State Exploratory UNIT AREA County of Eddy State of New Mexico dated May 8th 2009 in form approved on behalf of the Commissioner of Public Lands and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement the undersigned hereby expressly ratifies approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement

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

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

EXECUTED this 29th day of June 2009

TRACT(S) See attached Exhibit B

YATES PETROLEUM CORPORATION

By John A Yates Jr
 John A Yates Jr Attorney in Fact

MYCO INDUSTRIES INC

By Sharon Snowden
 Sharon Snowden Attorney in Fact

YATES DRILLING COMPANY

By Peyton Yates
 Peyton Yates Attorney in Fact

ABO PETROLEUM CORPORATION

By John A Yates Jr
 John A Yates Jr Attorney in Fact

Address 105 South Fourth Street
Artesia NM 88210

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss
 COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by John A Yates Jr Attorney in Fact of Yates Petroleum Corporation and of Abo Petroleum Corporation New Mexico corporations on behalf of said corporations



OFFICIAL SEAL
 Paula J. Baker
 NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

Paul J. Baker
 Notary Public

STATE OF NEW MEXICO)
) ss
 COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by Peyton Yates Attorney in Fact of Yates Drilling Company a New Mexico corporation on behalf of said corporation



OFFICIAL SEAL
 Paula J. Baker
 NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

Paul J. Baker
 Notary Public

STATE OF NEW MEXICO)
) ss
 COUNTY OF EDDY)

This instrument was acknowledged before me this 29th day of June 2009 by Sharon Snowden Attorney in Fact of Myco Industries Inc a New Mexico corporation



OFFICIAL SEAL
 Paula J. Baker
 NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 8-22-09

Paul J. Baker
 Notary Public

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ARTICLE XVI
MISCELLANEOUS

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

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

IN WITNESS WHEREOF the agreement shall be effective this 8th day of May, 2009.

OPERATOR

MARBOS ENERGY CORPORATION

Ray Miller RD

CON OPERATORS

PITCH ENERGY CORPORATION

Ray Miller

THE ALLAR COMPANY

Shell

VATES PETROLEUM CORPORATION

EQ3, INC

Shell

VATES DRILLING COMPANY

ABO PETROLEUM CORPORATION

MYCO INDUSTRIES, INC

CHESAPEAKE EXPLORATION LLC

NEARBURG EXPLORATION COMPANY LLC

LEGEND NATURAL GAS III LP

DEVON ENERGY PRODUCTION COMPANY LP

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ARTICLE VI
ASSIGNMENT

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

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 effect as of _____ day of _____ (year) 200_____

DEED TO

MARROB ENERGY CORPORATION

Ray Miller RD

NON OPERATORS

ITC ENERGY CORPORATION

THE LEAR COMPANY

Ray Miller RD

YTES PETROLEUM CORPORATION

EG3, INC

ES LLI M ANY

O PETR EUM CO PO TIO

USTR S, C

Chapeake Exploration L.L.C.
An Oklahoma Limited Liability Company
By [Signature]
Henry J. Hord, Senior Vice President
Legend Natural Gas III L.P.
LEGEND NATURAL GAS III L.P.

NEARBURG EXPLORATION COMPANY LLC

DEVO ENERGY PRODUCTION COMPANY LP

EXHIBIT A

**Attached to a made a part of that certain Joint Operating Agreement dated
May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy
Corporation et al as Non Operators.**

I CONTRACT AREA/DEPTH RESTRICTIONS

Township 25 South, Range 28 East, N M P M

Section 32 E/2E/2

Section 33 ALL

Section 34 S/2

Township 26 South, Range 28 East, N M P M

ALL OF SECTIONS 3-4 9 10 15, 17 20

Section 2 W/2

Section 5 W/2

Section 7 E/2

Section 8 E/2

Section 16 E/2E/2

Section 18 E/2

Containing 7 360 acres more or less

**CONTRACT AREA IS LIMITED IN DEPTH FROM THE SURFACE TO THE BASE OF THE
BONE SPRING FORMATION**

**II NAME, WORKING INTEREST PERCENTAGES, AND ADDRESSES OF THE PARTIES FOR
NOTICE PURPOSES**

Marbob Energy Corporation P O Box 227 Artesia NM 88211-0227	19 477715%
Pitch Energy Corporation P O Box 304 Artesia NM 88211 0304	16 856606 /
Yates Petroleum Corporation 105 South 4 th Street Artesia NM 88210	13 028650 %
Abo Petroleum Corporation 105 South 4 th Street Artesia NM 88210	6 663396 /
Yates Drilling Company 105 South 4 th Street Artesia NM 88210	6 663396 %
Myco Industries Inc 105 South 4 th Street Artesia NM 88210	6 663396 /
The Allar Company P O Box 1567 Graham TX 76450	20 162395 /
Chesapeake Exploration LLC PO Box 18496 Oklahoma City OK 73154	10 484446 /
TOTAL	100%

III OIL AND GAS LEASES SUBJECT TO THE AGREEMENT
SEE ATTACHED EXHIBIT A 1

Exhibit A 1

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER	EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	WORKING INTEREST OWNERS	WI Decimal	Net Acres
1	<u>TOWNSHIP 25 SOUTH, RANGE 28 EAST</u> Section 32 E/2E/2	160	VB-0575	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Yates Petroleum Corp	0 18322480	29 315968
							ABO Petroleum Corp	0 04257430	6 811888
							Yates Drilling Company	0 04257430	6 811888
							MYCO Industries Inc	0 04257430	6 811888
							Marbob Energy Corp	0 11959360	19 134976
							Pitch Energy Corp	0 11959360	19 134976
							Legend Natural Gas	0 21045550	33 67288
							Devon Energy Production Company LP	0 23940960	38 305536
2	Section 33 N/2	320	VB-0576	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
3	Section 33 S/2	320	VB 0569	8/1/2009	0 1875	YATES PETROLEUM CORPORATION	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072

Exhibit A 1

4	Section 34 S/2	320	V 7085	7/1/2009	Prod	0 16667	MARBOB ENERGY CORPORATION	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
5	<u>TOWNSHIP 26 SOUTH, RANGE 28 EAST</u> Section 2 W/2	320	VB 0694	7/1/2010		0 1875	YATES PETROLEUM CORPORATION	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
6	Section 3 E/2	320	V 7438	7/1/2010		0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc. The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
7	Section 3 W/2	320	V 7461	7/1/2010		0 16667	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536

Exhibit A 1

8	Section 4 E/2	320	V 7439	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
							The Allar Company	0 30769230	98 461536
9	Section 4 W/2	320	V 7462	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc.	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
10 UNCOMMITTED	Section 5 E/2	320	V 7440	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
11	Section 5 W/2	320	V 7463	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO industries Inc.	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072

Exhibit A 1

12 UNCOMMITTED	Section 6 E/2	320	V 7441	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
13	Section 7 E/2	320	V 7465	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072
14 UNCOMMITTED	Section 8 W/2	320	V 7443	7/1/2010	0 16667	Legend Natural Gas III LP	Yates Petroleum Corp	0 18322480	58 631936
							ABO Petroleum Corp	0 04257430	13 623776
							Yates Drilling Company	0 04257430	13 623776
							MYCO Industries Inc	0 04257430	13 623776
							Marbob Energy Corp	0 11959360	38 269952
							Pitch Energy Corp	0 11959360	38 269952
							Legend Natural Gas	0 21045550	67 34576
							Devon Energy Production Company LP	0 23940960	76 611072

Exhibit A 1

15	Section 8 E/2	320	V 7466	7/1/2010	0 16667	Marbob Energy Corporation	Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc Marbob Energy Corp Pitch Energy Corp Legend Natural Gas Devon Energy Production Company LP	0 18322480 0 04257430 0 04257430 0 04257430 0 11959360 0 11959360 0 21045550 0 23940960	58 631936 13 623776 13 623776 13 623776 38 269952 38 269952 67 34576 76 611072
16	Section 9 W/2	320	V 7444	7/1/2010- Prod	0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc. The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
17	Section 9 E/2	320	V 7467	7/1/2010 Prod	0 16667	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
18	Section 10 W/2	320	VB-0677	7/1/2010	0 1875	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536

Exhibit A 1

19	Section 10 E/2	320	VB 0695	7/1/2010	0 1875	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
20	Section 15 E/2	320	V 7445	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
21	Section 15 W/2	320	V 7468	7/1/2010	0 16667	Yates Petroleum Corporation	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	62 417584 62 417584 24 175824 24 175824 24 175824 24 175824 98 461536
22	Section 16 E/2E/2	160	V 7446	7/1/2010	0 16667	The Allar Company	Marbob Energy Corp Pitch Energy Corp Yates Petroleum Corp ABO Petroleum Corp Yates Drilling Company MYCO Industries Inc The Allar Company	0 19505495 0 19505495 0 07554945 0 07554945 0 07554945 0 07554945 0 30769230	31 208792 31 208792 12 087912 12 087912 12 087912 12 087912 49 230768
23	Section 17 E/2	320	V 7447	7/1/2010	0 16667	Chesapeake Exploration LP	Chesapeake Exploration Limited Partnership	1 00000000	320

Exhibit A 1

24	Section 17 W/2	320	V 7470	7/1/2010	0 16667	Yates Petroleum Corporation	Yates Petroleum Corp	0 35000000	112
							ABO Petroleum Corp	0 05000000	16
							Yates Drilling Company	0 05000000	16
							MYCO Industries Inc	0 05000000	16
							Marbob Energy Corp	0 50000000	160
25	Section 18 E/2	320	V 7448	7/1/2010	0 16667	Chesapeake Exploration LP	Chesapeake Exploration Limited Partnership	1 00000000	320
26	Section 20 W/2	320	V 7450	7/1/2010	0 16667	Nearburg Exploration Company LLC	Nearburg Exploration Company LLC	1 00000000	320
27	Section 20 E/2	320	V 7473	7/1/2010	0 16667	Marbob Energy Corporation	Marbob Energy Corp	0 19505495	62 417584
							Pitch Energy Corp	0 19505495	62 417584
							Yates Petroleum Corp	0 07554945	24 175824
							ABO Petroleum Corp	0 07554945	24 175824
							Yates Drilling Company	0 07554945	24 175824
							MYCO Industries Inc	0 07554945	24 175824
	The Allar Company	0 30769230	98 461536						

Exhibit A 1

RECAPITULATION

Acres of State of New Mexico Lands = 100%

Acres of Fee Lands = $\frac{0\%}{100\%}$

LEASE BASIS
TOTAL COMMITTED ACRES **7360**
TOTAL UNCOMMITTED ACRES **960**
TOTAL ACRES **8320**

Unit Working Interest

Marbob Energy Corp	0 18507511	1188 974488
Pitch Energy Corp	0 16016961	1028 974488
Yates Petroleum Corp	0 12379680	795 305384
ABO Petroleum Corp	0 06331485	406 752344
Yates Drilling Company	0 06331485	406 752344
MYCO Industries Inc	0 06331485	406 752344
The Allar Company	0 19158086	1230 7692
Chesapeake Exploration LLC	0 09962205	640
Nearburg Exploration Company LLC	0 04981102	320
TOTAL	1 00000000	6424 280592

Nearburg ORI 0 00415092

Nearburg TA d to all parties proportionately making new WI

Unit Working Interest

Marbob Energy Corp	0 19477715
Pitch Energy Corp	0 16856606
Yates Petroleum Corp	0 13028650
ABO Petroleum Corp	0 06663396
Yates Drilling Company	0 06663396
MYCO Industries Inc	0 06663396
The Allar Company	0 20162395
Chesapeake Exploration LLC	0 10484446
Nearburg Exploration Company LLC	
TOTAL	1 00000000

THERE IS NO EXHIBIT "B" TO THIS DOCUMENT

EXHIBIT C

Attached to and made a part of Attached to a made a part of that certain Joint Operating Agreement dated May 8 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy Corporation et al as Non Operators

ACCOUNTING PROCEDURE
JOINT OPERATIONS

1 GENERAL PROVISIONS

1. Definition

Joint Property shall mean the real and personal property subject to the agreement with which Accounting Procedure is attached.
Joint Operator shall mean the operator necessary proper for the development, production, processing of the Joint Property.
Joint Accountant shall mean the person selected and retained by the parties to the Joint Operations which shall be shared by the parties.
Operator shall mean the party designated to conduct the Joint Operation.
Non-Operators shall mean the parties to the agreement other than the Operator.
Parties shall mean Operator and Non-Operators.
Full Time Supervisors shall mean those employees whose primary function is to directly supervise all employees and/or to be directly employed by the Joint Property in a full operating capacity.
"Technical Employees" shall mean those employees having special and specific knowledge of other professional skills, and whose primary function is the handling of specific production and problems of the Joint Property.
Personal Expense shall mean the reasonable and necessary expenses of Operator's employees.
Material shall mean personal property equipment or supplies held for use in the Joint Property.
Controlled Material shall mean Material which is so classified by the Material Control System as to be controlled by the Control System.

2. Statement of Billing

Operator shall bill Non-Operators or before the last day of each month the proportionate share of the Joint Accounting procedure. The share bill shall be computed by statement which identifies the liability for period lease royalty and changes and additional charges by proportionate share of investment and expense plus a 1% fee. The bill shall be separate and fully described in detail.

3. Advance Payment to Non-Operator

A. Unless otherwise provided in the agreement the Operator may require the Non-Operator to advance to the Operator the cash outlay for the operations which will occur within (15) days after the bill goes by the first day of the month for which advance is required. The Operator shall adjust each month bill to reflect advance received from the Non-Operators.

B. Each Non-Operator shall pay its proportionate share of bills within (15) days after the bill is presented to it. If payment is not made within the stipulated time, the bill shall be in arrears until the payment is made. The interest rate shall be the prime rate plus 1% at the first day of the month which the delinquency occurs plus 1% the maximum interest rate permitted by the applicable laws. The settlement with the Joint Property is the date which the lessor's attorney's fees, court costs, and other cost in connection with the collection of said amount.

4. Adjustments

Payment of any such bill shall not prejudice the right of any Non-Operator to protest or question the correctness thereof provided, however, the bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct for twelve (12) months following the end of the year unless within the said twelve (12) months the Non-Operator in writing complains there and makes claim for adjustment. The Non-Operator shall be deemed to have accepted the bill unless it is made within the same prescribed period. The provisions of this paragraph shall prevail in the event of any conflict with the provisions of the Joint Operating Agreement as provided for in Section V.

5. Audit

A. All Operators, including Joint Operators and all the Non-Operators, shall have the right to audit and record relating to the Joint Account for any financial year within the twenty-four (24) month period following the end of such calendar year provided however that the making of such audit shall not extend the time for the taking of the accounts and the adjustments of accounts as provided for Paragraph 4 of this Section. Where there are two or more Non-Operators, the Non-Operator shall make every reasonable effort to conduct such audit in a manner which will result in the minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed in writing by the Operator. The audit shall not be conducted more than once on each year without the prior approval of the Operator except upon the signature of removal of the Operator and shall be made in the presence of the Non-Operators approving such audit.

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

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operator is expressly required under other sections of this Accounting Procedure and if the agreement which this Accounting Procedure is intended to contain is contrary to or in violation of the provisions of the Joint Operations Agreement, the Non-Operators of the Operator's proposal and the agreement shall be approved by majority vote of the Non-Operators.

II DIRECT CHARGES

Operator shall bear the Joint Account with the following terms:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of government regulatory requirements to satisfy environmental requirements applicable to the Joint Operations. Such costs may include survey, field, local, arch, etc. related to the environmental procedure as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rental and royalties paid by Operator of the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property by the Operator.
- (2) Salaries of field supervisors of the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property for such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees that temporarily or permanently assigned to directly employed in the operation of the Joint Property for such charges are excluded from the overhead rates.

B. Operator shall pay for the cost of sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are payable to the Joint Account under Paragraph 3A of this Section. Such costs under Paragraph 3B may be included on the cost paid to the Operator by percentage assessment of the monthly salaries and wages payable to the Joint Account under Paragraph 3A of this Section. If percentage assessment is used the rate shall be based on the Operator's cost experience.

C. Expenses incurred in connection with assessment imposed by governmental authority which are payable to the Operator shall be chargeable to the Joint Account under Paragraph 3A and 3B of this Section.

D. Provisions of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A and 3B of this Section.

4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase plans, and other benefit plans of all nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraph 3A and 3B of this Section shall be Operator's actual cost or to exceed the percent in the most recently recommended by the Council of Petroleum Accountants Society.

COPAS

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5 **Material**

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

6 **Transportation**

Transportation expenses deemed necessary for the Joint Operation shall be subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse, no charges shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply source which is normally available by rail or railway route to the nearest the Joint Property, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other long point, charges shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply source which is normally available by rail or railway route to the nearest the Joint Property, unless agreed to by the Parties. Charges shall be made to the Joint Account for material to the properties belonging to Operator, unless agreed to by the Parties.

C. The application of subparagraphs A and B to the per mile charge for truck haulage shall be available when the charge is \$400 or less including access charges. The \$400 will be adjusted to the maximum rate received by the Council of Petroleum Accountants Societies.

7 **Service**

The cost of maintenance, equipment and utility provided by independent sources, except services provided by Paragraph 10 of Section II and Paragraphs and Section III. The staff professional consultant services and other services of technical personnel directly engaged in the Joint Property of such charges or provided from the overhead rates. The staff professional services of technical personnel not directly engaged in the Joint Property shall not be charged to the Joint Account, unless previously agreed to by the Parties.

8 **Equipment**

A. Operator shall have the Joint Account for use of Operator owned equipment and facilities at rates commensurate with cost of purchase and maintenance. Such rates shall include cost of maintenance, repairs, depreciation, insurance, taxes, and interest, less estimated depreciation not to exceed _____ percent per annum. Such rates shall be determined in accordance with the prevailing market rate for the Joint Property.

B. In the event of changes in Paragraph 8A above, Operator may elect to use the same rates prevailing in the market for the Joint Property, less 5% for automotive equipment. Operator may elect to use rates published by the Petroleum Management Association.

9 **Damages to Joint Property**

All cost or expense necessary for the repair or replacement of Joint Property and necessary because of damages to the Joint Property by fire, flood, lightning, accident or other cause, except those resulting from Operator's gross negligence or willful misconduct, Operator shall furnish. Operator will be liable for damages to the Joint Property as provided in the report thereof has been received by Operator.

10 **Legal Expenses**

Expense of handling, investigation, litigation, claims, discharge of liability, payment of judgment and non-payment of settlement of claims not resulting from operations under the agreement or necessary to protect or recover the Joint Property, with the charge of services of Operator's legal staff, fees, postage, and other expenses shall be borne unless previously agreed to by the Parties. All other legal expenses incurred shall be covered by the overhead provisions of Section III, unless otherwise agreed to by the Parties, except as provided in Section I Paragraph 3.

11 **Taxes**

All taxes of every kind and rate assessed or levied upon the Joint Property, the personal or other taxes thereon, and such taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem tax is based on whole or in part upon separate valuations of each party's working interest, notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties heretofore in accordance with the rule created by each party's working interest.

COPAS

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operation for the protection of the Parties. If the Joint Operation are conducted in a state which Operator may act as self insurer for Worker's Compensation and/ Employers Liability under the respective state laws, Operator may elect to have the risk under its self insurance program and in that event, Operator shall include charges at Operator's discretion not to exceed market rates.

13. Abandonment and Reclamation

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

14. Communications

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication systems, including land and microwave facilities directly serving the Joint Property. In the event communication facilities are provided by the Joint Property or owned charges to the Joint Account shall be as provided Paragraph 8 of this Section II

15. Other Expenditures

Any other expenditure covered dealt with in foregoing provisions of this Section II or in Section III and which is a direct benefit to the Joint Property and incurred by the Operator in the necessary and proper conduct of the Joint Operations

III OVERHEAD

16. Oil Drilling and Producing Operations

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

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

Unless otherwise agreed by the Parties, such charges shall be in lieu of costs and expenses of all offices and salaries or wages of all applicable burdens and expenses of all personnel except those directly chargeable under Paragraph 3A, Section II. The salaries and expense of services from outside sources in connection with matters of tax, tariff, customs, matters before involving government agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph 1A or 1B unless such cost and expense are agreed by the Parties as described in the Joint Account

The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultants services and travel services of technical personnel directly employed on the Joint Property

- () shall be covered by direct overhead rates,
- (X) shall not be covered by the overhead rates.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or cost of professional consultants services and contract services of technical personnel that temporarily or permanently assigned and directly employed in the operation of the Joint Property:

- (X) shall be covered by the overhead rates,
- () shall not be covered by the overhead rate

A. Overhead Fixed Rate Basis

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

Drilling Well R I R is \$ 6000.00
(Pro-rated for less than full month)

Producing Well R I R is \$ 600.00

(2) Applicable Overhead Fixed Rate Basis shall be as follows:

() Drilling Well Rate

(1) Charges for drilling well shall begin the date the well is spudded and terminate the date the drilling is completed or other time such completion of the well is released whichever is later except that no

1 of rig shall be made during suspension of drilling or completion operations for fifteen (15) months
2 consecutive days.

3 (2) Charges for well being any type of workover or recompletion for period of fifteen (15) consecutive working days
4 or more shall be made at the drilling rate. Such charges shall be applied for the period from date
5 of workover operations, with rig or other tools used in workover commence through date of rig or the unit
6 release, except that no charge shall be made during suspension of operations for fifteen (15) or more
7 consecutive calendar days.

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10 (b) Producing Well Rates

11 (1) An active well either produced or injected for any portion of the month shall be considered as an on-well
12 charge for that entire month.

13 (2) Each active completion in a multi-completed well which produces or is not commingled with it shall
14 be considered as a one-well charge provided each completion is considered separately by the
15 regulatory authority.

16 (3) An inactive gas well shall be because of overproduction failure of purchase of the production or
17 because of a well charge payment, the gas well shall directly connect to permanent sales line.

18 (4) A one-well charge shall be made for the month in which planned abandonment operations completed on
19 any well. The one-well charge shall be made whether or not the well has produced except with drill gas
20 rate applies.

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

23 (3) The well rates shall be adjusted as of the first day of April each year. If within the five day period
24 the Adjusting Procedure is filed by the percentage decrease provided by COPAS.

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32 B Overhead Percentage Basis

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

34 (a) Development
35 _____ Percent (____%) of the cost of development of the Joint Property exclusive of costs
36 provided under Paragraph 10 of Section II and 11 savings credits.

37 (b) Operating
38 _____ Percent (____%) of the cost of operating the Joint Property exclusive of stipulated
39 under Paragraphs 2 and 10 of Section II, all savings credits, the loss of injected substance purchased for
40 secondary recovery and 11 taxes and assessment which are levied assessed and paid upon the mineral interest
41 in the Joint Property.

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

43 For the purpose of determining charges percentage basis under Paragraph 1B of the Section III development shall
44 include all costs in connection with drilling, re-drilling, deepening or any remedial operation on all wells in
45 the use of drilling rig and new capability of drilling to the producing interval on the Joint Property also preliminary
46 expenditures necessary in preparation for drilling and expenditures incurred in abandonment when the well is not completed
47 as produced and original cost of construction installation of fixed assets, the expansion of fixed assets and any other
48 project clearly identifiable as fixed asset, except Major Construction defined in Paragraph 2 of this Section III. All
49 the cost shall be considered as per unit.

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58 2 Overhead Major Construction

59 For completion of overhead costs involved in construction and installation of fixed assets, the expansion of fixed assets, and
60 any the project clearly identifiable fixed asset required for the development and operation of the Joint Property Operator shall
61 charge the Joint Account with the following percentage of construction, or shall charge the Joint Account with overhead based on the following rates
62 for any Major Construction project in excess of \$_____ \$5,000.00.

- 63
64
65 A. _____ % of first \$100,000 or total cost if less, plus
66
67 B. _____ % of cost in excess of \$100,000 but less than \$1,000,000 plus
68
69 C. _____ % of cost in excess of \$1,000,000
70

COPAS

1 The total shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a project shall
2 not be treated separately. The total cost of drilling and work over well and reworking shall be included.

3 **3. Overhead**

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6 The compensation payable to the operator for overhead incurred in the event of a spill or other incident resulting from a single occurrence shall be
7 the cost of the spill or other incident, including the cost of the investigation and the cost of the remedial work, plus the cost of the
8 property which is damaged or destroyed or the cost of the replacement of the property, plus the cost of the investigation and the cost of the
9 remedial work, plus the cost of the investigation and the cost of the remedial work, plus the cost of the investigation and the cost of the
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- 11 A 5% of total costs in excess of \$100,000 plus
- 12 B 3% of total costs in excess of \$100,000 but less than \$1,000,000 plus
- 13 C 2% of total costs in excess of \$1,000,000

17 Expenditures subject to the overhead above will not be reduced by insurance recoveries, and other overhead provisions of this
18 Section shall apply.

20 **4. Amendment of Rates**

21
22 The overhead rates provided for in Section 3 may be modified from time to time only by mutual agreement in writing between the Parties hereto
23 if proposed, the rates referred to shall be effective retroactively.

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

28 The operator responsible for Joint Account Material and shall make prompt arrangements and credits for all material movements affecting the
29 Joint Property. The operator shall provide all material for use on the Joint Property; however, the operator's portion, such material may be supplied
30 by the Non-Operator. The operator shall make timely disposition of the surplus material at such disposal be made either through sale to
31 the operator or Non-operator division in kind or sale to third parties. The operator may purchase, but shall be under no obligation to purchase, the
32 surplus material on A or B Material. The disposal of surplus material not purchased by the operator shall be agreed
33 to by the Parties.

35 **1. Purchases**

36
37 Material purchased shall be charged to the purchaser by the operator after deduction of all discounts received. If material found
38 to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when the material has been received
39 by the operator.

41 **2. Transfers and Dispositions**

42
43 Material furnished to the Joint Property and material transferred from the Joint Property disposed of by the operator less
44 otherwise agreed to by the Parties shall be priced on the following basis:

46 **A. Non-Material (Contract A)**

48 **(1) Tubular Goods Other than Lin Pipe**

49
50 (a) Tubular goods, sized 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published current
51 base price effective from the date of the contract plus transportation cost using the 80,000 pound car load weight basis
52 to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the
53 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charge
54 for tubular goods will be calculated from Lima, Ohio and coming from Youngstown, Ohio.

55
56 (b) Tubular goods which are special to the mill by price shall be computed at the mill base of that mill plus transportation
57 cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a).
58 For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association contract
59 truck rate shall be used.

60
61 (c) Special and finish tubular goods shall be priced at the lowest published out-of-stock price of the Eastern mill, plus
62 transportation cost to Oil Field Haulers Association contract 30,000 pound truck rate, to the railway receiving
63 point nearest the Joint Property.

64
65 (d) Manifold tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock price, plus
66 supplier plus transportation costs, using the Oil Field Haulers Association contract truck rate per weight of
67 tubing transferred to the railway receiving point nearest the Joint Property.

(2) Line Pipe

() Line pipe movements (except size 24 inch OD and larger with walls 3/8 inch and over) 30,000 pounds or more shall be priced at Eastern mill published and basic prices effective as of date of shipment plus 4th percent most recently recommended by COPAS plus transportation and based freight rates set forth and provisions of bill of lading in Paragraph A.(1) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(b) Line Pipe movements (except size 4 inch OD and larger with walls 3/8 inch and over) less than 30,000 pounds shall be priced at Eastern mill published and basic prices effective as of date of shipment plus 4th percent most recently recommended by COPAS plus transportation and based freight rates set forth and provisions of bill of lading in Paragraph A.(1) as provided above. Freight charges shall be calculated from Lorain, Ohio.

() Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced at the published price plus 4th percent most recently recommended by COPAS plus transportation and based freight rates set forth and provisions of bill of lading in Paragraph A.(1) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(d) Line pipe, including fabricated line pipe, drive pipe and condenser line pipe shall be priced at the published price plus 4th percent most recently recommended by COPAS plus transportation and based freight rates set forth and provisions of bill of lading in Paragraph A.(1) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(3) Other Material shall be priced at the current new price effective as of date of shipment plus 4th percent most recently recommended by COPAS plus transportation and based freight rates set forth and provisions of bill of lading in Paragraph A.(1) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(4) Unused material except bulk goods, moved from the Joint Property shall be priced at the current new price, if available, as listed by a reliable supply source near the Joint Property or point of manufacture plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubular will be priced as provided in Paragraph 2.A.(1) and ()

B. Good Used Material (Condition B)

Material in sound serviceable condition suitable for use with the additional:

(1) Material moved from the Joint Property

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

(2) Material used and moved from the Joint Property

() At seventy five percent (75%) of current new price as determined by Paragraph A if Material was originally purchased from the Joint Property as used material

(b) At sixty five percent (65%) of current new price as determined by Paragraph A, if Material was originally purchased from the Joint Property as used material

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

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

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

C. Other Used Material

(1) Condition C

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

(2) Condition D

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

() Cast tubing and line pipe shall be priced as Grade A and B seamless pipe of comparable size and weight. Used cast gas, oil or drill pipe (including line pipe) shall be priced at used line pipe prices.

(b) Cast tubing and line pipe used as high pressure service lines (than standard line pipe e.g. power lines) shall be priced under normal pricing procedures for cast gas, oil or drill pipe. Upset tubular goods shall be priced on upset basis.

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(3) Condition C

It shall be permitted to sell gas prices. Operator may dispose of Condition C Material and proceeds realized by Operator will be for approval of Non-Operator

D Obsolete Material

Material which is serviceable and suitable for its original function but and its standard value of such Material is equivalent to that which would justify price as provided above may be specially priced as agreed to by the Parties. Such price should result that the Accountant is charged with the value of the services rendered by such Material

E. Price Conditions

(1) Loading charges may be charged to the Joint Account at the rate of twenty five cents (25¢) per hundred weight of tubular goods in vessels, in the case of unit loading or loading costs sustained the stocking point. The above rate shall be adjusted of the first day of April each year following January 1 1983 by the same percentage increase or decrease used to adjust overhead rates. Section III, Paragraph 1.A.(3) Each year the rate calculated shall be reduced to the nearest cent and shall be in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material which is obsolete shall be charged a applicable percentage of the net book value of the price of Material

3. Final Prices

Whenever Material is not readily available at published or listed prices because of national emergency strikes or other unusual causes over which the Operator has no control the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred plus a reasonable profit, making it subject to the Joint Property provided that the Operator shall have the right by so doing and not by charging Operator with the cost of such Material. Each Non-Operator shall have the right by so doing and not by charging Operator with the cost of such Material. Each Non-Operator shall have the right by so doing and not by charging Operator with the cost of such Material. Each Non-Operator shall have the right by so doing and not by charging Operator with the cost of such Material.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material received shall not be passed to the Joint Account and adjustment shall be received by Operator from the manufacturer or the agent.

V INVENTORIES

The Operator shall maintain detailed records of Controllable Material

1. Periodic Inventory and Reconciliation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of inventory shall be given by Operator at least thirty (30) days before a physical inventory is begun. That Non-Operators may be represented when a physical inventory is taken. Failure of Non-Operators to be represented in a physical inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventory

Adjustment of the Joint Account liability from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account charges and shortages, but Operator shall be liable only for the gross lack of reasonable diligence.

3. Special Inventories

Special inventory may be taken whenever there is any sale, change of interest, change of Operator in the Joint Property. It shall be the duty of the party selling to notify all the Parties as quickly as possible of the transfer of interest. In such cases, both the seller and the purchaser shall be governed by such inventory. The seller's liability shall be the liability of Operator. All Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall be charged to the Joint Account less agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to negligence of Operator shall be charged to the Joint Account.

EXHIBIT D

Attached to a made a part of that certain Joint Operating Agreement dated May 8, 2009 by and between Marbob Energy Corporation as Operator and Pritch Energy Corporation et al as Non-Operators

- 1 **OPERATOR** shall at all times while conducting operations hereunder comply with all Workers Compensation and Occupational Disease Laws including the United States Longshoremens and Harbor Workers Compensation Act 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 **OPERATOR'S** actual cost but not exceeding an amount equivalent to the premium which would have been paid had such insurance been obtained
- 2 No other insurance shall be carried by **OPERATOR** for the joint account unless agreed to by all the parties hereto
- 3 **OPERATOR** shall require all contractors and subcontractors to carry such insurance in such amounts as **OPERATOR** deems adequate
- 4 Each co owner may procure such insurance with respect to the jointly owned properties and operations as it deems necessary to protect itself against claims and damages and all insurance policies shall be endorsed to provide that underwriters and insurance carriers of co-owner shall not have any right of subrogation against **OPERATOR** and other co-owners

It is provided that in the event Operator should elect to carry well control insurance then prior to the drilling of any well hereunder if any co owner hereunder so elects to be included as an insured under Operator's policy the Operator shall advise said co-owner of its anticipated share of the premium for same Co owner shall then advise Operator whether or not it elects to be named as an insured under the policy and co-owner shall be responsible for its proportionate share of the policy premium

EXHIBIT E

*Attached to a made a part of that certain Joint Operating Agreement dated
May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy
Corporation et al as Non Operators*

GAS BALANCING AGREEMENT

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

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

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

2 On a cumulative basis each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this Agreement less its share of gas used in lease operations vented or lost and less that portion such party took or delivered to its purchaser The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced the amount used in lease operations vented or lost the total quantity of liquid hydrocarbons recovered therefrom and the monthly and cumulative over and under account of each party

3 Each Party producing taking or delivering gas to its purchaser shall pay severance taxes excise taxes royalties overriding royalties production payments and other such payments and taxes on production for which it is obligated by law or by lease or contract (including Operating Agreement) and nothing in this Gas Balancing Agreement shall be construed as affecting such obligations Each Party hereto agrees to indemnify and hold harmless the other Parties hereto against all claims losses or liabilities arising out of its failure to fulfill such obligations

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

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

6 If a proration unit ceases to produce gas and/or liquid hydrocarbons in paying quantities before the gas account is balanced settlement will be made between the underproduced and overproduced parties In making such settlement the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received less applicable taxes theretofore paid at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made For gas the price of which is not regulated by federal state or other governmental agencies the price basis shall be the price received for

the sale of the gas. For gas the price of which is subject to regulation by federal state or other governmental authorities the price basis shall be the rate collected from time to time which is not subject to possible refund as provided by the Federal Energy Regulatory Commission or any other governmental authority pursuant to final order or settlement applicable to the gas sold from such well plus any additional collected amount which is not ultimately required to be refunded by such authority such additional collected amount to be accounted for at such time as final determination is made with respect hereto

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

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

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

EXHIBIT F

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

Attached to a made a part of that certain Joint Operating Agreement dated May 8, 2009 by and between Marbob Energy Corporation as Operator and Pitch Energy Corporation et al as Non-Operators

During the performance of this contract, the Operator (meaning and referring separately to each party hereto) agrees as follows

- 1) The Operator will not discriminate against any employee or applicant for employment because of race color religion sex or national origin. The Operator will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race color religion sex or national origin. Such action shall include but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.
- 2) The Operator will in all solicitations or advertisements for employees placed by or on behalf of the Operator state that all qualified applicants will receive consideration for employment without regard to race color religion sex or national origin.
- 3) The Operator will send to each labor union or representative of workers with which Operator has a collective bargaining agreement or other contract or understanding a notice to be provided advising the said labor union or works representatives of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965 and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- 4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965 and of the rules, regulations and relevant orders of the Secretary of Labor.
- 5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965 and by the rules, regulations and orders of the Secretary of Labor or pursuant thereto and will permit access to Operator's books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- 6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965 and such other sanctions in Executive Order 11246 of September 24, 1965 or by rules, regulations or order of the Secretary of Labor or as otherwise provided by law.
- 7) The Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965 so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for non-compliance, provided, however, that in the event the Operator becomes involved in or is threatened with litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

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

Operator further acknowledges that Operator may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply each other party hereto with a copy of such program if so requested.

CERTIFICATION OF NONSEGREGATED FACILITIES

By entering into this contract the Operator certifies that Operator does not and will not maintain or provide for Operator's employees any segregated facilities at any of Operator's establishments and that Operator does not and will not permit Operator's employees to perform their services at any location under Operator's control where segregated facilities are maintained. The Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification the term segregated facilities means but is not limited to any waiting rooms work areas rest rooms and wash rooms restaurants and other eating areas time clocks locker rooms and other storage or dressing areas parking lots drinking fountains recreation or entertainment areas transportation and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race color religion or national origin because of habit local custom or otherwise. Operator further agrees that (except where Operator has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Operator will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10 000 00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e. quarterly semiannually or annually).