MYTON AREA

OPERATING AGREEMENT

DATED

September 18, 2009,

OPERATOR NEWFIELD PRODUCTION COMPANY

CONTRACT AREA SEE EXHIBIT “A”

COUNTY OF Duchesne STATE OF Utah

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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
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OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

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

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

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

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

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

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

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

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

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

I. The term "Holidays" shall mean holidays observed by national banking association in Houston, Texas.

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

ARTICLE II.

EXHIBITS

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

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

1. Identification of lands subject to this agreement,

2. Restrictions, if any, as to depths, formations, or substances,

3. Percentages or fractional interests of parties to this agreement,

4. Oil and gas leases and/or oil and gas interests subject to this agreement,

5. Addresses of parties for notice purposes.


C. Exhibit "B", Form of Lease.

D. Exhibit "C", Accounting Procedure.

E. Exhibit "E", Gas Balancing Agreement.

F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

H. Exhibit "H", Notice of Memorandum Operating Agreement.

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

INTERESTS OF PARTIES

A. Oil and Gas Interests:

B. Interests of Parties in Costs and Production:

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

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

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

C. Excess Royalties, Overriding Royalties and Other Payments:

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

D. Subsequently Created Interests:

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

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

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

ARTICLE IV.

TITLES

A. Title Examination:

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

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

ARTICLE IV
continued

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

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

No well shall be drilled on the Contract Area until after (1) the title to the drill site or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney and title has been accepted by all of the parties who are to participate in the drilling of the well. The failure of any title to object to title within fifteen (15) days after such party’s receipt of the examining attorney’s title opinion shall be deemed approval of title.

B. Loss of Title:

3. All Title Losses: All losses incurred shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.
ARTICLE V. OPERATOR

A. Designation and Responsibilities of Operator:

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

B. Resignation or Removal of Operator and Selection of Successor:

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

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

C. Employees:

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

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 its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI. DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15th day of December, 2009, Operator shall commence the drilling of a well for oil and gas at the following location:

709’ from the West line of Lot 4 Section 29, and 1,909’ from the North line of Section 29, Township 4 South, Range 2 West

and shall thereafter continue the drilling of the well with due diligence to an approximate total depth of 6,750 feet unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

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

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

B. Subsequent Operations:

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

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all par-
ties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title ex-
amination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accor-
dance with the provisions hereof as if no prior proposal had been made.

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

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

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

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

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

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

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

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

* Gas production attributable to any Non-Consenting Party’s relinquished interest shall be sold, at the election of the Consenting Party, either to the Consenting Party’s gas sales contractor, or to the Non-Consenting Party’s purchaser, and if to the Non-Consenting Party’s purchaser, such Non-Consenting Party shall direct is purchaser to remit the proceeds receivable from such sale direct to the Consenting Party until the amount provided for it in this Article are recovered from the Non-Consenting Party’s relinquished interest.
ARTICLE VI
continued

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

2

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

3

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

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

5

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

6

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

7

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

8

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

9

C. TAKING PRODUCTION IN KIND:

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

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

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

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

D. Access to Contract Area and Information:

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

E. Abandonment of Wells:

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

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been produced shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well’s valuable material and equipment, determined in accordance with the provisions of Exhibit “C”, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production.
required to pay for only its proportionate share of such part of Operator’s surface facilities which it uses.

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

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. 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 as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party’s share of gas production without first giving such other party thirty (30) days notice of such intended sale.

D. Access to Contract Area and Information:

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

E. Abandonment of Wells:

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

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well’s salvageable material and equipment, determined in accordance with the provisions of Exhibit “C”, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production.
ARTICLE VI
continued

The assignments so limited shall encompass the “drilling unit” upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

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

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

ARTICLE VII. EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit “C”. To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator’s share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator’s written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator’s proportionate share of expense. If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

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

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

D. Limitation of Expenditures:

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

- 9 -
ARTICLE VII
continued

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

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

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.3.

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

F. Taxes:

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

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

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

G. Insurance:

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

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

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee shall pay to the party assigning the reasonable salvage value of the latter’s interest in any wells and equipment attributable to the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit “C”, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

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

B. Renewal or Extension of Leases:

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

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

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

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

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

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions provided, however, the relinquishment period shall be limited to fifty-eight (58) hours inclusive of Saturdays, Sundays and legal banking holidays in the event a well is drilling on the contract area.
ARTICLE VIII
continued

Parties participating in the costs of all operations required to earn the contribution actually paid for
1 / shall become a separate Contract Area and, to the extent possible, be
governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions
2 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to op-
tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area. The right to participate
3 in any optional rights earned shall only belong to those parties who drilled the well earning such optional rights. Any such acreage outside
4 the Contract Area or in which the interests earned by the parties is not the same proportions as set forth in Exhibit “A”.
5
6 If any party contracts for any consideration relating to disposition of such party’s share of substances produced hereunder, such
7 consideration shall not be deemed a contribution as contemplated in this Article VIII.C.
8
D. Maintenance of Uniform Interests:
9
For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no
10 party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells,
equipment and production unless such disposition covers either:
11
1. the entire interest of the party in all leases and equipment and production; or
12
2. an equal undivided interest in all leases and equipment and production in the Contract Area.
13
Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement
14 and shall be made without prejudice to the right of the other parties.
15
If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may
16 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for
17 and approve and pay such party’s share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such
18 party’s interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter
19 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract
20 Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.
21
E. Waiver of Rights to Partition:
22
If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
23 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severality its undivided
24 interest therein.
25
ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

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

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty Thousand Dollars ($50,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

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

The term “force majeure”, as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

requests, consents and statements

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

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 selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise and shall continue in force thereafter until all material equipment, supplies and property affected thereby have been salvaged or disposed of and final settlement of accounts has been made by the parties.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.
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 Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

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 or construction, shall be governed and determined by the law of the state of Texas.

C. Regulatory Agencies:

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

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

ARTICLE XV.
OTHER PROVISIONS

See Article XV. Other Provisions attached hereto and made a part hereof.
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, this agreement shall be effective as of the 18th day of September, (year) 2009.

[Operator]

By:__________________________

Name:________________________

Title:________________________

[Non-Operators]

By:__________________________

Name:________________________

Title:________________________

By:__________________________

Name:________________________

Title:________________________

LAURENCE SCOTT NOBLE
ARTICLE XV.
OTHER PROVISIONS

In the event of conflict between the provisions of this Article XV and any other provision of this agreement or its exhibits, the provisions of this Article XV shall control.

A. **Generic Terms**

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural indicates the singular, and the neuter gender includes the masculine and feminine. The words “Party” and “Parties” shall always mean a party or parties to this agreement and their respective officers, employees, and agents unless, in the context used, it is otherwise clearly indicated.

B. **Reworking**

“Reworked” or “Reworking” as used in this agreement shall mean perforating, cleaning out, acidizing, fracturing, recompleting, plugging back or any other operation for the purpose of restoring or increasing production which does not include drilling to deepen a well.

C. **Reworking of Producing Wells**

It is agreed that without the mutual consent of all parties having the right to participate in such operations, reworking or other operations shall not be conducted under the provisions of Article VI hereof so long as any completion is producing in paying quantities in the well with respect to which such proposal is made.

D. **Other Provisions Pertaining to Article XII:**

Notices requiring a response within a forty-eight (48) hour period may be made orally and shall be followed by written confirmation as soon as reasonably possible.

E. **[Intentionally Left Blank]**

F. **Other Provisions Pertaining to Article VI:**

**Priority of Operations:**

If at any time there is more than one operation proposed in connection with any well subject to this agreement, then, unless all participating parties agree on the sequence of such operations, such proposals shall be considered and disposed of in the following order of priority:

a. Attempt additional open-hole logging, coring or testing;

b. Attempt to complete the well at the objective depth;

c. Attempt to rework the well in a zone in which there has been an existing or previously successful completion;

d. Attempt to plug the well back and complete in a formation above the objective depth in ascending order;

e. Attempt to deepen the well to a new objective depth;

f. Attempt to sidetrack the well; or

g. Attempt to plug and abandon the well.
G. **Confidentiality/Entitlement to Information**

Notwithstanding anything contained herein to the contrary, all well information shall be the property of the consenting Parties to the operation from which the information is derived. Until the later to occur of (i) the mutual agreement of the Parties to this Agreement, whether or not each such Party has consented to the operations in question, that leasing activities within the Contract Area have concluded, or (ii) nine (9) months from the date of rig release from a well, the consenting Parties agree to keep such information confidential and the information shall not be sold, traded, disclosed, described or copied for or by any third party without the unanimous agreement of the Parties. The non-consenting Party(ies) to an operation shall not be entitled to receive any information from the non-consented operation and shall not be entitled to have access to the drilling rig of the non-consented operation. Notwithstanding the foregoing, each Party shall be entitled to participate in, or in the case of licensed data, receive a marketable license, to any and all seismic data and interpretations thereof (and be entitled to complete copies thereof) acquired jointly by the Parties covering any portion of the Contract Area during the term of this Agreement.

Each of the Parties agree that it will, for a period of two (2) years from the date of termination of this Agreement, keep secret and not disclose to any entity or person, unless specific written authorization is received from the disclosing Party, all information, data and knowledge contained in the documents (whether written, electronic, video, oral, geological, geophysical, economic, financial or management and whether in the form of maps, charts, logs, seismic data, interpretations, calculations, summaries, opinions or other written or charted means) which are related, directly or indirectly, to this Agreement or to the exploration potential of the Contract Area, and which are now or hereafter delivered or disclosed by or on behalf of one Party to the other or jointly acquired pursuant to this Agreement (collectively the “Confidential Information”). The Confidential Information shall not include information which:

1. the Parties specifically agree to be excluded from this provision;
2. is required to be furnished to any governmental agency, bureau or department; whether federal, state or tribal; by any governmental laws or regulations or any stock exchange having jurisdiction of a Party;
3. is furnished to consultants for evaluation purposes on confidentiality terms at least as stringent as those set forth herein;
4. is furnished to investors and lenders by a Party hereto arranging for financing from such lender;
5. is available to the public;
6. is required to be furnished to Lessors pursuant to the terms and conditions of an oil and gas lease subject to this agreement; or
7. was in possession of the Party prior to the proposed acquisition of such information and under no obligation of confidentiality related thereto.

With respect to information required to be kept confidential hereunder, each Party shall require lenders, investors and consultants to whom such information is furnished to agree in writing to maintain such information confidential. Each Party shall take all reasonable steps to require its employees and consultants to be bound by the provisions of this paragraph in the same manner it is bound hereunder.

H. **Other Provisions Pertaining to Article VII:**

1. **Descriptions of Liens, Security Interests Granted and Situations Secured:**

In addition to and in further explanation of the provisions of Article VII.B., attached hereto as Exhibit “H” is a form of Memorandum of Operating Agreement, Statement of Liens, Security Agreement and Financing Statement, the terms and provisions of which are expressly incorporated into this agreement.
Further, in the event there is a conflict between any of the terms and provisions set forth in Exhibit “H” and any other terms and provisions set forth in this agreement, the terms and provisions set forth in Exhibit “H” shall prevail.

2. Right to Collect Proceeds

In addition to enforcement of the liens and security interest granted above, and in addition to any other legal or equitable remedy that any Party may have upon default by any Party in making any payment required by this agreement, the Operator (in the event of a default by a Non-Operator) or any Non-Operator (in the event of a default by Operator), shall have the right to collect from the purchasers of production the proceeds of the sale of the defaulting Party’s share of oil or gas until the amount owed by the defaulting Party, plus interest, has been paid. Each purchaser shall be entitled to rely upon the non-defaulting Party’s written statement concerning the amount of any default.


If any Party (including Operator) fails to pay its share of costs and expenses on or before sixty (60) days following the date that the payment is due, the Operator (or any Non-Operator if Operator is the delinquent Party) may deliver a notice of default. If such default continues for a period of ten (10) days following delivery of such notice of default, then any Party not in default may deliver a Notice of Relinquishment to the defaulting Party to the following effect:

a. If the default involves the drilling of a new well or the plugging back, reworking or deepening (including sidetracking) of a well which is to be or has been plugged as a dry hole or for the sidetracking, testing, completion, recompletion or equipping of any well, the defaulting Party will be deemed to have elected not to participate in the operation and to be a non-consenting Party with respect thereto under Article VI.B. (to the extent of the costs and expenses subsequent to the Notice of Relinquishment), notwithstanding any election to participate theretofore made. Such non-consenting Party shall also be deemed to have relinquished to the consenting Parties (without right of reversion) any interest which was to be earned by performance of the contemplated or ongoing operation.

b. The defaulting Party shall be relieved of the obligation to share further expenses for the operation subsequent to the date of the Notice of Relinquishment; however, the delivery of such Notice of Relinquishment to the defaulting Party shall not terminate the rights of the non-defaulting Party to exercise any other remedy available to them for such default including, without limitation, a suit for recovery of the amount in default and for the recovery of consequential damages caused by such default. During the period of such default and until such time as a recovery of the amount in default is obtained by the non-defaulting Party, the non-defaulting Party may suspend the defaulting Party’s right to receive well information, the right to receive notices of and to participate in acquisitions within the Contract Area and the right to receive notices of future operations. The non-defaulting Party may also suspend the defaulting Party’s right to access as described in Article VI.D.

c. Any interest relinquished pursuant to this Article shall be owned by the non-defaulting Party and the non-defaulting Party shall assume the defaulting Party’s share of the ownership and obligations in proportion to their interest.

d. Notwithstanding anything to the contrary contained in this Article XV.H., in the event any Party hereto disputes in good faith an invoice or statement that is the subject of a default and notice has been given pursuant to the provisions hereof, such Party may avoid the imposition of the remedies for such default contained in this Operating Agreement by paying the
undisputed amount to Operator and paying the disputed amount into an account at a bank requiring the signatures of both such Party and the Operator (or, if the Operator is the Party in default, a Non-Operator designated by the Non-Operators) in order to release such funds. Such funds, or portions thereof, shall be released to the Party entitled thereof upon the resolution of the issue raised by the objecting Party.

Notwithstanding anything to the contrary contained in this Agreement, in the event any Party assigns a part of its working interest in and to all or any portion of the Contract Area to a third party, such assigning Party shall remain primarily liable to the other Parties for the interest(s) assigned and shall pay the entire amount of statements and billings rendered to it until such time as the selling Party has furnished the other Parties with a properly recorded assignment of such interest(s).

I. Bankruptcy

If, following the granting of relief under Bankruptcy Code to any Party hereto as debtor thereunder, this Operating Agreement should be held to be an executory contract within the meaning of 11 U.S.C. Section 365, then the Operator, or (if the Operator is the debtor in bankruptcy) any other Party, shall be entitled to a determination by debtor or any trustee for debtor within thirty (30) days from the date an order for relief is entered under the Bankruptcy Code as to the rejection or assumption of this Operating Agreement. If this Operating Agreement is assumed by the debtor, the other Party shall be entitled to:

a. a prompt cure of the debtor’s default,

b. adequate assurances as to the future performance of the debtor’s obligations pursuant to this Operating Agreement and

c. adequate assurances as to the protection of the interest of the other Party to this Operating Agreement.

J. Recordation of Memorandum

The Parties hereto agree to simultaneously with execution of this agreement execute in recordable form an original Memorandum of this Operating Agreement, said document to be in substantially the form attached hereto as Exhibit “H”. Operator shall place of record in the appropriate county an original of such Memorandum and promptly provide all non-operators with a copy of same.

K. Payment of Delay Rental, Shut-in Well Payments and Minimum Royalty Payments

Operator shall pay all rentals, shut-in well payments and minimum royalty payments which maybe required under the terms of all leases covered by this agreement and submit evidence to each payment to the other Party. Each Party shall notify the others, in writing, as least thirty (30) days prior to the date any rental payment is due in the event that such Party elects not to participate in the payment thereof in the event any Party elects not to participate in a rental payment, and the other Party elect to participate therein, then the Party desiring not to participate shall promptly execute and deliver to the Party desiring to participate in such rental payment an assignment of such non-participating Party’s right, title and interest in and to such lease or leases, and if the assignment is in favor of more than one Party the assigned interest shall be owned by the participating Party in the proportions that the interest of each bears to the interest of consenting Party unless otherwise agreed to in writing. Thereafter, such acreage covered by said assignment shall no longer be subject to this agreement, but shall be deemed to be subject to an agreement identical to this agreement, changed only to reflect the proper owners, lands covered and ownership percentages. The amount of such payments, when made for the account of the participating Party, shall be charged by Operator to the joint account of the participating Party. Operator shall not be liable to the other Party in damages for the loss of a lease or interests therein if, through mistake or oversight, any of said payment(s) is not paid, or is erroneously paid. There shall be no adjustment of interests of the Party in the remaining portion of the Contract Area in the event of a failure to pay, or erroneous payments of
said payments. If any Party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Article VIII.B and Article XV.E of this agreement.

Operator shall promptly notify each Party hereto of the date on which any gas well located on the Contract Area as shut-in and the reasons therefor.

L. Payment of Royalties, Overriding Royalties and Other Burdens

Operator shall pay, or cause to be paid, all royalties out of production from the Contract Area that are in existence as of the date of this agreement to the extent provided for in Article III.B. (the “Existing Burdens”) as soon after the date such payments are due as is practicable. Operator shall have no liability to Non-Operators if, through mistake or oversight, such payments are not paid or are erroneously paid. In the event that any Non-Operator elects to take in kind or separately dispose of its proportionate share of production from the Contract Area, such Non-Operator shall assume and alone bear the Existing Burdens attributable to its share of production and shall account for, or cause to be accounted for, such share of the Existing Burdens to the owners thereof. In addition, if the interest of any Party in any lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the Existing Burdens, such Party shall assume and alone bear all such obligations and shall account for, or cause to be accounted for, such burdens to the owners thereof. No Party shall ever be responsible, on any price basis higher than the price received by such Party, to any other Party’s lessor or royalty owner; and if any such other Party’s lessor or royalty owner should demand and receive settlement on a higher price basis, the Party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

M. Press Releases

Subject to Article XV.G, and except with respect to press releases press releases required by applicable law, a court of competent jurisdiction, or any exchange having jurisdiction over either of the Parties, the Parties to this agreement agree that before any press release is issued concerning any well or proposed project involving the leases covered in this agreement, a copy of said proposed press release shall be provided to all participating Parties in writing with the understanding that the parties owning an interest must agree in writing as to the proposed press release. Failure to respond in writing within twenty-four (24) hours exclusive of Saturday, Sunday or legal banking holidays shall be deemed to be a consent to said press release. Said consent shall not be unreasonably withheld.

N. Operations Commenced Within Notice Period

Notwithstanding anything herein to the contrary, in the event Operator undertakes any operation hereunder prior to the expiration of the notice period and Non-Operator elects not to participate in such operation, Non-Operator shall be considered a non-consenting party subject to the terms of Article VI, B. 2. The non-consent penalty shall apply if a party non-consents (including a non-consent deemed as such by a failure to timely elect) to a proposed operation even if the operation is commenced before the election deadline. Further, Non-Operator shall not be entitled to any well information for any operation hereunder until it makes its election for such operation. The parties expressly agree that Dorsett v. Valence Operating Company, 111 SW 3d 224 (Tex.App.-Texarkana, 2003), shall not apply to this Joint Operating Agreement.

O. Excess Cost Operations

When it becomes apparent to Operator actual drilling and/or completion costs expended or that will be expended for a well exceed one hundred fifteen percent (115%) or more the estimated costs (AFE) for such well then notice of the expected overrun shall be forwarded to Non-Operators. The notice shall indicate the reason for the excessive costs and include a recommendation for controlling such costs. Subject to the continuation of all expenditures by Operator necessary to deal with previously contracted services or with explosions, fires, floods, or any other sudden emergency (of the same or different nature) as provided in Article VII.D.3, then Operator or Non-Operators may request a
supplemental estimate reflecting the expected costs to continue the drilling and completion of the well and proceed hereunder without any further options under this section as to the well.

P. [Intentionally Left Blank]

Q. [Intentionally Left Blank]

R. [Intentionally Left Blank]

S. [Intentionally Left Blank]

T. [Intentionally Left Blank]

U. **Arbitration Provisions.**

(a) **Arbitration Procedures.** All disputes arising out of or relating to the following (each a “Dispute”), whether in contract, in tort, statutory or otherwise, shall be finally and solely resolved by binding arbitration in Houston, Texas administered by the American Arbitration Association (the “AAA”) in accordance with the Commercial Arbitration Rules of the AAA, this Article XV.U and, to the maximum extent applicable, the Federal Arbitration Act: (1) this Agreement or any of the other agreements or instruments delivered pursuant to the terms hereof; (2) the transactions contemplated by this Agreement and the other agreements and instruments contemplated hereby; (3) the validity, legality, interpretation, construction, breach, violation or termination of the contracts and instruments referred to in clause (1) or the transactions referred to in clause (2); or (4) this Article XV.U. Such arbitration shall be conducted by a single arbitrator (the “Arbitrator”). The Arbitrator shall be a practicing attorney licensed in the State of Texas who is knowledgeable in the subject matter of the Dispute. If the parties cannot agree on an arbitrator within 30 days after the request for an arbitration, then the arbitration shall be conducted before three arbitrators, one selected by Non-Operator, one selected by Operator, and the third selected by the first two (in which event “Arbitrator” shall mean the three arbitrators so selected). The Arbitrator may engage accountants or other consultants that the Arbitrator deems necessary to render a conclusion in the arbitration proceeding. The Arbitrator may proceed to an award notwithstanding the failure of any party to participate in such proceedings. The prevailing party in the arbitration proceeding shall be entitled to an award of reasonable attorneys’ fees incurred in connection with the arbitration in such amount as may be determined by the Arbitrator, and the costs of the arbitration shall be borne equally by the parties.

(b) **Arbitration Time Frame; Sanctions; Confidentiality.** To the maximum extent practicable, an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. The Arbitrator shall be empowered to impose sanctions and to take such other actions as the Arbitrator deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. At the conclusion of any arbitration proceeding, the Arbitrator shall make specific written findings of fact and conclusions of law. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law.

(c) **Exclusive Remedy; Injunctive Relief.** The award of the Arbitrator shall be (1) the sole and exclusive remedy of the parties, and (2) final and binding (absent manifest error) on the parties hereto. Notwithstanding the foregoing, either party may seek injunctive relief in a court of competent jurisdiction where required to preserve assets or eliminate
waste. The district courts of Harris County, Texas shall have exclusive jurisdiction to enter a judgment upon any award rendered by the Arbitrator, and the parties hereby consent to the personal jurisdiction of such court.

V. [Intentionally Left Blank]

W. [Intentionally Left Blank]

X. Commencement of Drilling Prior to Title Examination /Approval. If title to the working interest ownership of the parties has not been examined or finally determined at the time of the commencement or drilling a well pursuant hereto, the parties intend, and Operator is hereby authorized, to commence the initial well drilling well prior to final title examination and approval for the initial well drilling unit. Until such time as title examination has been completed or approval secured as provided in Article IV.A. hereof, the interests of the parties as set forth on Exhibit “A” shall be the parties’ interest for all purposes under this Agreement, and the parties shall pay all costs and expenses incurred and charged by the Operator to the Joint Account in the proportions thereon set forth.

When title has been examined and approved and the interests of the parties have been finally determined, Exhibit “A” shall be revised to reflect the interest of the parties as revealed by said examination. The Contract Area shall be all of the lands and depths described on Exhibit “A”. The interest of the parties shall be determined in accordance with that certain Participation Agreement dated September 18, 2009 between Newfield Production Company, Harvest (USA) Holdings, Inc. and Branta Exploration & Production LLC. Thereupon, Operator shall promptly adjust the accounts of the parties in accordance with the parties’ interest as shown on the revised Exhibit “A” so that each party will have borne that share and only that share of all cost and expenses charged to the Joint Account hereunder prior to such revision as such party would have borne had the revised Exhibit “A” been in effect as of the date of the first charges thereto. To effectuate such adjustment of accounts, Operator shall promptly refund any net amounts due any party (after first offsetting any other proper charges to such party hereunder) and shall invoice any party for any additional sums owing, which additional sums shall be paid in accordance with the Accounting Procedure and the Gas Balancing Agreement.
EXHIBIT “A”

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT
DATED SEPTEMBER 18, 2009, BY AND BETWEEN NEWFIELD PRODUCTION COMPANY,
AS OPERATOR, AND HARVEST (US) HOLDINGS, INC. AND BRANTA EXPLORATION &
PRODUCTION LLC, AS NON-OPERATOR

CONTRACT AREA:

The Contract Area covers and includes all lands within the solid bold outline depicted on
the plat attached hereto as Exhibit “A-1”. Within the solid bold outline are the oil, gas
and mineral leases described below. All lands within the solid bold outline, if not
currently represented by one of the oil, gas and mineral leases, are included and a part of
the Contract Area.

DEPTHS / FORMATIONS SUBJECT TO THIS AGREEMENT:

The Contract Area will be limited from the surface of the earth to the stratigraphic
equivalent of the base of the Green River formation as found at a measured depth of
6,515’ identified by the Dual Lateral log run in the Newfield Production Company
Federal #1-26 well located in the NENW of Section 26, Township 8 South, Range 17
East, Uintah County, Utah.

WORKING INTEREST PERCENTAGES OF THE PARTIES:

BPO   APO

Harvest (US) Holdings, Inc.
Branta Exploration & Production LLC.
Newfield Production Company
Laurence Scott Noble               See attached ‘Schedule 1’

TOTALS

OIL AND GAS LEASES SUBJECT TO OPERATING AGREEMENT:

Any oil and gas leases taken by the parties that cover the lands within the boundaries
depicted on Exhibit “A-1” attached hereto, shall be subject to this Operating Agreement.

ADDRESSES OF THE PARTIES FOR NOTICE PURPOSES:

Harvest (US) Holdings, Inc.              Branta Exploration & Production LLC
1177 Enclave Parkway, Suite 300       10077 Grogans Mill Road, Suite 466
Houston, TX 77077                    The Woodlands, Texas 77380

Attn:  Gil S. Porter                    Attn:  Brad Posey
Phone:   281-899-5738                  Phone:  832-813-7096
Fax:      281-899-5702                Fax:      832-585-0133

Newfield Production Company
1001 17th Street, Suite 2000
Denver, CO 80202

Attn:_________________________________
Phone:_________________________________
Fax:_________________________________
EXHIBIT “A-1”
ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED SEPTEMBER 18, 2009, BY AND BETWEEN NEWFIELD PRODUCTION COMPANY, AS OPERATOR, AND HARVEST (US) HOLDINGS, INC. AND BRANTA EXPLORATION & PRODUCTION LLC, AS NON-OPERATORS

CONTRACT AREA

SECTION 20 (SW4) AND SECTION 29 (N2NW4, LOT 3, LOT 4)
TOWNSHIP 4 SOUTH, RANGE 2 WEST
UINTAH SPECIAL MERIDIAN
DUCHESNE COUNTY, UTAH
TRACTION #

Paid-Up
Oil and Gas Lease

NOTICE OF CONFIDENTIALITY RIGHTS:
If you are a natural person, you may remove or strike your social security number and/or your driver’s license number from the instrument before it is filed in the public records.

11. Lessee shall have the right to utilize, pool, or combine all or any part of the land described above as to one or more of the formations hereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plans or agreements and, in such event, the terms, conditions, and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that the land described above at any point thereafter shall be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessee, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessee shall be based upon production only as so allocated.

12. Production from operations on a pooled unit or units including a portion or portions of the lease premises will maintain this Lease in force only as to the acreage included in the said units or in any other necessary provisions.

13. If the estate of either party hereto is assigned or sold or the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the successors, transferees and assigns of the party; and in the event of an assignment or subletting by lessee, lessee shall be released and discharged as to the lessee's rights as assigned or sold from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, other express or implied. No change in Ownership of the land, lessees, or other payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or installation of separate tanks by lessee. Nonwithstanding any actual or constructive knowledge of or notice to lessee, no change in ownership of said land or of all or of any interest in such land, being assigned or sold, or of any interest therein, whether by reason of death, succession or any other manner, shall be binding on or affect any party's rights hereunder in any manner until one hundred twenty (120) days after lease has been satisfied within notice thereof, and the supporting information heretofore referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by original and certified copies of all documents and other instruments or proceedings necessary to lessee's opinion to establish the ownership of the claiming party.

14. In the event of conservation, the provisions of reserved pressures and recovery of the greatest ultimate yield of oil and/or gas, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining representing and recycling facilities, and for such purpose may locate such facilities, including input wells, upon leased premises, and no royalties shall be payable hereunder upon any gas used for representing and recycling operations benefiting the leased premises.

15. If lessee, during the primary term of this lease, receive a bonus or find's fee other than a third party, to purchase from lessor a lease covering any or all of the substance covered by this lease and covering all or a portion of the land described herein, with such lessor to become effective upon expiration of this lease, which lessee is willing to accept from the offering party, lessor hereby agrees to notify lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Leases, for a period of fifteen (15) days after the receipt of the notice, shall have the price and preferred right and option to purchase the lease or part thereof or interest therein covered by the offer at the price and on the terms and conditions specified in the offer. All offers made up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this paragraph 14. Should lessor elect to purchase the lease pursuant to the terms thereof, it shall not notify lessee in writing by mail, wire, or telegram prior to expiration of said fifteen (15) days period. Lessee shall promptly thereafter furnish to lessor the new lease for execution by lessee along with lessee's right to sell productive in places or in full and in any part of its implied covenants, conditions, and stipulations in a judicial determinations made that such failures exist and lease fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

17. All express and implied covenants of this lease shall be subject to all federal and state, county or municipal laws, executive orders, rules and regulations, and lessor's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or for any time in any way as compliance with such obligations and covenants is prevented or hindered by or in conflict with federal, state, county, municipal laws, rules, regulations or executive orders ordered as official or by public authority claiming jurisdiction, or Act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation therefor, war, strikes, lockout, riot, or other causes or circumstances not wholly controlled by lessor, and the lessee shall not be held in any way liable to either or in conflict with any of the foregoing conventions. The time during which lessee has been prevented from conducting drilling or operating operations during the primary term of this lease, under the contingencies above stated, shall be added to the permanent term of this lease.

18. Lessee hereby warrants and agrees to defend the title to the land described above, and agrees that the lessee, at its option, shall have the right at any time to pay for any mortgage, taxes or other items existing, levied or assessed on or against the above described lands in the event of default of payment by lessee and to be aggregated to the rights of the holder thereof, and lessor hereby agrees that any such payments made by the lessee may be deducted from any amounts of money which may be due the lessee under the terms of this lease.

19. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors in interest, in whole or in part, of said lessor or lessee.

20. With respect to said for the purpose of this lease, lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

WHEREFORE witness our hands as of the day and year first above written.

My Commission Expires:

Notary Public

Page 2 of 2

PREPARED BY
Bodky Mountain 1991
(Paid-Up Rev. 1995)
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of Operating Agreement dated September 18, 2009 by and between Newfield Production Company, as Operator and Harvest (US) Holdings, Inc. and Branta Exploration & Production LLC as Non-Operators

I. GENERAL PROVISIONS

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

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

1. DEFINITIONS

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

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

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

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

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

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

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

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor’s operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices
- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

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

“Joint Operations” means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.
“Joint Property” means the real and personal property subject to the Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. STATEMENTS AND BILLINGS

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

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

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated
cash outlay for the succeeding month’s operations within fifteen (15) days after receipt of the advance request or by the first day of
the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances
received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the
subsequent month’s billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator
shall remit the refund to the Non-Operator within fifteen (15) days of receipt of such written request.

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

(1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator’s actual working
interest or Participating Interest, as applicable; or
(2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved
or is not otherwise obligated to pay under the Agreement; or
(3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has
furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator
shall remain responsible for paying bills attributable to the interest sold or transferred for any bills rendered during the thirty
(30) day period following the Operator’s receipt of such written notice; or
(4) charges outside the adjustment period, as provided in Section I.4 (Adjustments).

4. ADJUSTMENTS

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

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

(1) a physical inventory of Controllable Material as provided for in Section V (Inventories of Controllable Materials), or
(2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the
Operator relating to another property, or
(3) a government/regulatory audit, or
(4) a working interest ownership or Participating Interest adjustment.

5. EXPENDITURE AUDITS

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

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

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those Non-Operators approving such audit.

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

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

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

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

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C. or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable.

The meeting will require one month’s written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator’s office or mutually agreed location, and shall be attended by representatives of the Parties with authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operators throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

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

E. (Optional Provision – Forfeiture Penalties)
If the Non-Operators fail to meet the deadline in Section I.3.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non-Operators. If the Operator fails to meet the deadlines in Section I.5.B or I.5.C., any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

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

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

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of \( 2 \) or more Parties, one of which is the Operator, having a combined working interest of at least \( 51 \% \), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

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

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

II. DIRECT CHARGES

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

1. RENTALS AND ROYALTIES

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

2. LABOR

A. Salaries and wages, including incentive compensation programs as set forth in COPAS MIP-37 (“Chargeability of Incentive Compensation Programs”), for:

(1) Operator’s field employees directly employed On-site in the conduct of Joint Operations,

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

(3) Operator’s employees providing First Level Supervision,

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

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

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

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

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

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.
D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

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

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

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

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

3. MATERIAL

Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV (Material Purchases, Transfers, and Dispositions). Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

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

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

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

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

5. SERVICES

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

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

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

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (Labor). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed ten percent (10.0%) per annum; provided, however, depreciation shall not be charged when the...
equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

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

7. AFFILIATES

A. Charges for an Affiliate’s goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for each Affiliate’s goods and services billed to such individual project do not exceed $50,000. If the total costs for an Affiliate’s goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (General Matters).

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

C. The cost of the Affiliate’s goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators’ approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate’s rates or charges prior to billing Non-Operators for such Affiliate’s goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (Communications).

If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a result of such omission shall be the amount established as the Operator’s expenditure limitation in the Agreement. If the Agreement does not contain an Operator’s expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be zero dollars ($0.00).

8. DAMAGES AND LOSSES TO JOINT PROPERTY

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

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

9. LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Operator’s or Affiliate’s legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section I.6.A (General Matters) or otherwise provided for in the Agreement.

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement. Non-Operators acknowledge that Operator may enter into management agreements, service agreements, and other arrangements that may shift liabilities through the use of indemnities, releases and other agreements.

10. TAXES AND PERMITS

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

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party’s working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party’s working interest.
Costs of tax consultants or advisors, the Operator’s employees, or Operator’s Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (General Matters).

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

11. INSURANCE

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

12. COMMUNICATIONS

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

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2 (Labor), II.5 (Services), or Section III (Overhead), as applicable.

Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

14. ABANDONMENT AND RECLAMATION

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

15. OTHER EXPENDITURES

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

III. OVERHEAD

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

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

- warehousing, other than for warehouses that are jointly owned under this Agreement
- design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
- inventory costs not chargeable under Section V (Inventories of Controllable Material)
- procurement
- administration
- accounting and auditing
- gas dispatching and gas chart integration

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• human resources
• management
• supervision not directly charged under Section II.2 (Labor)
• legal services not directly chargeable under Section II.9 (Legal Expense)
• taxation, other than those costs identified as directly chargeable under Section II.10 (Taxes and Permits)
• preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.

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

I. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

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

- (Alternative 1) Fixed Rate Basis, Section III.1.B.
- (Alternative 2) Percentage Basis, Section III.1.C.

A. TECHNICAL SERVICES

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

- (Alternative 1 – Direct) shall be charged direct to the Joint Account.
- (Alternative 2 – Overhead) shall be covered by the overhead rates.

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

- (Alternative 1 – All Overhead) shall be covered by the overhead rates.
- (Alternative 2 – All Direct) shall be charged direct to the Joint Account.
- (Alternative 3 – Drilling Direct) shall be charged direct to the Joint Account, only to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recombination, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (Overhead - Major Construction and Catastrophe) shall be covered by the overhead rates. Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator’s Affiliates are subject to limitations set forth in Section II.7 (Affiliates). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

B. OVERHEAD—FIXED RATE BASIS

1. Drill Well Rate per month $8,500.00 (prorated for less than a full month)

2. Producing Well Rate per month $675.00

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

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.
(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work-days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date of operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

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

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

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

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

(d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

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

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

### C. OVERHEAD—PERCENTAGE BASIS

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

(a) Development Rate ________ N/A ________ percent (%) of the cost of development of the Joint Property, exclusive of costs provided under Section II.9 (Legal Expense) and all Material salvage credits.

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

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

(a) The Development Rate shall be applied to all costs in connection with:

   [i] drilling, redrilling, sidetracking, or deepening of a well
   [ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work-days
   [iii] preliminary expenditures necessary in preparation for drilling
   [iv] expenditure incurred in abandoning when the well is not completed as a producer
   [v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, other than Major Construction or Catastrophe as defined in Section III.2 (Overhead—Major Construction and Catastrophe).

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

### 2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator’s expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.
Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

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

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

1. 3% of total costs if such costs are less than $100,000; plus
2. 2% of total costs in excess of $100,000 but less than $1,000,000; plus
3. 1% of total costs in excess of $1,000,000.

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

1. 3% of total costs if such costs are less than $100,000; plus
2. 2% of total costs in excess of $100,000 but less than $1,000,000; plus
3. 1% of total costs in excess of $1,000,000.

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

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

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

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

3. AMENDMENT OF OVERHEAD RATES

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

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator’s gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location.

Material provided by the Operator under “vendor stocking programs,” where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.
2. TRANSFERS

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

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section 1.6.A (General Matters). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

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

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

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

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

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

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

B. FREIGHT

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

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-3B (“Material Pricing Manual”) and other COPAS MFI’s in effect at the time of the transfer.

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

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

(4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point.

Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All transportation costs are subject to Equalized Freight as provided in Section II.4 (Transportation) of this Accounting Procedure.

C. TAXES

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

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

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

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition “B” or to correct handling, transportation or other damages will be borne by the divesting property. If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (Pricing), IV.2.B (Freight), and IV.2.C (Taxes) multiplied by sixty-five percent (65%).

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

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

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

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

(5) Condition “E” – Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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

(2) Loading and Unloading Costs

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

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

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

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

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator’s expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.
- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.
- The Operator may purchase surplus Condition “A” or “B” Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (Transfers).
- The Operator may purchase Condition “C” Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (Transfers), is less than or equal to the Operator’s expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.
- The Operator may dispose of Condition “D” or “E” Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

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

B. SHOP-MADE ITEMS

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

C. MILL REJECTS

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

V. INVENTORIES OF CONTROLLABLE MATERIAL

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

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

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

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

   B. Actual transportation costs and Personal Expenses for the inventory team.

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

2. NON-DIRECTED INVENTORIES

   A. OPERATOR INVENTORIES

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

   B. NON-OPERATOR INVENTORIES

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

   C. SPECIAL INVENTORIES

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

Attached to and made a part of that certain Operating Agreement dated September 18, 2009 by and between Newfield Production Company, as Operator and Harvest (US) Holdings, Inc. and Branta Exploration & Production LLC as Non-Operators.

Operator shall maintain the following minimum insurance at all times while operations are conducted under the Joint Operating Agreement to which this Exhibit is attached.

1. **Workers’ Compensation and Employer’s Liability Insurance** covering all employees, including partners and officers, who perform work for the joint account.
   a. Statutory Workers’ Compensation coverage as required by the laws of the state in which operations are conducted.
   b. Employer’s Liability limits of $1,000,000 each accident, $1,000,000 each employee/disease, and $1,000,000 policy limit.

2. **Commercial General Liability Insurance**
   $1,000,000 limit per occurrence and general aggregate to cover damages to third parties because of bodily injury or property damage caused by an occurrence. The policy shall be written on an occurrence form and shall include, but not be limited to, the following coverages: premises/operations, products and completed operations with a separate aggregate if available, personal and advertising injury, broad form contractual, underground resources liability, and sudden and accidental pollution liability without a sunset clause. There shall be no exclusions under the policy for the following: employees of the Operator for liabilities assumed by the Operator under a covered contract, punitive or exemplary damages, cross liability. The Non-Operators will either be named as Additional Insureds or the policy will definitively extend coverage to the Non-Operators either within the policy wording or by endorsement, including coverage for the Non-Operators’ contractual assumption of their proportionate share of losses (including defense costs) under this Joint Operating Agreement.

3. **Business Automobile Liability Insurance**
   $1,000,000 limit per accident combined single limit for bodily injury and/or property damage to third parties covering owned, leased, hired and non-owned vehicles, including trailers, used in the joint operations.

4. **Umbrella or Excess Liability Insurance**
   $10,000,000 per occurrence and general aggregate in excess of Employer’s Liability, Commercial General Liability, and Automobile Liability. The policy shall be written on an occurrence form and shall contain a drop-down provision in the event of exhaustion of underlying limits or aggregates and shall apply on a follow-form basis including those coverages specifically described in 1., 2. and 3. above.

The insurance carried under this exhibit shall be primary for the Joint Operations. Each party to the Operating Agreement shall have the right to acquire at its own expense such additional insurance coverage as it desires to protect itself against any liability not covered by the insurance described above which is maintained by Operator for the joint account. All insurance maintained by any party to this Operating Agreement shall name Non-Operators as additional insureds and contain a waiver by the insurance company of all rights of subrogation in favor of the parties to the Operating Agreement. The extent Non-Operators are named as additional insureds, the coverage afforded thereby shall be primary to any other insurance, and will not be affected by the unenforceability of any indemnity provisions.

The foregoing insurance shall be placed with carriers that are acceptable to the parties to this agreement; shall be maintained in full force and effect during the term of this agreement; and shall not be cancelled or materially altered such that coverage is reduced without 30 days prior notice to the parties. Operator agrees to have a certificate of insurance issued by its insurance broker evidencing that such coverage is in place at each policy renewal. Prior to commencing operations under this Operating Agreement, Operator shall cause a certificate of the coverage to be delivered to Non-Operators. Such certificate shall describe the coverage obtained, any exclusions from such coverage, and the parties insured thereunder. Premium for Commercial General Liability Insurance and Umbrella or Excess Liability Insurance referenced above shall be charged to the Joint Account. Otherwise, all insurance costs shall be for Operator’s account.

Nothing contained in this Exhibit shall operate as a limitation on a party’s proportionate liability under the Operating Agreement. Any loss not covered by the above-specified policies shall be borne by the Operator and Non-Operators in the same proportions as they bear costs and expenses under the Operating Agreement at the time of such loss. For example, but not by way of limitation, losses not covered by these policies that occur while drilling a well will be borne by each Party in the same proportion that such Party is bearing the drilling costs for that well. If the Operating Agreement covers two or more wells, then the cost-bearing proportions will be those applicable to the well that is most closely related to the loss.

Deductibles on the foregoing insurances shall not exceed $10,000.00 per occurrence.

(END OF EXHIBIT “D”)
This Gas Balancing Agreement is between the Operator and the other signatory parties to the Agreement (the "Non-Operators"). Operator and Non-Operators are parties to a Joint Operating Agreement dated September 1, 2009 (the "Operating Agreement"), and sometimes collectively referred to as the "Parties", or individually as a "Party".

1. Ownership of Gas Production.

   a. It is the intent of the Parties that each Party shall have the right to take in kind and separately dispose of its proportionate share of gas (including casinghead gas) produced from each formation in each well located on the acreage (the "Contract Area") covered by the Operating Agreement.

   b. Operator shall control the gas production and be responsible for administering the provisions of this Agreement and shall make reasonable efforts to deliver or cause to be delivered gas to the Parties' gas purchasers as may be required in order to balance the accounts of the Parties in accordance with the provisions of this Agreement. For purposes of this Agreement, Operator shall maintain production accounts of the Parties based on the number of MMBols's actually contained in the gas produced from a particular formation in a well and delivered at the outlet of lease equipment for each Party's account, regardless of whether sales of the gas are made on a wet or dry basis. All references in this Agreement to quantity or volume shall refer to the number of MMBols contained in the gas stream. Toward this end, Operator shall periodically determine or cause to be determined the Btu content of gas produced from each formation in each well on a consistent basis and under standard conditions pursuant to any method customarily used in the industry.

2. Balancing of Production Accounts.

   a. Any time a Party, or a Party's purchaser, is not taking or marketing its full share of gas produced from a particular formation in a well (a "Non-Marketing Party"), the remaining Parties (the "Marketing Parties") shall have the right, but not the obligation, to produce, take, sell, and deliver for the Marketing Parties' accounts, all or any portion of the gas attributable to a Non-Marketing Party. (Gas attributable to a Non-Marketing Party, taken by a Marketing Party, is referred to in this Agreement as "Overproduction"). If there is more than one Marketing Party taking gas attributable to a Non-Marketing Party, each Marketing Party shall be entitled to take a Non-Marketing Party's gas in the ratio that the Marketing Party's interest in production bears to the total interest in production of all Marketing Parties.

   b. A Party that has not taken its proportionate share of gas produced from any formation in a well (an "Underproduced Party") shall be credited with gas in storage equal to its share of gas produced but not taken, less its share of gas used in lease operations, vented or lost (the "Underproduction"). The Underproduced Party, on giving timely written notice to Operator, shall be entitled, on a monthly basis beginning the month following receipt of notice, to produce, take, sell, and deliver, in addition to the full share of gas to which that Party is otherwise entitled, a quantity of gas ("Make-up Gas") equal to 25 percent (25%) of the total share of gas attributable to all Parties having cumulative Overproduction (individually called an "Overproduced Party"). The Make-up Gas shall be credited against the Underproduced Party's accrued Underproduction in order of accrual. Notwithstanding the foregoing and subject to subsection (e) below: (i) an Overproduced Party shall never be obligated to reduce its takes to less than 75 percent (75%) of the quantity to which the Party is otherwise entitled.

   c. If there is more than one Underproduced Party desiring Make-up Gas, each Underproduced Party shall be entitled to Make-up Gas in the ratio that the Party's interest in production bears to the total interest in production of all Parties then desiring Make-up Gas. Any portion of the Make-up Gas to which an Underproduced Party is entitled and which is not taken by the Underproduced Party may be taken by any other Underproduced Party.

   d. If there is more than one Overproduced Party required to furnish Make-up Gas, each Overproduced Party shall furnish Make-up Gas in the ratio that the Party's interest in production bears to the total interest in production of all Parties then required to furnish Make-up Gas. Except as provided in (e) below, each Overproduced Party in any formation in a well shall be entitled, on a monthly basis, to take its full share of current production less its share of the Make-up Gas then being produced from the particular formation in the well in which it is overproduced.

   e. If Operator, in good faith, believes an Overproduced Party has recovered one hundred percent (100%) of that Overproduced Party's share of the recoverable reserves from a particular formation in a well, that Overproduced Party, on being notified in writing of that fact by Operator, shall cease taking gas from the formation in the well and the remaining Parties shall be entitled to take one hundred percent (100%) of the production until the accounts of the Parties are balanced. Thereafter, the Overproduced Party shall again have the right to take its share of the remaining production, if any, in accordance with the provisions in this Agreement. Notwithstanding anything to the contrary, after an Overproduced Party has recovered one hundred percent (100%) of its full share of the recoverable reserves, as determined by Operator from a particular formation in a well, the Overproduced Party may
continue to produce if the continued production is: (i) necessary for lease maintenance purposes; or, (ii) permitted by Parties owing at least a majority in interest who have not produced one hundred percent (100%) of their recoverable reserves from the formation in the well after written ballot conducted by Operator.

3. In Kind or Cash Balancing Upon Depletion.

a. If gas production from a particular formation in a well ceases for any reason and no attempt is made to restore production within sixty (60) days, Operator shall distribute, within ninety (90) days of the date the well last produced gas from that formation, a statement of net unrecouped Underproduction and Overproduction and the months and years in which the unrecouped production accrued (the "Final Accounting").

b. Each Overproduced Party shall have the option to either furnish each Underproduced Party Make-up Gas of like vintage from other sources or remit to Operator for disbursement to the Underproduced Parties, a sum of money (which sum shall not include interest) equal to the amount actually received or constructively received, under subparagraph (e) below, by Overproduced Party for sales during the month(s) of Overproduction, calculated in order of accrual, less applicable taxes, royalties, and reasonable costs of marketing and transporting the gas for which the Overproduced Party was actually paid. The remittance shall be based on the number of MMBtu’s of Overproduction and shall be accompanied by a statement showing the volumes and prices for each month with accrued unrecouped Overproduction. If Make-up Gas is delivered it shall be supplied from sources determined solely by the Overproduced Party.

c. Within sixty (60) days of receipt of any remittance by Operator from an Overproduced Party, Operator shall disburse those funds to the Underproduced Party(ies) in accordance with the Final Accounting. Operator assumes no liability with respect to any payment unless the payment is attributable to Operator's overproduction; it being the intent of the parties that each Overproduced Party shall be solely responsible for reimbursing each Underproduced Party in accordance with the provisions of this Agreement. If any Party fails to pay any sum due under the terms of this Agreement after demand by the Operator, the Operator may turn responsibility for the collection of that sum to the Party or Parties to whom it is owed, and Operator shall have no further responsibility for collection.

d. In determining the amount of Overproduction for which settlement is due, production taken during any month by an Underproduced Party in excess of the Underproduced Party's share shall be treated as Make-up and shall be applied to reduce prior deficits in the order of accrual of those deficits.

e. An Overproduced Party that took gas in kind for its own use, sold gas to an affiliate, or otherwise disposed of gas in other than a cash sale shall pay for that gas at market value at the time it was produced, even if the Overproduced Party sold the gas to an affiliate at a price greater or lesser than market value.

f. If any refunds are later required by any governmental authority, each Party shall be accountable for its respective share of any refunds, as finally balanced.

4. Sale or Transfer of Interests

Notwithstanding anything contained herein to the contrary, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a well located within the Contract Area, such Overproduced Party shall notify in writing the other working interest owners who are parties hereto in such well of such fact within forty-five (45) days prior to closing the transaction. Within twenty (20) days after receipt of the Overproduced Party’s notice of its intent to sell, assign, exchange or otherwise transfer its interest in a well, any Underproduced Party may make a written demand upon the Overproduced Party in question for cash settlement of the full amount of the Underproduced Party’s share of the total Underproduction in the well. In such event, if any Underproduced Party wishes to cash balance its production account, then each Underproduced Party shall have the right to receive cash settlement in an amount equal to the market value of the gas at the time it was produced, of its proportionate share of the total amount of gas volume underproduced, by those Underproduced Parties seeking a cash settlement until the production accounts of all Underproduced Parties in question are balanced or the amount of the Overproduced Party’s imbalance is exhausted, whichever occurs first. The Operator shall be notified of any such demand for cash settlement, and after a cash settlement has been made, the production accounts of the parties shall be adjusted accordingly.

The provision of this Article shall not be applicable in the event an Overproduced Party mortgages its interest, or disposes of its interest by merger, reorganization, consolidation, or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary owns a majority of the stock of such company.

5. Deliverability Tests.

At the request of any Party, Operator may produce the entire well stream for a deliverability test not to exceed seventy-two (72) hours in duration (or such longer period of time as may be mutually agreed upon by the Parties) if required under the requesting Party's gas sales or transportation contract.


Each Party shall, on a monthly basis, give Operator sufficient time and data either to nominate the Party's respective share of gas to the transporting pipeline(s) or, if Operator is not nominating the Party's gas, to inform Operator of the manner in which to dispatch the Party's gas. Except as, and to the extent caused by Operator's gross
negligence or willful misconduct, Operator shall not be responsible for any fees and/or penalties associated with imbalances charged by any pipeline to any Underproduced or Overproduced Parties.

7. Statements.

On or before the 20th day of the calendar month following the calendar month of production, each Party taking gas shall furnish or cause to be furnished to Operator a statement of gas taken, expressed in terms of MMbtu's. If actual volume information sufficient to prepare the statement is not made available to the taking Party in sufficient time to prepare it, the taking Party shall nevertheless furnish a statement of its good faith estimate of the volumes taken. Within fifteen (15) days of the receipt of all statements, Operator shall furnish each Party a statement of the gas balance among the Parties, including the total quantity of gas produced from each formation in each well, the portion used in operations, vented or lost, and the total quantity delivered for each Party's account. Any error or discrepancy in Operator's monthly statement shall be promptly reported to Operator and Operator shall make a proper adjustment within fifteen (15) days after final determination of the correct quantities involved; provided, however, if no errors or discrepancies are reported to Operator within thirty (30) days from the date of any statement, the statement shall be conclusively deemed to be correct. Additionally, within sixty (60) days from the end of each calendar year, Non-operators shall furnish Operator, for the sole purpose of establishing records sufficient to verify cash balancing values, a statement reflecting amounts actually received or constructively received under paragraph 3(e), on a monthly basis, for the calendar year preceding the immediately concluded calendar year. Operator may prohibit a Party from producing gas for its account during any month when the Party is delinquent in furnishing the monthly or annual statements.

8. Payment of Taxes.

Each Party taking gas shall pay or cause to be paid any and all production, severance, utility, sales, excise, or other taxes due on that gas.


The operating expenses are to be borne in the manner provided in the Operating Agreement, regardless of whether all Parties are selling or using gas or whether the sale and use of each are in proportion to their respective interests in the gas.

10. Overproducing Allowable.

Each Party shall give Operator sufficient time and data to enable Operator to make appropriate nominations, forecasts and/or filings with the regulatory bodies having jurisdiction to establish allowables. Each Party shall at all times regulate its takes and deliveries from the Contract Area so that the well(s) subject to this Agreement shall not be curtailed and/or shut-in for overproducing the assigned allowable production by the regulatory body having jurisdiction.

11. Payment of Leasehold Burdens.

At all times while gas is produced from the Contract Area covered by the Operating Agreement, each Party agrees to make appropriate settlement of all royalties, overriding royalties and other payments out of or in lieu of production for which a Party is responsible, just as if the Party were taking or delivering to a purchaser the Party's full share, and the Party's full share only, of the gas production, exclusive of gas used in operations, vented, or lost. Each Party agrees to indemnify and hold each other Party harmless from any and all claims relating to the payment of leasehold burdens.

12. Application of Agreement.

The provisions of this Agreement shall be separately applicable and shall constitute a separate agreement with respect to gas produced from each formation in each well located on the Contract Area.

13. Term.

This Agreement shall terminate when gas production under the Operating Agreement permanently ceases and the accounts of the parties are finally settled in accordance with its provisions.


Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other Parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party, (other than Operator) to pay any amounts owed pursuant to the terms hereof.

15. Audits.

Any Underproduced Party shall have the right for a period of ninety (90) days two (2) years after receipt of payment pursuant to a Final Accounting and after giving written notice to all Parties, to audit an Overproduced Party's accounts and receipts relating to a payment. Any Overproduced Party shall have the right for a period of ninety (90) days two (2) years after tender of payment for unrecouped volumes and on giving written notice to all
Parties, to audit an Underproduced Party's records as to volumes. The Party conducting the audit shall bear the costs of the audit. Additionally, Operator shall have the right for a period of ninety (90) days after receipt of an annual statement from a Non-operator, under paragraph 6, after giving written notice, to audit the affected Non-operator's accounts and records relating to a payment. The costs of the audit shall be borne by the joint accounts.


Operator shall charge the joint account of the Parties $100.00 per formation in each well, per month, for each month during which Operator maintains balancing accounts for a well.

17. Liquefiable Hydrocarbons Not Covered Under Agreement.

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with the gas by lease equipment, in accordance with their respective interests.

Nothing in this Gas Balancing Agreement shall cause the Operator to produce a well or reservoir at higher than maximum allowable rates which might have been established by a regulatory authority.

18. Conflict.

If there is a conflict between the terms of this Agreement and the terms of any gas sales contract entered into by any Party covering the Contract Area subject to the Operating Agreement, the terms of this Agreement shall govern.

(END OF EXHIBIT “E”)
EXHIBIT “F”
ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED SEPTEMBER 18, 2009, BY AND BETWEEN NEWFIELD PRODUCTION COMPANY, AS OPERATOR, AND HARVEST (US) HOLDINGS, INC. AND BRANTA EXPLORATION & PRODUCTION LLC, AS NON-OPERATOR

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

If this is attached to an Operating Agreement, the term Contractor shall refer to the Operator thereunder. If this is attached to a Farmin or Farmout Agreement the term Contractor shall refer to the Farmee thereunder.

A. Equal Opportunity Clause (41 CFR 60-1.4)

During the performance of this Agreement, Contractor agrees as follows:

(1) Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor 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. Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

(2) Contractor will, in all solicitations or advertisements for employees places by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(3) Contractor will send to each labor union or representative or workers with which Contractor has a collective bargaining agreement or other contract or understanding, a notice advising the labor union or workers’ representatives of Contractor’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) Contractor 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) Contractor 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 his books, records, and accounts by the Secretary of Labor and his representatives for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of Contractor’s non-compliance with the non-discrimination clauses of this Agreement or with any of the such rules, regulations, or orders, this Agreement may be cancelled, terminated or suspended in whole or in part and Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) Contractor 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. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including the sanctions for non-compliance; provided, however, that in the event Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, Contractor may request the United States to enter into such litigation to protect the interests of the United States.

B. Employee Information Reports (41 CFR 601.7)

Operator acknowledges that it 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 Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, 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 ad Regulations adopted thereunder.

C. Affirmative Action Programs (41 CFR 60-1.40)

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 Company with a copy of such program if so requests.

D. Certification of Nonsegregated Facilities (41 CFR 60-1.8)

Contractor certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this Agreement. As used in this certification, the term “segregated facilities” means, any waiting room, 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. Contractor’s policies and practices must assure appropriate physical facilities to both sexes. It further agrees that (except where Operator has obtained identical certifications from proposed contractors and subcontractors for specific time periods) it will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed contractors and subcontractors (except where the proposed contractors or subcontractors have submitted identical certifications for specific time periods): NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES. A Certificate of Nonsegregated Facilities as required by the May 21, 1968, order on Elimination of Segregated Facilities by the Secretary of Labor (33 Fed.Reg.7804, May 28, 1969) must be submitted prior to the award of a contract or subcontract exceeding $10,000 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). (Note: The penalty for making false statement in offers is prescribed in 18 U.S.C.1001.)

E. Listing of Employment Openings (41 CFR 50-250)

Contractor agrees to comply with the rules and regulations of the Department of Labor concerning the listing of employment openings, including the contract clause set forth in 41 CFR 50-250.2, which clause is incorporated herein by reference. Operator also agrees to place the foregoing provision in any subcontract directly under this Agreement.
F. **Employment of Handicapped Individuals**

In employing persons to carry out this Agreement, Contractor will take affirmative action to employ and advance in employment qualified handicapped individuals as defined in Section 7(6) of the Federal Rehabilitation Act of 1973.
STATE OF UTAH

COUNTY OF DUCHESNE

KNOW ALL MEN BY THESE PRESENTS:

Reference is hereby made to that certain Operating Agreement dated as of September 18, 2009, by and between NEWFIELD PRODUCTION COMPANY, as Operator, and HARVEST (US) HOLDINGS, INC. and BRANTA EXPLORATION & PRODUCTION LLC, as Non-Operator (the “Operating Agreement”).

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

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

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

The Operating Agreement specifically provides that:

1. The Operator shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of the Operating Agreement.

2. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area.

3. Each Non-Operator(s) grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil or gas or both when extracted and its interest in all equipment, to secure payment of its share of expenses, together with interests thereon at the rate provided in the Accounting Procedure. To the extent that Operator has a security interest under the Uniform Commercial Code (“the Code”) of the state in which the Contract Area is located, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the rights or security interest for the payment thereof.

4. If any Non-Operator fails to pay its share of costs when due, Operator may require other Non-Operators to pay their proportionate part of the unpaid share, whereupon the other Non-Operators shall be subrogated to Operator’s lien and security interest.

5. The Operator grants to Non-Operator a lien and security interest equivalent to that granted to Operator as described in Paragraph 3 above, to secure payment by Operator of its own share of costs when due.

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

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

Security Interests

1. The following:

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

2. Certain of the above-described items are, or are to become fixtures of the Contract Area.

3. The proceeds and products of collateral are also covered.

Lien Property

1. All real property within the Contract Area, including all oil, gas and associated substances of value in, on or under the Contract Area which may be extracted therefrom.

2. All fixtures within the Contract Area.

3. All real property and fixtures now and hereafter acquired in furtherance of the purposes of the Operating Agreement located and dealing specifically with operations in the Contract Area.

The above items will be financed at the wellhead of the well or wells located on the Contract Area, and this Memorandum is to be filed for record in the real estate records of the county or counties in which the Contract Area is located, and in the Uniform Commercial Code records.

The name and address of each party who has executed the subject Operating Agreement and each farmor and option farmor who have granted support within the Contract Area are identified on Exhibit “A.”
On default of any covenant or condition of the Operating Agreement, in addition to any other
remedy afforded by law or the practice of the state in which the Contract Area is located, each
party to the agreement and any successor to such party by assignment, operation of law, or
otherwise, shall have, and is hereby given and vested with the power and authority to take
possession of and sell any interest which the defaulting party has in the subject lands and to
foreclose this lien in the manner provided by law.

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

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

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

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

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

NEWFIELD PRODUCTION COMPANY

By: __________________________________________
Name: ________________________________________
Title: __________________________________________
Address: _______________________________________

HARVEST (US) HOLDINGS, INC.

By: __________________________________________
Name: ________________________________________
Title: __________________________________________
Address: _______________________________________

BRANTA EXPLORATION & PRODUCTION LLC

____________________________________
By: _______________________________________
Name: ______________________________________
Title: ________________________________________
Address: _____________________________________
ACKNOWLEDGEMENT

STATE OF _______ §
COUNTY OF _______ §

This instrument was acknowledged before me on ________________, 2009, by
______________________, as __________________________ of ______________
__________________________.

Notary Public, State of Texas

My Commission Expires:

________________________

STATE OF _______ §
COUNTY OF _______ §

This instrument was acknowledged before me on ________________, 2009, by
______________________, as __________________________ of ______________
__________________________.

Notary Public, State of Texas

My Commission Expires:

________________________

STATE OF _______ §
COUNTY OF _______ §

This instrument was acknowledged before me on ________________, 2009, by
______________________, as __________________________ of ______________
__________________________.

Notary Public, State of Texas

My Commission Expires:

________________________