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Outgoing  
C0070019  
Q**OGMCOAL - OSO Energy - Methane Extraction wells at the Centennial Mine Permit # C007/0019**

**From:** April Abate  
**To:** Brad Hill  
**Date:** 2/22/2010 10:53 AM  
**Subject:** OSO Energy - Methane Extraction wells at the Centennial Mine Permit # C007/0019  
**CC:** Daron Haddock; OGMCOAL@utah.gov  
**Attachments:** OSO GVH Well Map.pdf; OSO GVH Well List.pdf; OSO Agreement.pdf; April Abate.vcf

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Hi Brad,

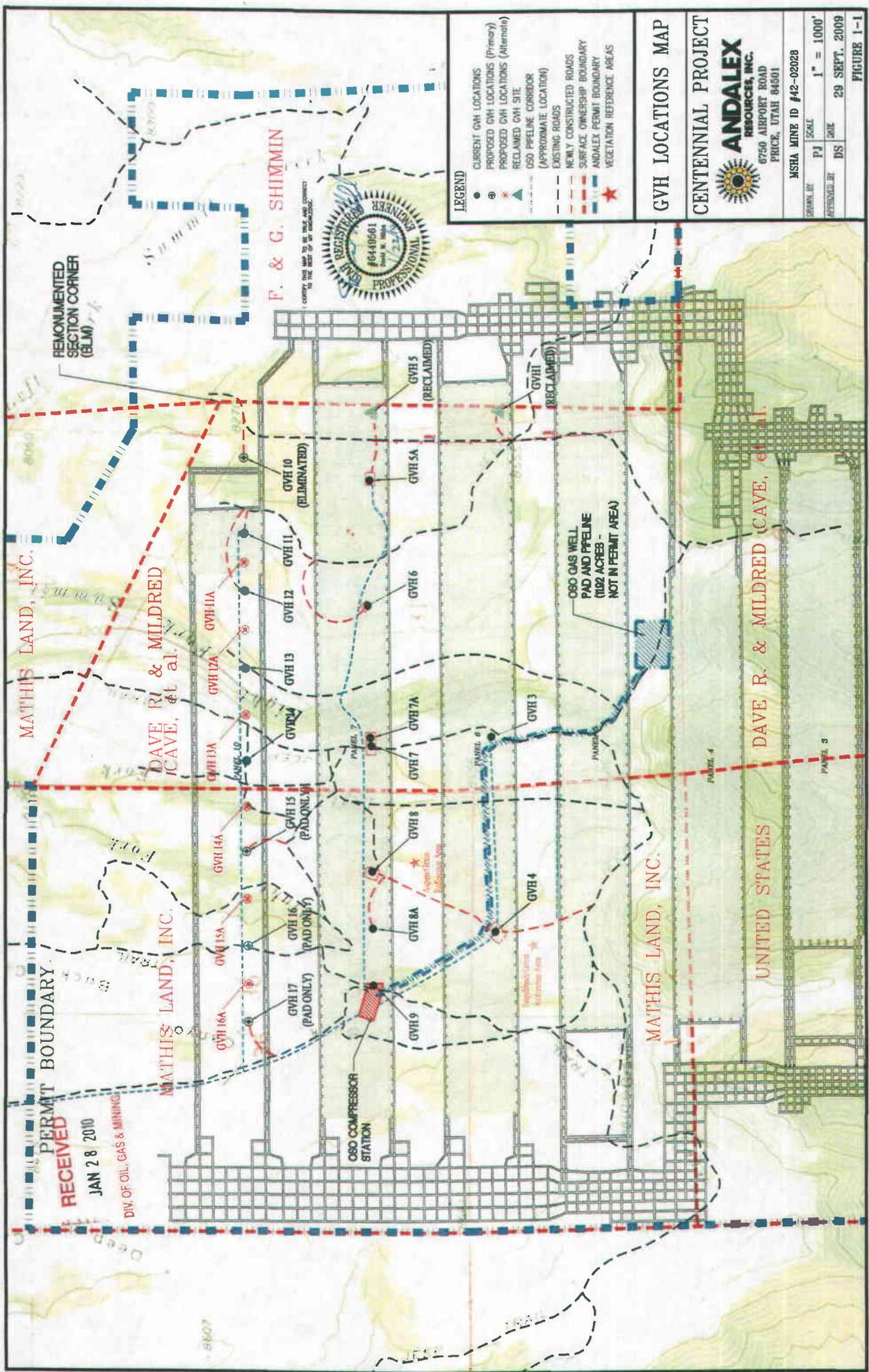
I am attaching some of the information we discussed over the phone that has been provided to us from the Centennial mine for the gob vent hole (GVH) wells currently operated by OSO Energy. The map provided shows an up-to-date status of which GVH wells are active/inactive/proposed/reclaimed. I am also attaching the list of wells and the agreement between the mine operator, Andalex Resources and Oso Energy.

Article II, Section 2.3 of this agreement outlines that the wells will still remain under the responsibility of Andalex for reclamation; however, the parties acknowledge that the permitting responsibilities for extracting methane need to be transferred over to the Oil and Gas program.

Let me know if there is any additional information you may need.

Regards,  
April

**April A. Abate**  
*Environmental Scientist II*  
Division of Oil, Gas and Mining  
1594 W. North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801  
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**TABLE 1-1  
Gob Gas Well Locations (see Figure 1-1)**

<b>Hole Number</b>	<b>Status</b>	<b>Section</b>	<b>Township and Range</b>
GVH-1	Site reclaimed 10/2009	31 (32*)	T.12S., R.11E.
GVH-3	Hole Completed	31	T.12S., R.11E.
GVH-4	Hole Completed	1	T.13S., R.10E.
GVH-5	Site reclaimed 10/2009	31 (32*)	T.12S., R.11E.
GVH-6	Hole Completed	31	T.12S., R.11E.
GVH-5A	Hole Completed	31	T.12S., R.11E.
GVH-7, 7A*	Hole Completed	31	T.12S., R.11E.
GVH-8	Hole Completed	36	T.12S., R.10E.
GVH-9	Hole Completed	36	T.12S., R.10E.
GVH-5B	Eliminated	31	T.12S., R.11E.
GVH-8A	Hole Completed	36	T.12S., R.10E.
GVH-10	Eliminated	31	T.12S., R.11E.
GVH-10A	Eliminated	31	T.12S., R.11E.
GVH-11	Hole Completed	31	T.12S., R.11E.
GVH-11A	Proposed	31	T.12S., R.11E.
GVH-12	Hole Completed	31	T.12S., R.11E.
GVH-12A	Proposed	31	T.12S., R.11E.
GVH-13	Hole Completed	31	T.12S., R.11E.
GVH-13A	Proposed	31	T.12S., R.11E.
GVH-14	Hole completed	31	T.12S., R.11E.
GVH-14A	Proposed	36	T.12S., R.10E.
GVH-15	Pad only, no hole	36	T.12S., R.10E.
GVH-15A	Proposed	36	T.12S., R.10E.
GVH-16	Pad only, no hole	36	T.12S., R.10E.
GVH-16A	Proposed	36	T.12S., R.10E.
GVH-17	Pad only, no hole	36	T.12S., R.10E.

\* Redrilled on existing pad GVH#7.

\* Recent BLM cadastral survey has moved the boundary between Sections 31 and 32

**ATTACHMENT 1-1**

**OSO ENERGY RESOURCES CORP.  
OPERATING AGREEMENT**

## OPERATING AGREEMENT

THIS OPERATING AGREEMENT ("this Agreement") is entered into effective as of the 14th day of February, 2006, by and between Oso Energy Resources Corp. ("Oso") a Colorado Corporation, with offices at 900 Main Avenue, Suite D, Durango, Colorado 81301, and ANDALEX Resources, Inc., ("Andalex") a Delaware, corporation with offices at 45 West 10000 South, Sandy, Utah 84070. Oso and Andalex are sometimes hereinafter collectively referred to as the "Parties", or individually as a "Party".

### RECITALS

WHEREAS, Oso has acquired interests in oil and gas leases ("Leases") on the properties more fully described on Exhibit "A" attached hereto and by this reference incorporated herein (the "Properties");

WHEREAS, Andalex owns and operates coal mines on the Properties known as the "Aberdeen Mine", the "Pinnacle Mine" and the "Apex Mine" which are collectively referred to as the Centennial Project; and

WHEREAS, Oso and Andalex wish to enter into this Agreement for the purpose of establishing a cooperative method of capturing and gathering gob gas from vent holes on the Properties.

NOW, THEREFORE, for good and valuables consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows.

### ARTICLE 1

#### PURPOSES, TERM AND TITLE

1.1 General. Oso and Andalex hereby enter into this Agreement for the purposes hereinafter stated, and agree that all of their rights and all of the Operations (as hereinafter defined) on or in connection with the Properties shall be subject to and governed by this Agreement.

1.2 Purposes. This Agreement is entered into for the purpose of establishing a cooperative method of capturing and gathering gob gas that would otherwise be vented from the Properties and to allow Andalex to continue to vent gob gas into the atmosphere where capture and gathering is impractical or impossible. The Parties may also undertake other operations on the Properties as necessary, appropriate or incidental to accomplish the purposes set forth in the immediately preceding sentence. The Parties agree that the purposes set forth in this Section 1.2 are exclusive and this Agreement shall not be used nor will the Parties perform any other activities under this Agreement except as outlined above, such activities are referred to hereinafter as the "Operations".

1.3 Effective Date and Term Period. The effective date of this Agreement shall be the first date set forth above and this Agreement shall continue until the earlier of the following:

*WHS* *BB.*

(i) all gob gas vent wells (both currently existing and those drilled in the future) on the Properties are plugged and abandoned; or (ii) until all gob gas vent wells (both currently existing and those drilled in the future) are disconnected from the Gathering System (as hereinafter defined); or (iii) this Agreement is terminated by the mutual agreement of the Parties.

1.4 Title to Assets. Oso owns certain oil and gas leases covering the Properties and Andalex owns certain rights to exploit coal from the Properties, which rights include title to well bores and equipment used to vent gob gas from its coal operations. Except as specifically provided herein, record title to the oil and gas leases held by Oso, and the coal rights held by Andalex, shall remain in each of their respective names subject to the terms and conditions contained herein. In addition, Oso is required pursuant to Section 2.1 hereof to install a Gathering System, and the title to the Gathering System will be held in Oso's name.

## ARTICLE II

### OBLIGATIONS OF THE PARTIES

2.1 Oso's Obligations. Oso hereby agrees to install a gob gas gathering system under the terms and subject to the specifications set forth in Exhibit "B", which Exhibit by this reference is incorporated hereto, capable of capturing and gathering the gob gas Andalex is discharging from its gob gas vent wells located on the Properties ("Gathering System"). The Parties recognize that the costs set forth on Exhibit B" are good faith estimates, and such costs will vary. The actual costs incurred will be used in determining the reimbursements due Andalex under Article III. Additionally, Oso shall obtain the necessary oil and gas leases on the Properties, or portions thereof producing gob gas, granting Oso the right to capture, gather and market the gob gas.

2.2 Andalex's Obligations. Andalex will provide exclusive access to Oso to gather the gob gas at the discharge point of Andalex's gob gas extraction system, allowing Oso the right to connect its gas gathering system to such system for the purposes of gathering gob gas. Oso will insure that any such connection will protect the Andalex gob gas extraction system from impact and/or damage from the Oso system in accordance with standard industry practice. In addition, to the extent Andalex has the right to do so, Andalex will allow Oso reasonable access and use of the surface of the Properties to accomplish the purposes of this Agreement, including but not limited to the granting of easements and right of ways. Notwithstanding anything contained herein to the contrary, Andalex shall at all times, and from time to time, have full authority to continue to vent gob gas into the atmosphere whenever the capture and gathering of gob gas under this Agreement is impractical or impossible.

2.3 Regulatory Authority. The Parties recognize that issues with regard to regulatory authority over the purposes of this Agreement will arise, as a result of mining and oil and gas operations occurring simultaneously. In addition, inasmuch as the gob gas vent wells are currently regulated by the mining program of the Division of Oil, Gas and Mining and it may be necessary in the future to take appropriate action to have the jurisdiction over such wells transferred to the oil and gas program, the Parties agree to exercise good faith in negotiating those jurisdictional issues as they arise. For purposes of such negotiations, Andalex will be

responsible for reclamation of surface impacts from the gob gas extraction system up until it wishes to discontinue mining operations. At that time it will inform Oso of its desire to cease operations and reclaim the surface impacts of mining. Oso will then have the opportunity to assume all, or a portion of, the reclamation obligations for the system or, in the alternative, release any further interest in said portion of the system and allow Andalex to accomplish the required reclamation in accordance with the applicable mining laws.

2.4 Risk of Loss. Handling of the gob gas prior to its delivery to Oso at the discharge point of Andalex's gob gas extraction system is the responsibility of Andalex. Responsibility for and all risk of loss of the gob gas after delivery to Oso at the above discharge point shall be borne by Oso.

### ARTICLE III

#### REIMBURSEMENT TO ANDALEX

3.1 Payments to Andalex. Oso hereby agrees to pay Andalex as reimbursement for its obligations set forth in Section 2.2 an amount equal to twelve and one-half percent (12.5%) of Oso's Net Cash Flow (as hereinafter defined) calculation on a cumulative basis but paid monthly (as hereinafter defined) until such time as Oso has reached Payout (as hereinafter defined). At Payout, Oso shall pay Andalex as reimbursement an amount equal to twenty-five percent (25%) of Oso's Net Cash Flow calculated on a cumulative basis but paid monthly from the Properties. At such time as Oso has recovered two hundred percent (200%) of its costs expended pursuant to Section 2.1, Oso shall pay Andalex as reimbursement, an amount equal to thirty-seven and one-half percent (37.5%) of Oso's Net Cash Flow calculated on a cumulative basis but paid monthly from the Properties. All reimbursements to be made hereunder shall be made by the twenty-fifth (25th) day of the month following the month in which the calculations of Net Cash Flow is made. Notwithstanding the foregoing, in the event Oso is required or elects to expend additional capital costs to accomplish the purposes of this Agreement above those set forth in Section 2.1, such capital costs will be recovered by Oso out of the Net Cash Flow by reducing the percentage interest of Andalex to the next immediately lower percentage as set forth above until such capital costs are recovered; provided, Andalex's interest shall never be less than 12.5%.

3.2 Definition of Net Cash Flow. The term "Net Cash Flow" shall mean the gross proceeds received by Oso from the sale of its interest in the gob gas from the gob gas vent wells, less all direct lease operating expenses, ad valorem, severance, excise and other production taxes, and lease burdens (such as royalties). Expenses such as corporate G&A, legal, corporate income taxes and interest expense and any other similar costs are not part of the calculation. Andalex's right to payment for Net Cash Flow as set forth above in Section 3.1 is limited solely to the gas from gob gas vent wells.

3.3 Definition of Payout. "Payout" shall mean the time at which Oso has recovered from the net proceeds of production attributable to the sale of gob gas, one-hundred percent

(100%) of all of its costs expended pursuant to Section 2.1. On a quarterly basis, Oso shall submit to Andalex the payout calculation showing the capital expenditures incurred to date for the "Gathering System", defined in section 2.1, as well as the gob gas sales to date, gross and net revenue with the remainder amount for payout shown as well as projected payout. Payout shall not be on a discounted basis and shall not include corporate income taxes for either party and Net Cash Flow shall be defined as in section 3.2.

3.4 Carbon Credits. To the extent allowable under applicable law and regulations the Parties agree that all carbon credits (or the proceeds therefrom) generated as a result of Operations shall be divided between the Parties on a 50/50 basis.

3.5 Records and Audit Rights. Each month beginning with the first month gob gas is captured by Oso during the term of this Agreement, Oso shall provide to Andalex an itemized statement of all costs, both capital and operating, incurred in connection with this Agreement together with a statement of revenues earned. The statement will show monthly, year to date and from inception itemized costs and revenues and Net Cash Flow and quarterly progress to Payout and progress to 200% of Payout and be prepared under COPAS. Andalex, or Andalex audit representatives, at the expense of Andalex, shall have the right at any reasonable time or times to examine, audit and reproduce the records, invoices, vouchers and their source documents which serve as the basis for the itemized statements provided under this Agreement. All such records of Oso kept in the ordinary course of its business, and all payments made in accordance therewith, shall be accepted as accurate after a period of three (3) years.

#### ARTICLE IV

#### REPRESENTATIONS AND WARRANTIES

4.1 Capacity of Oso and Andalex. Oso and Andalex hereby represent and warrant to one another as follows:

(a) that it is a corporation duly incorporated and in good standing in its state of incorporation, and that it is qualified to do business and is in good standing under the laws of the State of Utah;

(b) that it has the capacity to enter into and perform this Agreement and all transactions contemplated herein and that all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken;

(c) that the execution of this Agreement and the consummation of the transaction contemplated herein shall not (i) violate or be in conflict with or cause a default under, any contract to which a Party is a party or under its organizational documents; (ii) require the consent of any persons or governmental body or regulatory authority, or (iii) violate any judicial or administrative order, award, writ, injunction, statute or regulation applicable to a Party; and

(d) that this Agreement has been duly executed and delivered by it and is valid and binding upon it in accordance with the terms hereof.

4.2 Representations and Warranties. Except as specifically provided herein, the representations and warranties set forth in Section 4.1 shall survive for a period of three (3) years following termination of this Agreement.

4.3 Disclosures. Oso and Andalex represent and warrant that they are unaware of any material facts or circumstances which have not been disclosed in this Agreement but should be disclosed to the other party in order to prevent the representations in this Article from being materially misleading.

## ARTICLE V

### RELATIONSHIP

5.1 No Partnership. Nothing contained in this Agreement shall be deemed to constitute either of the Parties to be the partner of the other, nor, except as otherwise herein expressly provided, to constitute either Party the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the Parties to create, nor shall this Agreement be construed to create, any mining, commercial or other partnership. Neither Party shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Party except as otherwise expressly provided herein. The rights, duties, obligations and liabilities of the Parties shall be several and not joint or collective. Each Party hereto shall be responsible only for its obligations as herein set forth and shall be liable only for its share of the costs and expenses as provided herein. Risk of loss of gob gas and all other associated risks related to the respective extraction and gathering systems shall be allocated as set forth in Section 2.4. Subject to the provisions of Sections 5.2 and 5.3, each Party shall indemnify, defend, and hold harmless the other Party, its directors, officers, employees, agents, attorneys from and against any and all losses, claims, damages, liabilities arising out of any act or any assumption of liability by the indemnifying Party, or any of its directors, officers, employees, agents, attorneys done or undertaken, or apparently done or undertaken, on behalf of the other Party, except pursuant to the authority expressly granted herein or as otherwise agreed to in writing between the Parties.

5.2 Andalex Indemnity. Andalex, hereby acknowledges that it has conducted operations on the Properties for the mining and the extraction of coal, including the drilling and operation of gob gas well bores. Andalex hereby agrees to indemnify and hold harmless Oso from all losses, claims, damages, costs and liabilities (including reasonable attorney's fees) arising out of any act or omission of Andalex, its directors, officers, employees, agents, attorneys or others, done or undertaken, or apparently done or undertaken, either prior to or after the effective date of this Agreement with respect to its coal mine operations including gob gas well bores on the Properties. Andalex does not assume any responsibility for, and hereby disclaims any responsibility with respect to, the number of gob gas well bores that will be drilled in connection with its mining operations, the duration of any ventilation and/or extraction operations, and the quality of any gob gas produced by its extraction operations.

5.3 Oso Indemnification. Oso hereby agrees to indemnify and hold harmless Andalex from all losses, claims, damages, costs and liabilities (including reasonable attorney's fees)

arising out of any act or omission of Oso, its directors, officers, employees, agents, attorney's or others, done or undertaken, or apparently done or undertaken, after the effective date of this Agreement with respect to its gob gas gathering activities on the Properties.

5.4 Tax Election. The Parties hereby elect to be, and to have the arrangement evidenced by this Agreement, excluded from the application of any provisions of Subchapter K of the United States Internal Revenue Code, as amended, and excluded from any equivalent state income tax provision. The proper documents to insure the exclusion of the Parties from Subchapter K and from similar provisions of applicable state law shall be prepared and filed by the Parties. Each of the Parties shall be solely responsible for preparation and filing of its own tax returns and reports.

5.5 Other Business Opportunities. Except as expressly provided herein to the contrary, each Party shall have the right independently to engage in and receive full benefits from business activities, whether or not competitive with the Operations, without consulting the other. The doctrines of "corporation opportunity" or "business opportunity" shall not be applied to any other activity, venture, or operation of either Party and, except as otherwise provided herein, neither Party shall have any obligation to the other with respect to any opportunity to acquire any interest in real or personal property.

5.6 Implied Covenants. No implied covenants whatsoever are contained in this Agreement other than the implied covenant of good faith and fair dealing.

## ARTICLE VI

### PARTIES COOPERATION

6.1 General The Parties will fully cooperate with one another in implementing the purposes of this Agreement. In this regard however, Andalex shall continue operating the gob gas vent wells free of any control of Oso. Andalex shall have the sole discretion to determine the number of gob gas wells to be drilled and following drilling Andalex shall have the right to plug and abandon any well drilled (i) if such actions are required for mine health or safety; (ii) to comply with any governmental requirement; or (iii) if it is in the best interest of Andalex, subject to Section 2.3. Oso shall operate the Gathering System free of any control by Andalex, including the right to disconnect the Gathering System from any gob gas vent well.

6.2 Meetings. The Parties shall hold regular meetings during the calendar year, but not less frequently than quarterly, with a final annual meeting in December of each year. Oso shall give ten (10) days' prior notice to the Parties of such regular meetings. Additionally, either Party may call a special meeting upon thirty (30) days' notice to the other Party. In case of emergency, reasonable notice of a meeting shall suffice; provided, Oso or Andalex may take such emergency actions as are required without a meeting. At the meetings the Parties will discuss and agree on procedures to follow in best achieving the purposes of this Agreement. Provided, it is not the purpose of the meetings to formulate budgets or capital spending programs. The Parties recognize that all costs of operating the gob gas vent wells shall be the obligation of Andalex and all costs of operating the Gathering System will be Oso's obligation.



## ARTICLE VII

### WITHDRAWAL AND TERMINATION

7.1 Termination by Expiration or Mutual Agreement. This Agreement shall expire at such time as set forth in Section 1.3, unless sooner terminated by mutual written agreement of the Parties.

7.2 Continuing Obligations. On termination of this Agreement under Section 7.1, the Parties shall remain liable for continuing obligations hereunder until final settlement of all accounts and for any liability, whether it accrues before or after termination, arises out of the respective obligations of the Parties.

7.3 Disposition on Termination. Promptly after termination under Section 7.1, the Parties shall take all action necessary to wind up activities under this Agreement. All costs and expenses incurred in connection with termination shall be paid by the Party whose assets require such expenditure.

## ARTICLE VIII

### DISPUTE RESOLUTION

8.1 Selection of Arbitrators. Except for the right of either Party to apply to a court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other equitable relief to preserve the status quo or to prevent irreparable harm, any controversy or failure to agree between the Parties hereto arising under this Agreement and not resolved by agreement shall be determined by a Board of Arbitration upon notice of submission given by either Party to the other which notice shall name a qualified, impartial, and independent arbitrator. Within ten (10) days after the receipt of such notice, the other Party shall name a qualified, impartial and independent arbitrator, or upon failure to do so, the Party giving notice shall name the second. Within twenty-five (25) days after sending the original notice of submission the two arbitrators so appointed shall name the third qualified, impartial and independent arbitrator, or upon failure to do so, the third arbitrator may be appointed by the senior judge (in service) in the United States District Court serving Denver, Colorado.

8.2 Determination. The arbitrators selected to act hereunder shall be qualified by education and experience to pass on the particular question in dispute. The arbitrator shall properly hear and determine (after notice of hearing and giving the Parties a reasonable opportunity to be heard) the questions submitted, and shall render their decision within sixty (60) days after appointment of the third arbitrator. If within sixty (60) days a decision is not rendered by the board, or majority thereof, new arbitrators may be named and shall act hereunder at the election of either of the Parties.

8.3 Binding Decision. The decision of the arbitrators, or a majority thereof, made in writing shall be final, binding not appealable upon the Parties hereto as to the question

submitted, and the Parties will abide by and comply with such decision. The expenses of arbitration, including reasonable compensation for the arbitrators, shall be born equally by the Parties hereto, except that each Party shall bear the compensation expenses of its own counsel, witness and employees.

## ARTICLE IX

### CONFIDENTIALITY

9.1 General. The financial terms of this Agreement and all information obtained in connection with the performance of this Agreement shall be exclusive property of the Parties and, except as provided in Section 9.2, shall not be disclosed to any third party or the public without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

- 9.2 Exceptions. The consent required by Section 9.1 shall not apply to a disclosure:
- (a) To any bona fide purchaser of either of the Parties or of the Properties;
  - (b) To any bona fide potential purchaser of either of the Parties but only to the extent that such potential purchaser is subject to an obligation to keep all such information confidential in the same manner as the Party;
  - (c) To a consultant, contractor or subcontractor that has a bona fide need to be informed;
  - (d) To any financing source for Operations hereunder, including banks or persons providing debt or equity infusions; or
  - (e) To a governmental agency or to the public which the disclosing Party believes in good faith is required by pertinent law or regulation or the rules of any stock exchange.

In any case to which this Section 9.2 is applicable, unless waived in writing, the disclosing Party shall give notice to the other Party at least ten (10) days before the making of such disclosure.

9.3 Duration of Confidentiality. The provisions of this Article IX shall apply during the term of this Agreement and for a period of two (2) years following termination.

## ARTICLE X

### GENERAL PROVISIONS

10.1 Notices. All notices, payments, and other required communications ("Notices") to the Parties shall be in writing, and shall be addressed respectively as follows:

If to Oso:                      Oso Energy Resources Corp.  
   900 Main Avenue, Suite D  
   Durango, Colorado 81301  
   Attention: Brad Boyce

If to Andalex:

ANDALEX Resources, Inc.  
45 West 10000 South, Suite 401  
Sandy, Utah 84070  
Attention: Douglas H. Smith, President

All Notices shall be given (i) by personal delivery to the Party, or (ii) by electronic communication, with a confirmation simultaneously sent by registered or certified mail return receipt requested, or (iii) by registered or certified mail return receipt requested. All Notices shall be effective and shall be deemed delivered (i) if by personal delivery on the date of delivery, if delivered during normal business hours, and, if not delivered during normal business hours, on the next business day following delivery, (ii) if by electronic communication on the next business day following receipt of the electronic communication, and (iii) if solely by mail on the next business day after actual receipt. A Party may change its address by Notice to the other Party.

10.2 Waiver. The failure of a Party to insist on the strict performance of any provision of this Agreement or to exercise any right, power, or remedy upon a breach hereof shall not constitute a waiver of any provision of this Agreement or limit the Party's right thereafter to enforce any provision or exercise any right.

10.3 Modification. No modification of this Agreement shall be valid unless made in writing and duly executed by the Parties.

10.4 Force Majeure. Anything to the contrary herein notwithstanding, the obligations of a Party shall be suspended to the extent and for the period that performance is prevented by any cause, whether foreseeable or unforeseeable, beyond its reasonable control, including, without limitation, labor disputes (however arising and whether or not employee demands are reasonable or within the power of the Party to grant); acts of God; laws, regulations, orders, proclamations, instructions or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonably acceptable terms any public or private license, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal, state, or local environmental standards; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, sink holes, drought or other adverse weather condition; delay or failure by suppliers or transporters of materials, parts, supplies, services, or equipment or by contractors' or subcontractors' shortage of, or inability to obtain, labor, transportation, materials, machinery, equipment, supplies, utilities or services; accidents; breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing. The affected Party shall promptly give notice to the other Party of the suspension of performance, stating therein the nature of the suspension, the reasons therefore, and the expected duration thereof. The affected Party shall resume performance as soon as reasonably possible.

*DS* *BB*

10.5 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Utah, except for its rules pertaining to conflicts of laws.

10.6 Further Assurances. Each of the Parties agrees to take from time to time such actions and execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement.

10.7 Survival of Terms and Conditions. The terms and provisions of this Agreement shall survive its termination to the full extent necessary for their enforcement and the protection of the Party in whose favor they run.

10.8 Entire Agreement; Successors and Assigns. This Agreement contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties, which right of assignment of this Agreement and the Properties is hereby expressly acknowledged. In the event of any conflict between this Agreement and any Exhibit attached hereto, the terms of this Agreement shall be controlling.

10.9 Insurance. The Parties agree to carry insurance in amounts and coverages standard in the industry for the risks associated with their respective companies under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

OSO ENERGY RESOURCES CORP.

By: Brad Boyce  
Brad Boyce  
President

ANDALEX RESOURCES, INC.

By: Douglas H. Smith  
Douglas H. Smith  
President

**Aberdeen Operating Agreement  
Exhibit "A"  
Lease Listing and Status**

Cave and Critchlow Oil and Gas Lease, Signed February 8, 2006  
Section 31 of Township 12 South Range 11 East, all, 642 acres more or less.  
Section 6 of Township 13 South Range 11 East, all, 320 acres more or less.  
All properties are located in Carbon County, Utah.

Mathis Oil and Gas Lease, agreed to and waiting on signature as of February 13, 2006  
Section 36 of Township 12 South Range 10 East, all, 640 acres more or less.  
All properties are located in Carbon County, Utah.

Additional leases or properties may be added to this Exhibit if such properties are shown to be integral part of the property that is associated with the mine and gob gas.

*WKS* *B.B.*

**Exhibit "B"**

**Aberdeen Surface Use Plan for Gathering Mine Gob Gas  
2006**

Gathering and transporting gas from the existing and future mine vent holes at the Aberdeen Mine will require a semi-mobile low pressure gas gathering and transportation system. Additionally, surface owners have requested that the surface impact be minimized without compromising the system and preferably be installed such that removal has minimal surface impact as well. Oso has negotiated surface use rights as well as the oil and gas rights for these properties.

To accomplish such, it is proposed to lay surface steel or poly lines and gathering headers that can be moved as needed and removed when the final gas has been collected. Individual vent well collection systems will use flexible pipe made of high strength poly that is specifically constructed to withstand the weather elements common in this area. Where roads or jeep trails are crossed, the lines will be buried to protect the lines from vehicle damage.

Andalex, the mine operator, has surface rights to install equipment for the mine workings. This includes but is not limited to the gob holes and associated equipment. Oso will work with Andalex in determining the most sensible placement of the gas gathering and transportation equipment. Due to mining plan adjustments this may require previously installed equipment to be moved, allowing for a specific mining activity to utilize such location in the event no other location is available. This does not mean that just because a level spot has been constructed for gas gathering equipment that Andalex can take over such spot simply because it saves them time and expense. In those instances where the parties can share a location and reduce surface disturbance, Andalex and Oso agree to work together.

The attached map provides the initial plan for the proposed location of the gas gathering and transportation equipment located above the actual mine in the Aberdeen coal seam. Until final surveys and review by the Parties determines that this is the most efficient gathering system and causes the least acceptable surface damage, this is included only as a plan and modifications are expected.

*WHS BB*

**Pg. 2**  
**Exhibit "B"**

- Gathering system installation utilizing large diameter low pressure lines connecting gob wells to central compressor location, includes valves and all associated hardware.  
\$400,000
- Construct central compressor site and install compressors, likely rentals initially, with all valves and other associated equipment.  
\$400,000
- Construct delivery line to transport gas to sales point or gas plant, approximately 5 miles to the north of the properties. Include water line in same trench. Line shall be sized to handle at minimum 10,000 mcf. Cost to includes surface and damage fees.  
\$2,631,000
- Plan for additional panel hookups to central compressor as mining progresses.  
\$800,000

*WMS BB*