

1 hereby grants to Operator full right, power and authority to execute in each such party's name and on its behalf any financing statement which  
2 Operator deems necessary in order to perfect the security interest hereby granted under the applicable Uniform Commercial Code.

3 **L. Legal Costs:**

4 In the event Operator shall ever be required to bring legal proceedings in order to collect any sums due from any Non-Operators under  
5 this Agreement, then Operator shall also be entitled to recover all court costs, costs of collection and a reasonable attorney's fee, which the  
6 lien provided for herein shall also secure.

7 **M. Controlling Language:**

8 In the event of a conflict between the provisions of this Article XVI. and any other provision of this Operating Agreement, the  
9 provisions of this Article XVI. shall control and prevail.

10 **N. Operator Indemnity:**

11 1. Notwithstanding any provision contained herein to the contrary, Operator shall not be obliged to perform nor shall be liable for its  
12 failure to perform or to continue any work or incur any expenditure or indebtedness hereunder for the Joint Account until all funds requested  
13 of Non-Operators pursuant to cash calls given in accordance with the applicable provisions hereof have been received by Operator.

14 2. Any provision of this Agreement to the contrary notwithstanding, and without limiting any other provision of this Agreement  
15 (including, again without limitation Article V.A.), Operator shall not be liable to the other parties for any failure of Operator, except such  
16 failures as may result from willful misconduct, to comply with the requirements of any Federal, state or local ordinance, statute, law, rule,  
17 regulation or procedure, pertaining to the establishment of prices for oil, gas or other minerals, or to the classification of wells for such  
18 purpose, or pertaining to any other matter related to the regulation of entitlements, supply, demand, allocation, delivery, contracting for or  
19 pricing of oil, gas or other minerals, it being understood and agreed by all parties that compliance with current laws and regulations is subject  
20 to confusion and to numerous risks, uncertainties, conflicting opinions and burdensome filing requirements. Any liability for refund of sums  
21 obtained because the parties have been paid amounts in excess of lawful prices shall be borne severally by the parties to the same extent that  
22 such excess funds were paid to the parties.

23 **O. AFE:**

24 An AFE is an estimate only of costs; in no way shall the execution of an AFE limit the liability of the party.

25 **P. Take in Kind:**

26 In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of  
27 the oil and gas produced from the Contract Area, Operator shall have the right, but not the obligation, to purchase such oil and gas or sell it  
28 to others at any time and from time to time, for the account of the non-taking party, and Operator will use its best efforts to market Non-  
29 Operators share of oil and gas on the same terms that Operator markets its own share of such production. Any such purchase or sale by  
30 Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind or separately  
31 dispose of its share of all oil and gas not previously delivered to a purchaser by the giving of written notice thereof to Operator at least thirty  
32 (30) days prior to its requested taking (the "Taking Date"); such notice shall be deemed effective on the first day of the next month following  
33 the Taking Date. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time  
34 as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1)  
35 year.

36 **Q. Mandatory Operations (Optional - For multi-spacing unit Contract Areas):**

37 Notwithstanding the other provisions hereof, and particularly Article VI, if any well proposed hereunder is an obligation well, a party  
38 not participating in drilling the well shall assign to the participating parties its interest in the leases or portion thereof which would be lost or  
39 not earned if the well was not drilled. Such assignment shall be due upon the commencement of operations for such well and shall be free  
40 and clear of all mortgages (unless such mortgages are subordinated to this Agreement), claims, liens, overriding royalty interests, production  
41 payments, net profits interests, and other encumbrances or leasehold burdens placed thereon by or resulting from the Assignor's ownership  
42 and operations subsequent to the date of this Operating Agreement, but otherwise without warranty of title, either express or implied. An  
43 "obligation well" is defined as a well which must be drilled to earn or maintain a lease or portion thereof which cannot otherwise be  
44 maintained. A well proposed within the last one hundred eighty (180) days of the primary term of a lease (whether as a unit well or lease  
45 well) shall constitute an "obligation well".

46 In the event a party should propose to rework or recomplete a well which has ceased to produce and such operation is necessary to  
47 perpetuate a lease or leases which would otherwise expire, a party choosing to go non-consent on such operation shall assign to the  
48 Consenting Parties its interest in the lease or leases or portion thereof which would expire if the proposed operation was not conducted. Such  
49 assignment shall be made in the manner provided for hereinabove for the drilling of an obligation well.

51 **R. Drilling Costs:**

52 The entire cost of drilling the well to a depth to test the Morrow formation will be initially borne by the working interest owners  
53 owning an interest in all formations less and except the Strawn formation ("Other Formations") as reflected on Exhibit "A", Contract Area A.  
54 The following working interest owners own Strawn formation rights only as reflected on Exhibit "A", Contract Area B:

55 Badger Energy, Inc., Amity Oil Company, Dorchester Limited Partnership, Amax Oil & Gas, Inc. or their respective successors and  
56 assigns or affiliates.

58 Should the well be completed in the Strawn Formation, the WI owners named above who own Strawn rights only shall reimburse the  
59 working interest owners in the Other Formations in accordance with COPAS Bulletin Accounting Guidelines AG-1 dated April 2003, Article  
60 II.A.2.b. (Footage Ratio) as follows:

61 All Pre-casing Point Costs which can be isolated to the Strawn formation or Other Formations (e.g., logging, testing, coring, fishing,  
62 etc.) will be paid for by the participating working interest owners in those particular zones. All other Pre-casing Point Costs ("remaining  
63 costs") shall be borne by various participating owners, according to their respective participating interests in the formations involved as  
64 follows:

65 
$$WI \text{ in Strawn Formation Only} = \frac{1}{2} \times \frac{\text{footage to base of Strawn formation} \times \text{REMAINING COSTS}}{\text{TOTAL DEPTH}}$$

67 
$$WI \text{ in Other Formations} = \frac{1}{2} \times \frac{\text{footage to the base of the Strawn formation} \times \text{REMAINING COSTS}}{\text{TOTAL DEPTH}}$$

69 
$$\text{Plus: } 100\% \times \frac{\text{footage from base of Strawn formation} \times \text{REMAINING COSTS}}{\text{TOTAL DEPTH}}$$

1 Should a dual completion attempt be made in both the Strawn formation or Other Formations, all completion costs that can be isolated to  
2 the Strawn formation or Other Formations shall be paid for by the participating working interest owners of those particular formations. All  
3 other costs, with the exception of casing and tubing shall be paid for equally by the participants in the Strawn formation and the participants in  
4 the Other Formations. All casing and tubing shall be paid for as follows:

5 Average costs of casing and tubing from the surface to the base of the Strawn formation:

6  
7 Participants in the Strawn formation = 1/2  
8 Participants in Other Formations = 1/2

9 Average costs of casing and tubing from the base of the Strawn formation to total depth shall be borne 100% by the participants in the  
10 Other Formations.  
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