

## **EXHIBIT "H"**

Attached to and made a part  
The Corbin Delaware Unit Operating Agreement  
dated June 1, 1998

### **GAS BALANCING AGREEMENT**

#### **ARTICLE I**

##### **Definitions**

1.01 For the purposes of this Agreement, the terms set forth below shall have the meanings herein ascribed to them.

(a) "Balance" is the condition existing when a Party has disposed of a cumulative volume of Gas from a Well which is equal to such Party's Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. For purposes of Balancing, references herein to price, value and volume shall be adjusted or calculated on a Btu basis.

(b) "Btu" is one British thermal unit, which is the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit from 58.5° Fahrenheit to 59.5° Fahrenheit, at 14.73 pounds per square inch absolute. The term "MMBtu" refers to one million (1,000,000) Btu's.

(c) "FERC" refers to the Federal Energy Regulatory Commission, or any similar or successor agency, state or federal.

(d) "Gas" includes all hydrocarbons produced or producible from a Well, whether from a Well classified as an oil Well or gas Well by the regulatory agency having jurisdiction in such matters, which are or may be made available at the Measurement Point for sale or separate disposition by the Parties, excluding oil, condensate and other liquids separated upstream from the Measurement Point. "Gas" does not include gas used for joint operations, or gas which is vented or lost, prior to delivery at the Measurement Point. Reference herein to the right to "dispose of" Gas or Gas "disposed of" includes all methods of disposition of Gas, including taking in kind, delivering in kind to a Lessor, sales to a Party or third party or an affiliate, or gas used by a Party for purposes other than joint operations.

(e) "Imbalance" refers to either the Overproduction of an Overproduced Party or the Underproduction of an Underproduced Party, as applicable.

(f) "Make-up Gas" refers to that incremental volume of Gas, up to but not exceeding forty percent (40%) of the Percentage Ownership of an Overproduced Party in the Gas which can be produced from a Well which an Underproduced Party is entitled to dispose of in accordance with this Agreement in order to Make up its Imbalance.

(g) "Mcf" means the quantity of Gas occupying a volume of one thousand (1,000) cubic feet at a temperature of sixty degrees Fahrenheit (60°F) and a pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia).

(h) "Measurement Point" refers to the outlet side of the jointly owned production facilities, or such other point mutually agreeable where Gas from a Well is measured after the separation of oil, condensate or other liquids.

(i) "Operator" refers to The Operator under the terms of the Operating

(j) "Overproduced" is the condition existing when a Party has disposed of a greater cumulative volume of Gas from the Corbin Delaware Unit (Unit) than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Unit.

(k) "Party" means any party subject to the Unit Operating Agreement. "Parties" means all parties subject to the Unit Operating Agreement.

(l) The "Percentage Ownership" of each Party is equal to that Party's percentage or fractional interest in the Unit, as determined under the terms of the Unit Operating Agreement.

(m) "Underproduced" is the condition existing when a Party has disposed of a lesser cumulative volume of Gas from the Unit than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Unit.

(n) The terms "Underproduction" and "Overproduction" refer to that lesser or greater incremental volume of Gas which a Party would have disposed of from the Unit, on a monthly or cumulative basis, if it had disposed of its Percentage Ownership of Gas from the Unit.

(o) "Well" means a well drilled on the Contract Area covered by the Unit Operating Agreement and capable of producing Gas.

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

## ARTICLE II

### Scope and Term of Agreement

2.01 This Agreement establishes a single gas balancing agreement for the Unit.

2.02 This Agreement shall terminate, the earlier of (a) when the oil and gas lease(s) subject to the Unit terminate, or (b) when production from such Unit permanently ceases and the Gas accounts for such Unit are brought into Balance pursuant to this Agreement.

## ARTICLE III

### Right to Produce and Ownership of Gas

3.01 Subject to the rights of an Underproduced Party to produce and dispose of Make-up Gas pursuant to this Agreement, each Party shall own and be entitled to produce and dispose of its Percentage Ownership of Gas which can be produced from the Unit. During any month when a Party does not dispose of its entire Percentage Ownership of such Gas, the other Parties shall be entitled to produce and dispose of all or any portion of such Gas; provided, that to the extent such Parties desire to dispose of more Gas than is available, they shall share in such Gas in the proportion that each such Party's Percentage Ownership bears to the combined Percentage Ownership of all Parties desiring to dispose of such Gas.

3.02 As between the Parties hereto, each Party shall own and be entitled to the Gas disposed of by such Party for its sole account, and the proceeds thereof, including constituents contained therein that are recovered downstream from the Measurement Point. If at any time, and from time to time, a Party is Underproduced with respect to the Unit, its Underproduction shall be deemed to be in storage in the Unit, subject to the right of such Party to produce and dispose of such Gas at a later time.

## ARTICLE IV

### Make-Up Gas

4.01 In order to make up an Imbalance, each Underproduced Party in the Unit shall have the right, after thirty (30) days written notice to the Operator, to produce and dispose of Make-Up Gas, subject to the following rules:

(a) An Overproduced Party shall not be required to furnish Make-Up Gas unless an Underproduced Party is first taking or disposing of its full Percentage Ownership of Gas from the Unit; and

(b) An Overproduced Party shall not be required under any circumstances to reduce its takes to less than its Percentage Ownership of Gas which can be produced from the Unit during the months of January, February, and December of a calendar year; and

(c) An Overproduced Party shall not be required under any circumstances to reduce its takes to less than sixty percent (60%) of such Overproduced Party's Percentage Ownership of Gas which can be produced from the Unit; and

(d) If there is more than one Overproduced Party, the Make-Up Gas will be taken from the Overproduced Parties in the proportion that each Overproduced Party's Percentage Ownership in a Well bears to the total Percentage Ownership of all Overproduced Parties in the Unit; and

(e) If there is more than one Underproduced Party who desires and is able to dispose of Make-Up Gas in a month, each Underproduced Party will share in the Make-Up Gas in the proportion which its Percentage Ownership in a Well bears to the total Percentage Ownership of all Underproduced Parties in the Unit disposing of Make-Up Gas that month.

4.02 The provisions of this Article IV shall constitute an Underproduced Party's exclusive rights and an Overproduced Party's exclusive obligations with regard to the right of an Underproduced Party to require an Overproduced Party to furnish Make-Up Gas.

4.03 Nothing herein shall be construed to deny any Party the right from time to time to produce and deliver its full Percentage Ownership of Gas in the Unit for the purpose of conducting deliverability tests pursuant to its gas purchase contracts.

## ARTICLE V

### Balancing of Gas Accounts

5.01 The Operator shall have the right of controlling production and deliveries of Gas and administering the provisions of this Agreement. The Operator shall use its best efforts to cause Gas to be delivered at the Measurement Point in such manner and at such rates as may be required, from time to time, to give effect to the intent that any Imbalances shall be brought into Balance in accordance with the provisions hereof. The Operator shall only be liable for its failure to make deliveries of Gas in accordance with the terms of this Agreement if such failure is due to its gross negligence or willful misconduct.

5.02 The Operator will maintain a separate Gas account for each Party in the Unit. The Operator will furnish each Party quarterly a report showing the total Mcf of gas produced from the Unit, the Mcf used in joint operations, or which was vented or lost, the Mcf of Gas disposed by each Party, each Party's Overproduction or Underproduction for each month during the preceding calendar quarter, and the cumulative Imbalance of all Parties in the Unit at the end of each month during such quarter. The Imbalance of an Underproduced Party shall be made up on a month-to-month basis and in the order of accrual; i.e., any Gas taken by any Underproduced Party over and above the monthly amount attributable to its Percentage Ownership shall be credited against and offset its first Underproduction from time-to-time.

5.03 Each Party shall retain all data, information and records pertaining to the Gas taken and disposed of by such Party in a Well during periods of Imbalance hereunder, including, but not limited to, records pertaining to the volumes of Gas disposed of, the gross and net proceeds received from the disposition of such Gas, and the information utilized to adjust volumes and prices on a Btu basis, for a period expiring three (3) years after the termination of this Agreement as to such Well.

5.04 During the term of this Agreement, each Party shall have the right to request information from and to audit the records of the Operator and any other Party as to all matters concerning volumes, Btu adjustments, prices and disposition of Gas from the Unit. These rights shall extend until three (3) years after the expiration of this Agreement. Any audit shall be conducted, at the expense of the Party of Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. If more than one Party desires to audit the records of another Party, then all such Parties shall cooperate with each other in order that only one audit shall be conducted in any twelve (12) month period.

## ARTICLE VI Cash Settlement of Imbalance

6.01 When production from the Unit permanently ceases, the Operator shall render its final account of the cumulative Imbalance of all Parties within sixty (60) days after receiving the information requested as hereafter provided. Within thirty (30) days of Operator's request, each Overproduced Party shall provide information to Operator sufficient for the preparation of such statements including, but not limited to the net price received for its Overproduction and each Underproduced Party shall submit to Operator such data and information evidencing its payment of all royalties, overriding royalties, production burdens and taxes on its Underproduction which it was obligated to pay. Each Overproduced Party shall account to and pay each Underproduced Party within sixty (60) days of Operator's final account a sum of money equal to the net price on the Underproduction which an Underproduced Party was entitled to receive from an Overproduced Party. All past due payments due Underproduced Parties shall bear interest at the prime rate of interest in effect from time to time of Chemical Bank, N.Y. from date due until date paid. Net price for cash settlements herein shall be determined in accordance with Paragraph 6.02.

6.02 The net price for cash settlements (without interest) under this Article VI shall be the price actually received by the Overproduced Party for the sale of the Overproduction at the time the Overproduction accrued less production, severance and other similar taxes, fees or levies thereon and less royalties actually paid by an Overproduced Party attributable to the Underproduction of an Underproduced Party.

6.03 If any portion of the price which is to be paid to an Underproduced Party is subject to refund under order, rule or regulation of the FERC, then the Overproduced Party shall withhold the increment of price subject to refund until the price is fully approved, unless the Underproduced Party furnishes a corporate undertaking satisfactory to the Overproduced Party guaranteeing the return of the increment in price attributable to such refund, including interest, if any, which is required to be paid with such refund. In addition, if FERC or any other governmental agency having jurisdiction requires that an Overproduced Party make a refund with respect to any portion of a price used to make payment under this Article VI, then the Underproduced Party(ies) shall reimburse the Overproduced Party(ies) for such refund, including any interest required to be paid with respect thereto. This paragraph 6.03 shall survive the termination of this Agreement until the period has passed for which a refund may be required.

## ARTICLE VII Costs and Ownership of Liquids

All operating risks, expenses and liabilities shall be borne and paid by the Parties in accordance with the provisions of the Unit Operating Agreement, or other agreement, rule or order if there is not an Operating Agreement, regardless of whether the Gas is being taken or disposed of from the Unit at any given time in proportion to the Percentage Ownership of the Parties in the Unit. Liquid hydrocarbons of a Well separated from the Gas prior to delivery at the Measurement Point shall be owned by all Parties in accordance with their Percentage Ownership in the Unit, and each of the Parties shall be entitled to own and market their liquid hydrocarbons separated prior to the Measurement Point in accordance with its Percentage Ownership in the Unit, irrespective of the fact that one or more of the Parties may not be disposing of Gas from the

## ARTICLE VIII

### Indemnity

Each Party hereby indemnifies and agrees to hold the other Parties harmless from all claims which may be asserted by any third party arising out of the operation of this Agreement and the performance by the indemnifying Party of its obligation hereunder. Such indemnity shall extend to and include all costs of investigation and defense (including reasonable attorneys fees), and all judgments and damages incurred or sustained, as a result of any such claim.

## ARTICLE IX

### Payment of Lease Burdens

Unless otherwise required by provisions of a lease, agreement, or statute, rule, regulation, or order of any governmental authority having jurisdiction, and regardless of who is actually taking or disposing of Gas from the Unit, each Party shall be responsible for and shall pay or cause to be paid any and all royalties, overriding royalties, production payments and similar encumbrances on production due to its full Percentage Ownership of Gas production from the Unit and shall hold the other Parties free from any liability therefor. The Party or Parties actually taking and disposing of Gas from the Unit shall be responsible for and shall pay all production, severance or similar taxes, fees or levies on such production.

## ARTICLE X

### Notices

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the Party to whom the same is directed at the addresses and in the manner then provided under the Unit Operating Agreement.