B 10 (Official Form 10) (04/10)

UNITED STATES BANKRUPTCY COURT Northern District of Texas

PROOF OF CLAIM

Name of Debtor: TriDimension Energy, L.P.

Case Number: 10-33565-SGJ

NOTE: *This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.*

Name of Creditor (the person or other entity to whom the debtor owes money or property): Pryme Oil and Gas, Inc.

☐ Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent:
Winstead PC
Attn: R. Michael Farquhar
1201 Elm Street, Suite 5400, Dallas, TX 75270-2199

RECEIVED
JUL 28 2010
BMC GROUP

Court Claim Number: _____ (*If known*)

Telephone number: (214) 745-5400

Filed on: _____

Name and address where payment should be sent (if different from above): Same as above.

☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Telephone number:

☐ Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: $1,890,596.18 plus any and all additional amounts owing under any agreement between the Debtor and Creditor and/or applicable law.

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

☐ Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

2. Basis for Claim: Money Advanced
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: _____

3a. Debtor may have scheduled account as: _____
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: ☐ Real Estate ☐ Motor Vehicle ☐ Other
Describe:

Value of Property:$_____ **Annual Interest Rate**_____**%**

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: $_____ **Basis for perfection:** _____

Amount of Secured Claim: $_____ **Amount Unsecured: $**_____

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (*See instruction 7 and definition of "redacted" on reverse side.*)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim.

☐ Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

☐ Wages, salaries, or commissions (up to $11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. §507 (a)(4).

☐ Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).

☐ Up to $2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).

☐ Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).

☐ Other – Specify applicable paragraph of 11 U.S.C. §507 (a)(__).

Amount entitled to priority:

$_____

**Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.*

Date: 07/27/2010

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Ryan Messer President

Ryan Messer, President of Pryme Oil and Gas, Inc., Level 7, 320 Adelaide Street, Brisbane Q12 Australia 4000

FOR COURT USE ONLY

TriDimension
00099

Penalty for presenting fraudulent claim: Fine of up to $500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

B 10 (Official Form 10) (04/10) – Cont.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, there may be exceptions to these general rules.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:
Fill in the federal judicial district where the bankruptcy case was filed (for example, Central District of California), the bankruptcy debtor's name, and the bankruptcy case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is located at the top of the notice.

Creditor's Name and Address:
Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. **Amount of Claim as of Date Case Filed:**
State the total amount owed to the creditor on the date of the Bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. **Basis for Claim:**
State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if the trustee or another party in interest files an objection to your claim.

3. **Last Four Digits of Any Number by Which Creditor Identifies Debtor:**
State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:
Use this space to report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

4. **Secured Claim:**
Check the appropriate box and provide the requested information if the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See DEFINITIONS, below.) State the type and the value of property that secures the claim, attach copies of lien documentation, and state annual interest rate and the amount past due on the claim as of the date of the bankruptcy filing.

5. **Amount of Claim Entitled to Priority Under 11 U.S.C. §507(a).**
If any portion of your claim falls in one or more of the listed categories, check the appropriate box(es) and state the amount entitled to priority. (See DEFINITIONS, below.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. **Credits:**
An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. **Documents:**
Attach to this proof of claim form redacted copies documenting the existence of the debt and of any lien securing the debt. You may also attach a summary. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary. FRBP 3001(c) and (d). If the claim is based on the delivery of health care goods or services, see instruction 2. Do not send original documents, as attachments may be destroyed after scanning.

Date and Signature:
The person filing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2), authorizes courts to establish local rules specifying what constitutes a signature. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. Attach a complete copy of any power of attorney. Criminal penalties apply for making a false statement on a proof of claim.

DEFINITIONS

Debtor
A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor
A creditor is a person, corporation, or other entity owed a debt by the debtor that arose on or before the date of the bankruptcy filing. See 11 U.S.C. §101 (10)

Claim
A claim is the creditor's right to receive payment on a debt owed by the debtor that arose on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim
A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. §506(a)
A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car.

A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien. A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim
An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. §507(a)
Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted
A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor should redact and use only the last four digits of any social-security, individual's tax-identification, or financial-account number, all but the initials of a minor's name and only the year of any person's date of birth.

Evidence of Perfection
Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

INFORMATION

Acknowledgment of Filing of Claim
To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim
Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	
	§	Chapter 11
TRIDIMENSION ENERGY, L.P., et al.,	§	
	§	Case No. 10-33565-SGJ
	§	
Debtors.	§	(Jointly Administered)

ADDENDUM TO PROOF OF CLAIM

The Debtors commenced this bankruptcy case on May 21, 2010 (the "Petition Date") by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

1. Claimant.

Pryme Oil and Gas, Inc. ("PO&G") files this Addendum to Proof of Claim as a creditor of TriDimension Energy, L.P. ('TriDimension") and Axis Onshore, L.P. ("Axis"), each a debtor jointly administered in the above-captioned bankruptcy case (collectively, the "Debtors"), pursuant to the hereinafter-described documents, money advanced, and/or goods and services provided to TriDimension or its agents.

2. Basis and Amount of Claim 1.

TriDimension and Axis are affiliate companies with TriDimension holding title to certain oil and gas properties and Axis acting as operator for TriDimension of such properties and agent for TriDimension. Pursuant to that certain Exploration Agreement dated February 4, 2009 between PO&G and Axis (the "Exploration Agreement") and various Participation Agreements between PO&G and Axis (collectively, the "Participation Agreements"), PO&G agreed to pay costs for drilling and completing wells and acquire an interest in various oil and gas leases, and Axis agreed to convey to PO&G an interest in certain oil and gas properties owned by TriDimension.

In connection with the Exploration Agreement and the Participation Agreements, PO&G and Axis executed various Model Form Operating Agreements (the "Joint Operating Agreements") covering such properties, including that certain Joint Operating Agreement dated February 4, 2009 naming Axis, as operator, and PO&G as non-operator (the "Four Rivers Joint Operating Agreement"), and covering oil, gas and mineral interests covering lands in Winn, Concordia and Catahoula Parishes, Louisiana and Adams and Jefferson Counties, Mississippi, such lands being designated the "Contract Area" in the Four Rivers Joint Operating Agreement. Axis has drilled various oil and gas wells on the Contract Area in which PO&G has participated as a non-operating working interest owner under the Four Rivers Joint Operating Agreement and as a participant under the Participation Agreements and the Exploration Agreement. Pursuant to the terms of the Four Rivers Joint Operating Agreement and similar joint operating agreements

executed in connection with the Participation Agreements, Axis is permitted, as operator, to request advance payments from non-operators for the costs of operations to be conducted on behalf of the owners of the oil, gas and mineral leases in the Contract Area, and Axis is required to (i) pay when they become due, all accounts of contractors and suppliers and wages and salaries for services rendered or performed and for materials supplied on, to, or in the Contract Area and (ii) to keep the Contract Area free from liens and encumbrances resulting therefrom.

Axis was at all pertinent times acting as an agent of TriDimension in its dealings with PO&G. The Four Rivers Joint Operating Agreement, the Exploration Agreement, the Participation Agreements, and the other Joint Operating Agreements executed in connection therewith constitute not only contracts between Axis and PO&G, but also between TriDimension and PO&G as a result of Axis and TriDimension's agency-principal relationship. Axis does not own and has never owned any legal or equitable interest in any of the oil and gas properties it agreed to convey to PO&G. PO&G asserts that based on Axis' agreement to convey such properties and the fact that title to such properties or interests were vested in TriDimension, Axis was contracting not only on its own behalf, but also as the authorized agent of TriDimension. PO&G further asserts that it was within the scope of Axis' agency or authority for Axis to enter into the Four Rivers Joint Operating Agreement, the Exploration Agreement, the Farmout Agreements and the other Joint Operating Agreements. As a result of such agent-principal relationship, TriDimension is liable to PO&G to the same extent that Axis is liable to PO&G for breaches under the Four Rivers Joint Operating Agreement, the Exploration Agreement, the Participation Agreements and the other Joint Operating Agreements.

PO&G learned that the Debtors had failed to comply with the obligations of an operator under the Four Rivers Joint Operating Agreement because the Debtors allowed liens to be filed against various wells and oil, gas and mineral leases in the Contract Area. On May 11, 2010, through its counsel, PO&G sent a Notice of Default to Axis as permitted by the terms of the Four Rivers Joint Operating Agreement alleging a breach of the Four Rivers Joint Operating Agreement and requesting that such default be cured within the time frame specified in the Four Rivers Joint Operating Agreement.

At the request of the Debtors and pursuant to the Participation Agreements, PO&G made advance payments to the Debtors totaling at least $1,890,596.18 for PO&G's proportionate share of the cost of operations to be conducted by the Debtors on the Contract Area under the Four Rivers Joint Operating Agreement (or other joint operating agreements executed in connection with individual Participation Agreements). Article V. D.4 of each Joint Operating Agreement provides, in pertinent part, that the "Operator shall hold funds for the account of Non-Operators advanced or paid to Operator . . . and such funds shall remain the funds of the Non-Operators on whose account they were advanced or paid until used for their intended purposes or otherwise delivered to the Non-Operators or applied to the payment of debts as provided" in the Joint Operating Agreements. No accounting of how advance payments were applied to costs of operation has been provided by the Debtors to PO&G, but the filing of liens against the wells and oil, gas and mineral leases in the Contract Area by contractors performing work at the request of Debtors indicate that funds advanced by PO&G to the Debtors may not have been properly used to pay costs for which the advances were made.

3. Basis and Amount of Claim 2.

PO&G incorporates and re-alleges the matters set forth in Paragraph 2 above related to Claim 1.

The Exploration Agreement, Participation Agreements and Joint Operating Agreements as defined herein meet the definition of "farmout agreements" under 11 U.S.C. Section 101(21) of the Bankruptcy Code. Pursuant to such agreements, PO&G, having fully performed its obligations under such agreements, is entitled to certain assignments of interests in oil, gas and mineral leases from the Debtors. In accordance with the terms and provisions of the Exploration Agreement and the Participation Agreements, to the extent not yet executed and recorded, PO&G demands an assignment of an interest in such oil, gas and mineral leases from the Debtors, which interest, pursuant to 11 U.S.C. Section 541(b)(4), is not property of Debtors' estates.

4. Indebtedness to PO&G.

As of the Petition Date, the aggregate amount of at least **$1,890,596.18** was advanced by PO&G to the Debtors for PO&G's proportionate share of costs of operations to be incurred on the Contract Area for drilling and completing wells and operating costs. Any amounts or portions thereof advanced by PO&G and not properly applied to payment of costs relating to drilling and completing wells or lease operating expenses as permitted by the Four Rivers Joint Operating Agreement are due and owing to PO&G from TriDimension. Moreover, PO&G asserts a claim for any and all unliquidated amounts pursuant to the allegations under Claim 2 asserted above.

5. Attachments.

The documents attached to this Proof of Claim include, but are not limited to, the documents evidencing and supporting PO&G's claim against the Debtor(s). PO&G reserves its right to supplement its Proof of Claim with additional documents in support of its claims against the Debtors in the event such documents are or become available to PO&G.

6. Other Rights.

In addition to the foregoing claims, PO&G reserves the right in the future to amend, if necessary, and assert any and all other and additional claims that PO&G may have against TriDimension for, among other things, imposition of constructive trust, earmarking of funds, equitable lien, security interest, subrogation, marshaling, or any other legal or equitable remedies to which PO&G may be entitled. The filing of this Proof of Claim is not to be construed as an election of remedies.

7. Credits.

The amount of all payments by the Debtors prior to the Petition Date on this claim have been credited and deducted for purposes of making this Proof of Claim.

8. Notices.

All notices with respect to this Proof of Claim should be sent to counsel for PO&G:

Winstead PC
Attn: R. Michael Farquhar, Esq.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

9. Payments.

All payments and distributions with respect to this Proof of Claim should be made to PO&G as follows:

Pryme Oil and Gas, Inc.
c/o Winstead PC
Attn: R. Michael Farquhar, Esq.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

10. Amendments.

PO&G reserves the right to amend and/or supplement this Proof of Claim. This Proof of Claim and Addendum may not include or reference all relevant documents, collateral or other rights of interests of PO&G. This Proof of Claim and Addendum are not intended to be exhaustive or limiting. All documents supporting PO&G's claim against the Debtors are available upon written request to counsel for PO&G.

11. Reservation of Rights.

This Proof of Claim is made without prejudice to the rights of PO&G to other indebtedness, obligations, or liability of Axis to PO&G.

This Proof of Claim shall not be construed in any way as a waiver of the right of first refusal or other preferential rights to purchase oil and gas interests granted to PLX by the Debtors pursuant to any operative agreement providing such rights to PLX. PLX hereby expressly reserves any such right of first refusal and all preferential rights allowed under applicable law.

PO&G does not waive any right to any security held by PO&G; any right to claim specific assets; any rights of setoff, recoupment, or counterclaim; or any other right, rights of action, causes of action, or claims, whether existing now or hereinafter arising, that PO&G has or may have against the Debtors or any other person or persons, and PO&G expressly reserves all such rights.

Filing of this Proof of Claim is not and shall not be deemed or construed as: (a) a waiver or release of PO&G's rights against any other person, entity, or property; (b) a consent by PO&G to the jurisdiction of this Court or any other court with respect to proceedings, if any, commenced in any case against or otherwise involving PO&G; (c) a waiver or release of PO&G's right to trial by jury in this Court or any other court in any proceeding as to any and all matters so triable herein, whether or not the same be designated legal or private rights or in any case, controversy or proceeding related hereto, notwithstanding the designation or not of such matters as "core proceedings" pursuant to 28 U.S.C. § 157(b)(2), and whether such jury trial right is pursuant to statute or the United States Constitution; (d) a consent by PO&G to a jury trial in this Court or any other court in any proceeding as to any and all matters so triable herein or in any case, controversy or proceeding related hereto, pursuant to 28 U.S.C. § 157(e) or otherwise; (e) a waiver or release of PO&G's right to have any and all final orders in any and all non-core matters or proceedings entered only after *de novo* judicial review by a United States District Court Judge; (f) a waiver of the right to move to withdraw the reference with respect to the subject matter of this Proof of Claim, any objection thereto or other proceeding which may be commenced in this case against or otherwise involving PO&G; or (g) a waiver or release of any past, present, or future defaults or events of default.

Dated: July 27, 2010

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

February 4 , 2009 ,
year

OPERATOR AXIS ONSHORE, LP

CONTRACT AREA Copper River Prospect T12N-R2W Winn Parish, Louisiana, Sandy Creek Prospect T11N-R1W Winn Parish, North Natchez Prospect 16-T7N-R2W Adams County, Mississippi, Sunnyside Prospect T8N-R1W Jefferson County, Mississippi, NE Point Breeze Prospect T1N-R9E Concordia Parish, Louisiana, West Lismore Landing Prospect 16-T6N-R7E Concordia Parish, Louisiana, Wallace Lake Prospect 14-T8N-R6E Concordia Parish, Louisiana, North Larto Lake Prospect T5N-R6E Concordia Parish, Louisiana, West Larto Lake Prospect 10-T4N-R5E Catahoula Parish, Louisiana, Larto Lake Prospect 16-T5N-R6E Catahoula Parish, Louisiana.

NON-OPERATOR: PRYME OIL & GAS, INC.

COUNTY OR PARISH OF Catahoula, Concordia, Winn/Adams, Jefferson , STATE OF Louisiana/ Mississippi

COPYRIGHT 1989 – ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS:	2
	B. INTERESTS OF PARTIES IN COSTS AND PRODUCTION:	2
	C. SUBSEQUENTLY CREATED INTERESTS:	2
IV.	TITLES	2
	A. TITLE EXAMINATION:	2
	B. LOSS OR FAILURE OF TITLE:	3
	1. Failure of Title	3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
	4. Curing Title	3
V.	OPERATOR	4
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:	4
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR:	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	3. Effect of Bankruptcy	4
	C. EMPLOYEES AND CONTRACTORS:	4
	D. RIGHTS AND DUTIES OF OPERATOR:	4
	1. Competitive Rates and Use of Affiliates	4
	2. Discharge of Joint Account Obligations	4
	3. Protection from Liens	4
	4. Custody of Funds	5
	5. Access to Contract Area and Records	5
	6. Filing and Furnishing Governmental Reports	5
	7. Drilling and Testing Operations	5
	8. Cost Estimates	5
	9. Insurance	5
VI.	DRILLING AND DEVELOPMENT	5
	A. INITIAL WELL:	5
	B. SUBSEQUENT OPERATIONS:	5
	1. Proposed Operations	5
	2. Operations by Less Than All Parties	6
	3. Stand-By Costs	7
	4. Deepening	8
	5. Sidetracking	8
	6. Order of Preference of Operations	8
	7. Conformity to Spacing Pattern	9
	8. Paying Wells	9
	C. COMPLETION OF WELLS; REWORKING AND PLUGGING BACK:	9
	1. Completion	9
	2. Rework, Recomplete or Plug Back	9
	D. OTHER OPERATIONS:	9
	E. ABANDONMENT OF WELLS:	9
	1. Abandonment of Dry Holes	9
	2. Abandonment of Wells That Have Produced	10
	3. Abandonment of Non-Consent Operations	10
	F. TERMINATION OF OPERATIONS:	10
	G. TAKING PRODUCTION IN KIND:	10
	(Option 1) Gas Balancing Agreement	10
	(Option 2) No Gas Balancing Agreement	11
VII.	EXPENDITURES AND LIABILITY OF PARTIES	11
	A. LIABILITY OF PARTIES:	11
	B. LIENS AND SECURITY INTERESTS:	12
	C. ADVANCES:	12
	D. DEFAULTS AND REMEDIES:	12
	1. Suspension of Rights	13
	2. Suit for Damages	13
	3. Deemed Non-Consent	13
	4. Advance Payment	13
	5. Costs and Attorneys' Fees	13
	E. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES:	13
	F. TAXES:	13
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	14
	A. SURRENDER OF LEASES:	14
	B. RENEWAL OR EXTENSION OF LEASES:	14
	C. ACREAGE OR CASH CONTRIBUTIONS:	14

TABLE OF CONTENTS

D. ASSIGNMENT; MAINTENANCE OF UNIFORM INTEREST: 15
E. WAIVER OF RIGHTS TO PARTITION: 15
F. PREFERENTIAL RIGHT TO PURCHASE: 15
IX. INTERNAL REVENUE CODE ELECTION 15
X. CLAIMS AND LAWSUITS 15
XI. FORCE MAJEURE 16
XII. NOTICES 16
XIII. TERM OF AGREEMENT 16
XIV. COMPLIANCE WITH LAWS AND REGULATIONS 16
A. LAWS, REGULATIONS AND ORDERS: 16
B. GOVERNING LAW: 16
C. REGULATORY AGENCIES: 16
XV. MISCELLANEOUS 17
A. EXECUTION: 17
B. SUCCESSORS AND ASSIGNS: 17
C. COUNTERPARTS: 17
D. SEVERABILITY 17
XVI. OTHER PROVISIONS 17

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between AXIS ONSHORE, LP, hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually 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 "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser.

E. 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.

F. 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 unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

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

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or 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.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

O. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.
EXHIBITS

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

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

(1) Description of lands subject to this agreement,
(2) Restrictions, if any, as to depths, formations, or substances,
(3) Parties to agreement with addresses and telephone numbers for notice purposes,
(4) Percentages or fractional interests of parties to this agreement,
(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
~~(6) Burdens on production.~~

_X_ B. Exhibit "B," Form of Lease.

_X_ C. Exhibit "C," Accounting Procedure.

_X_ D. Exhibit "D," Insurance.

~~_X_ E. Exhibit "E," Gas Balancing Agreement.~~

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

~~___ G. Exhibit "G," Tax Partnership.~~

_X_ H. Other: Memorandum of Operating Agreement

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

~~If any provision of any exhibit, except Exhibits "E," "F" and "G," 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:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

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, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of, *SEE OTHER PROVISIONS (1) and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if 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, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A," such burden also shall be deemed a Subsequently Created Interest ~~to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.~~

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, 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. 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, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, 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 Drilling Party, upon request. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and curative work and other direct charges as provided in Exhibit "C" 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~~ competitive rates for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and 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 and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C."

Operator shall make no charge competitive rates for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the Drilling Parties in such well.

B. Loss or Failure of Title:

~~1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,~~

~~(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

~~(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the Lease or Interest failed;~~

~~(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;~~

~~(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;~~

~~(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;~~

~~(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and~~

~~(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder of the Contract Area shall be considered a Failure of Title as to such remaining Contract Area unless that absence of interest is reflected on Exhibit "A."~~

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. ~~Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or~~ Interest, on an acreage basis, up to the amount of unrecovered costs;

~~(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,~~

~~(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.~~

3. Other Losses: All losses of Leases or Interests committed to this agreement, ~~other than those set forth in Articles IV.B.1. and IV.B.2. above,~~ shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed ~~(other than performance which requires only the payment of money)~~, and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

~~4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.~~

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

AXIS ONSHORE, LP 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. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any 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 only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" including ~~remaining after excluding~~ the voting interest of Operator; ~~such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.~~

Subject to Article VII.D.1., 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 under any provision of this agreement, 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 or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or 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 or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors 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 or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: 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. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: 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 charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from

liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. and XVI. L. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each Non-Operator not in default of its payment obligations or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each Non-Operator not in default of its payment obligations upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C."

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well:

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, ~~or the~~ and date on which drilling operations are commenced.

(b) Operator will send to Non-Operators not in default of its payment obligations such reports, test results and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones in the judgment of majority vote of consenting parties based on ownership as shown on Exibit "A" encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Not in default of its payment obligations Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers 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 hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers 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 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 VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the _____ day of _____, _____, Operator shall commence the drilling of the Initial Well at the following location:
PER THE TERMS OF THAT CERTAIN EXPLORATION AGREEMENT DATED BETWEEN AXIS ONSHORE, LP AS OPERATOR AND "PARTICIPANTS".

~~and shall thereafter continue the drilling of the well with due diligence to~~

The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

1. Proposed Operations: If any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well ~~no longer capable of producing in paying quantities~~ in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone

under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to forty-eight (48) hours, ~~exclusive~~ inclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered 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 proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article XVI. ~~VI.B.6.~~

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable 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 thereafter complete it with due diligence at the risk and expense of the parties participating therein; 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 examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.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, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable 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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all 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~~ inclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same 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, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing 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 (if the Operator did not conduct the operation) 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, Sidetracking, Recompleting, 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 or, in the case of a Reworking, Sidetracking,

Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective 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 applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. 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:

(i) 200 % 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 each such 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

(ii) 500 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) 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.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

(c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or 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 amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking 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 amount. Any such Reworking, Recompleting 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 500 % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting 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.

(d) Recoupment Matters. 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 ad valorem, 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.C.

In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening 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, Sidetracking, Plugging Back, Recompleting or Deepening, 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 ninety (90) 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, Sidetracking, Deepening, Plugging Back, testing, Completing, Recompleting, 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~~ quarter 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.

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 as of 7:00 a.m. on the ~~day~~ following the day on which such recoupment occurs, 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, Sidetracking, Reworking, Deepening, Recompleting 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 Exhibit "C" attached hereto.

3. Stand-By Costs: 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, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking,

Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (~~including the period required under Article VI.B.6. to resolve competing proposals~~) 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. (a), 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.

In the event that notice for a Sidetracking / Or deepening operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby 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.

4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, ~~but is no longer capable of producing in paying quantities~~, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective, calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F.

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(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.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C."

~~6. Order of Preference of Operations: Except as otherwise specifically provided in this agreement, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the~~

~~initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.~~

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone 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 Zone.

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of ~~all~~ the majority of consenting parties that have not relinquished interests in the well at the time of such operation.

C. Completion of Wells; Reworking and Plugging Back: Based on ownership as shown on Exhibit "A"

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

- ☐ Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of the well, including necessary tankage and/or surface facilities.
- ☐ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) 12 hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any 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 Completion attempt; provided, that Article ~~VI.B.6.~~ XVI.B shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking, Recompleting 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.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of FIFTY THOUSAND AND NO/100 Dollars ($ 50,000.00) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that 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 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 FIFTY THOUSAND Dollars ($ 50,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 51 % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

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 delivery 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 by notice delivered to Operator within forty-eight (48) hours (~~exclusive~~ inclusive) of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable.

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. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery 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 Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable 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 and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to 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 wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases 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 portions 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 Zone 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 Zone assigned or leased, the assignor or lessor 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.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b).

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 51 % of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

☑ Option No. 1: **Gas Balancing Agreement Attached**

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

SEE ARTICLE XVI. K
directly from the purchaser thereof for its share of all production./

~~If any party fails 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. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator 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.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least ten (10) days written notice of such intended purchase and the price to be paid or the pricing basis to be used.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

~~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 on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement.~~

~~☐ Option No. 2: No Gas Balancing Agreement:~~

~~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 expenditures 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.~~

~~If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or 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/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) day period. Any purchase or sale by Operator of any other party's share of Oil and/or 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.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

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 exploring, 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, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's geophysical, geochemical or geoscience interests leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file this agreement, the recording supplement executed herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they 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 a party 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 party in the payment of its share of expenses, interests or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within ~~one hundred twenty (120)~~ 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. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of 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)~~ thirty (30) 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. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. Article XVI or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered

only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to elect to participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting ~~party~~ Parties or operator may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

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 / Operator for the joint account ~~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 / except for willful misconduct or gross negligence 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 / a joint loss of the parties hereto ~~borne in accordance with the provisions of Article IV.B.2.~~

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be / a joint loss of the party hereto ~~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 Lease 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 Lease, 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 Gas produced under the terms of this agreement.

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~~ a majority of the parties consent thereto.

However, should any party desire to surrender its interest in any Lease or in any portion thereof, Based on ownership as shown on Exhibit "A" such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties owning an interest therein 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. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment 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 and restoring the surface. ~~If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit.~~ If the assignment or lease 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. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest or liability as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement in the form of this agreement.

B. Renewal or Extension of Leases: *owning an interest in the previous Oil and Gas lease or interest *(SEE OTHER PROVISIONS) (2)

If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement 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 or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement 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 or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; 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 or replacement 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 said Drilling Parties shared the cost of drilling the well. Such acreage 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 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled inside Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Assignment; Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or

2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days following the first of the month after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

F. Preferential Right to Purchase:

☐ ~~(Optional; Check if applicable.)~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby 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 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute 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 Treasury Regulation §1.761. 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 Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, 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 Twenty-Five Thousand Dollars ($ 25,000.00) 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 a 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. All claims or suits involving title to any interest subject to this Agreement shall be treated a a claim or suit against all parties.

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 indemnify or make money payments or furnish security, 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 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, lightening, fire, storm, flood or other act of nature, 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.

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.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, telex, telecopy or other facsimile within such period. 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. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice.

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.

☐ ~~Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of _____ days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within _____ days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.~~

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable 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 in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Mississippi shall govern.

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 the 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 Federal Energy Regulatory Commission or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to 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.
MISCELLANEOUS

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator ~~without interest~~ with interest, if any. In the event Operator proceeds with drilling operations for ~~the Initial~~ any Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the ~~Initial Well~~ any Wells which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

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

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

ARTICLE XVI.
OTHER PROVISIONS

(1) Leasehold burdens plus that certain that overriding royalty interest pursuant to that certain Agreement dated February 4, 2009 between Axis Onshore, LP and Participants.

(2) Owning an interest in the previous Oil and Gas Lease or interest.

IN WITNESS WHEREOF, this agreement shall be effective as of the _____ day of _____.

_____.

_____, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.

ATTEST OR WITNESS:

Jeanny Nugent

Scottye Byrne

OPERATOR

AXIS ONSHORE, LP

By J. P. Ry

JAMES P. RYAN
Type or print name

Title PRESIDENT

Date _____

Tax ID or S.S. No. 20-3169624

NON-OPERATORS

PRYME OIL AND GAS, INC.

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

ACKNOWLEDGMENTS

Note: The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual acknowledgment:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

___ _____ by _____

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

___ _____ by _____ as

___ _____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated February 4, 2009 by and between Axis Onshore, LP, as Operator, and Pryme Oil and Gas, Inc., as Non-Operator

(1) Description of Lands subject to this Agreement

COPPER RIVER PROSPECT

T12N-R2W
Section 22: NE/4, NE/4 SE/4
Section 23: S/2 NW/4, NW/4 SW/4

Winn Parish, Louisiana

SANDY CREEK PROSPECT

T11N-R1W
Section 7: SE/4 SE/4
Section 8: S/2 SW/4, SW/4 SE/4
Section 17: N/2 NW/4

Winn Parish, Louisiana

SUNNYSIDE PROSPECT

T8N-R1W
Portions of Sections 21, 33 & 35,

Jefferson County, Mississippi

North Natchez Prospect, Adams County, Mississippi
NE Pt. Breeze Prospect, Concordia Parish, Louisiana
West Lismore Landing Prospect, Concordia Parish, Louisiana
Wallace Lake Prospect, Catahoula Parish, Louisiana
North Larto Lake Prospect, Catahoula Parish, Louisiana
West Larto Lake, Catahoula Parish, Louisiana
Larto Lake Prospect, Catahoula Parish, Louisiana

Descriptions of these Prospects will be provided, and this Exhibit "A" will be amended, prior to commencement of drilling activities on a well within these Prospects.

(2) Restrictions as to Depths

This Agreement shall cover those zones and horizons from the surface of the Earth to the Base of the Wilcox Formation.

(3) & (4) Parties, and addresses thereof, and fractional interest subject to this Agreement.

	BPO	APO
AXIS Onshore, LP 405 Texas St. Vidalia, LA 71373	.7500000	.81250000
Pryme Oil and Gas, Inc. 1001 Texas Ave., Suite 1400 Houston, TX 77002	.2500000	.18750000
	1.0000000	1.0000000

(5) Oil and Gas Leases and/or Oil and Gas Interest subject to this agreement.

See Schedule of Oil and Gas Leases attached hereto.

NOTE: The Schedule of Oil, Gas and Mineral Leases contains a list of leases purchased for the following Prospects: Copper River, Sandy Creek and Sunnyside. Operator will amend this Schedule of Oil, Gas and Mineral Leases to include leases purchased in all of the above references prospect prior to spudding of a well in any prospect covered by this Joint Operating Agreement.

SUNNYSIDE PROSPECT

Adams County, Misssissippi

LESSOR	GROSS AC	NET AC	LEASE DATE	TERM
Ruth O. Baker	658.09	76.011237	10/10/2008	18 MTHS
Carolyn O. Wadsworth	658.09	76.011237	10/10/2008	18 MTHS
Edith O. Wilkes	658.09	76.011237	10/10/2008	18 MTHS
Linda O. Foster	658.09	76.011237	10/10/2008	18 MTHS
Thomas Jefferson O'Quinn	658.09	76.011237	10/10/2008	18 MTHS
Frank S. O'Quinn	658.09	76.011237	10/10/2008	18 MTHS
Luther K. O'Quinn	658.09	76.011237	10/10/2008	18 MTHS
Jenny O. Guedon	658.09	76.011237	10/10/2008	18 MTHS
William H. Catchings	658.09	12.50	12/30/2008	18 MTHS
Trinity Episcopal Church of Tulsa, Inc.	658.09	12.50	12/1/2008	18 MTHS
Cecile Wagner Revocable Trust, A.F. Ringold as Trustee	658.09	6.25	12/2/2008	18 MTHS
Eugene J. McGarvey, Jr. Revocable Trust	658.09	1.5625	11/26/2008	18 MTHS
William K. McGarvey Revocable Trust	658.09	1.5625	11/26/2008	18 MTHS
Ann M. McClelland	658.09	1.5625	11/26/2008	18 MTHS
Vaughn Daniel Yeager	658.09	1.5625	12/10/2008	18 MTHS
Patricia Tolbert Dooley	658.09	0.6944385	12/17/2008	18 MTHS
Elias Lake Tolbert	658.09	0.3472192	12/17/2008	18 MTHS
Benjamin A. Tolbert, Jr.	658.09	0.6944385	12/17/2008	18 MTHS
Richard Thomas Tolbert	658.09	0.3472192	12/17/2008	18 MTHS
Mittie Katherine Belle Isle Neal Pittman	658.09	0.6944385	12/17/2008	18 MTHS
Lacey Marie Sloan	658.09	0.3472192	12/17/2008	18 MTHS
Alicia Hoyt	658.09	0.3472192	12/17/2008	18 MTHS
Tabitha H. Harrell	658.09	0.3472192	12/17/2008	18 MTHS
Priscilla Hoyt	658.09	0.3472192	12/17/2008	18 MTHS
Samantha Kay Breeding	658.09	0.3472192	12/17/2008	18 MTHS
Edward Leslie Breeding, III	658.09	0.3472192	12/17/2008	18 MTHS

James M. Sessions, III	658.09	2.0833155	11/14/2008	18 MTHS
Carolyn S. Kee	658.09	2.0833155	11/14/2008	18 MTHS
T.O. Sessions, Jr.	658.09	2.0833155	11/14/2008	18 MTHS
Charles E. Sessions	658.09	2.0833155	11/14/2008	18 MTHS
TOTAL	658.09	658.09		

SANDY CREEK PROSPECT

Winn Parish, Louisiana

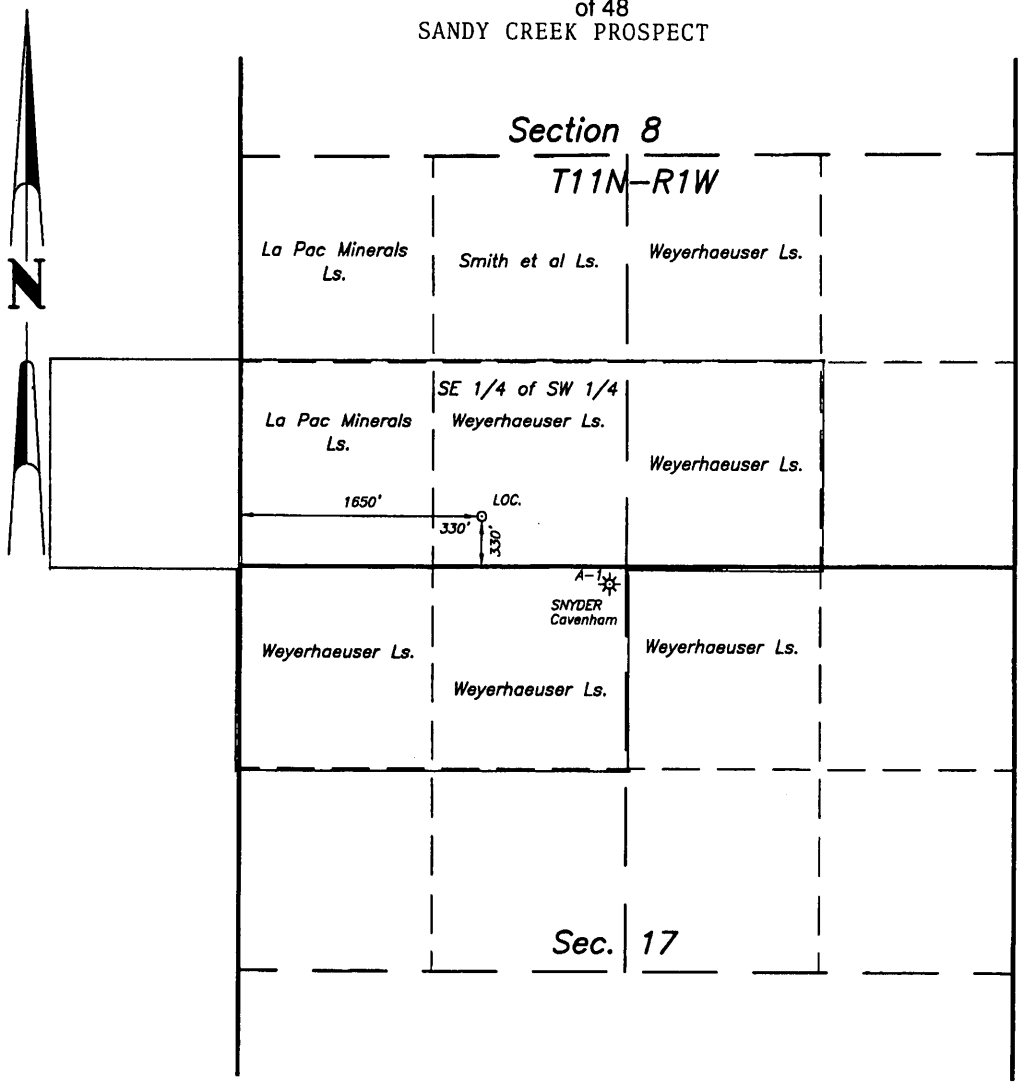
LESSOR	GROSS AC	NET AC	LEASE DATE	TERM
Weyerhaeuser Co.	159.72	159.72	1/16/2009	3 YRS.
LP Mineral Owners, LLC	80.00	80.00	2/17/2008	1 YR.
TOTAL	239.72	239.72		

COPPER RIVER PROSPECT

Winn Parish, Louisiana

LESSOR	GROSS AC	NET AC	LEASE DATE	TERM
WEYERHAEUSER CO.	319.91	319.91	1/16/2009	3 YRS.
TOTAL	319.91	319.91		

SANDY CREEK PROSPECT



Ground Elevation at Staked Location = 156.8 N.G.V.D. (Before Grading)

DESCRIPTION OF LOCATION: 330 feet from the south line and 1650 feet from the west line of Section 8, T11N–R1W, Winn Parish, Louisiana.
Geodectic Position of Location (NAD 27): Lat. 31°56'35.8" and Long. 92°29'41.8"
Louisiana North Zone Co-Ordinates System (NAD 27): X = 2,001,568.22 and Y = 464,355.64

Malcolm G. Barlow
Malcolm G. Barlow, Reg. P.L.S. #3404
January 22, 2009

STATE OF LOUISIANA
MALCOLM G. BARLOW
REG. NO. 3404
REGISTERED
PROFESSIONAL
LAND SURVEYOR

Well Location For

AXIS ONSHORE, LP
Weyerhaeuser 8–14 No. 1

Situated In

Section 8, T11N–R1W
Winn Parish, Louisiana

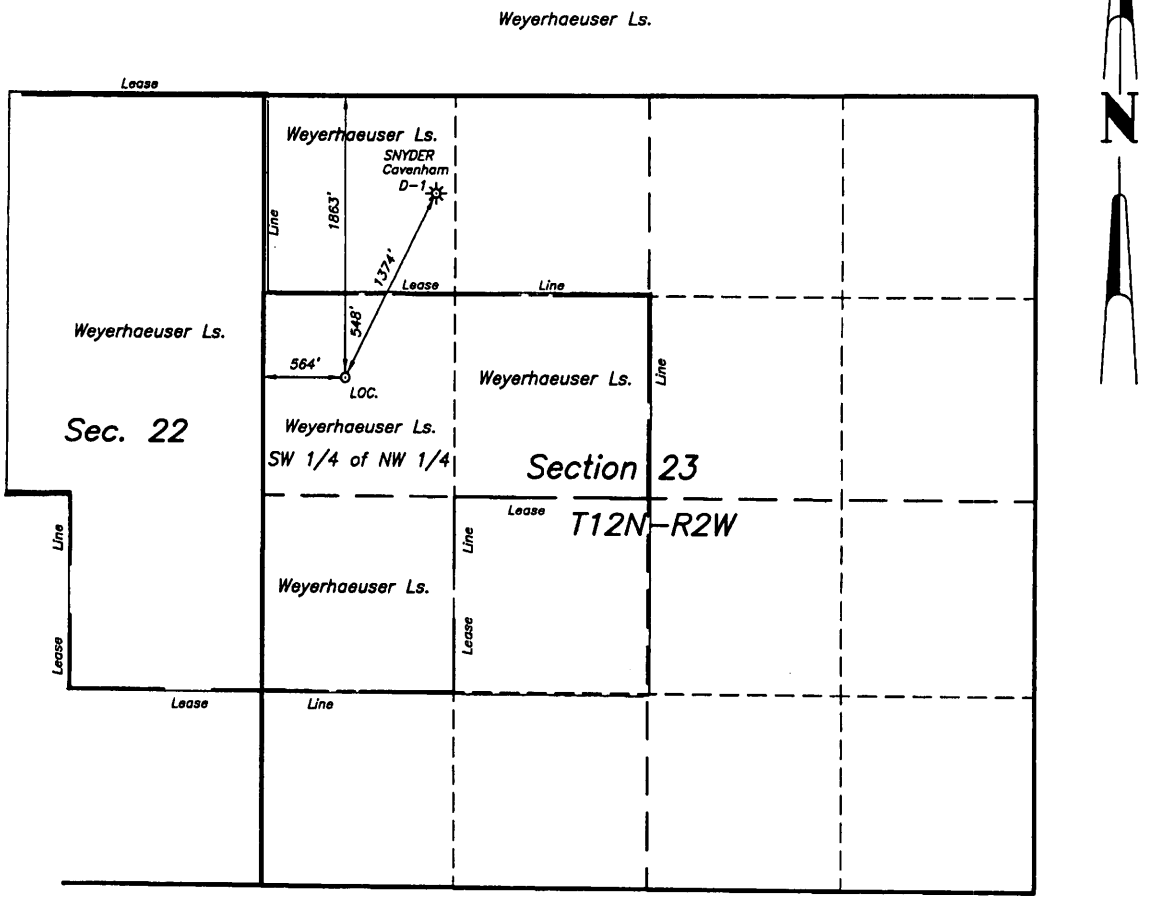
1000 0 1000 2000FT
SCALE : 1" = 1000'

JORDAN, KAISER & SESSIONS
Civil Engineers & Professional Land Surveyors
P. O. Box 1267, Natchez, Mississippi 39121
Tel.:(601)442-3628 Fax:(601)442-5511

January 2009

B:\DATA\LA\11N01W\AXIS\WEYERHAEUSER8-14\WEYE18-4N01.dwg S0901011

COPPER RIVER PROSPECT



Ground Elevation at Staked Location = 170.4 N.G.V.D. (Before Grading)

DESCRIPTION OF LOCATION: 564 feet from the west line and 1863 feet from the north line of Section 23, T12N-R2W, Winn Parish, Louisiana.
Geodectic Position of Location (NAD 27): Lat. 32°00'36.0" and Long. 92°32'57.5"
Louisiana North Zone Co-Ordinates System (NAD 27): X = 1,984,717.83 and Y = 488,627.53

Malcolm G. Barlow
Malcolm G. Barlow, Reg. P.L.S. #3404
January 21, 2009

STATE OF LOUISIANA
MALCOLM G. BARLOW
REG. NO. 3404
REGISTERED
PROFESSIONAL
LAND SURVEYOR

Well Location For

AXIS ONSHORE, LP
Weyerhaeuser 23-5 No. 1

Situated In

Section 23, T12N-R2W
Winn Parish, Louisiana

1000 0 1000 2000FT
SCALE : 1" = 1000'

JORDAN, KAISER & SESSIONS
Civil Engineers & Professional Land Surveyors
P. O. Box 1267, Natchez, Mississippi 39121
Tel.: (601)442-3628 Fax: (601)442-5511

January 2009

B:\DATA\LA\12N02W\AXIS\WEYERHAEUSER\WEYE.dwg

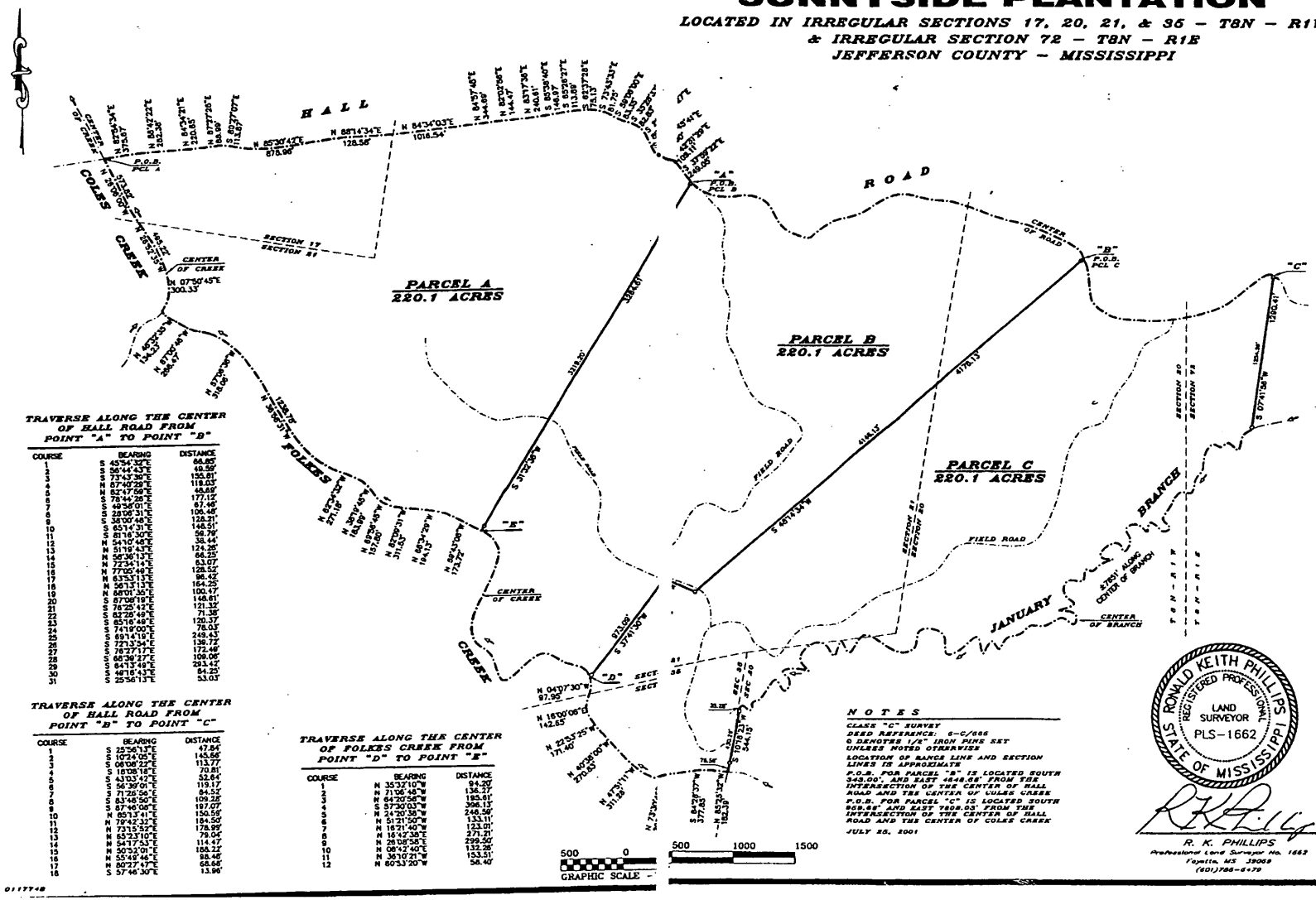
S0901010

BEARINGS SHOWN ARE TRUE BEARINGS AS DETERMINED BY SOLAR OBSERVATIONS

SURVEY AND DIVISION OF

SUNNYSIDE PLANTATION

LOCATED IN IRREGULAR SECTIONS 17, 20, 21, & 36 – T8N – R1W
& IRREGULAR SECTION 72 – T8N – R1E
JEFFERSON COUNTY – MISSISSIPPI



TRAVERSE ALONG THE CENTER OF HALL ROAD FROM POINT "A" TO POINT "B"

COURSE	BEARING	DISTANCE
1	S 45°34'32"E	66.85'
2	S 56°44'43"E	49.59'
3	S 73°43'30"E	135.81'
4	N 87°40'29"E	119.03'
5	N 82°47'58"E	49.88'
6	S 78°44'28"E	177.12'
7	S 49°58'01"E	67.46'
8	S 29°06'31"E	106.46'
9	S 38°00'49"E	128.31'
10	S 60°14'31"E	148.51'
11	S 81°16'30"E	58.79'
12	N 54°10'48"E	38.44'
13	N 51°19'43"E	124.25'
14	N 56°36'13"E	66.25'
15	N 72°35'16"E	63.07'
16	N 77°05'49"E	126.52'
17	N 63°53'13"E	86.42'
18	N 56°13'13"E	164.25'
19	N 68°01'35"E	100.47'
20	S 87°08'19"E	148.81'
21	S 76°25'43"E	121.32'
22	S 62°26'49"E	71.38'
23	S 85°16'49"E	120.37'
24	S 74°19'00"E	78.03'
25	S 59°14'19"E	249.43'
26	S 72°13'34"E	139.72'
27	S 76°27'17"E	172.46'
28	S 66°39'27"E	106.06'
29	S 64°13'49"E	293.42'
30	S 46°16'43"E	84.25'
31	S 25°56'13"E	53.03'

TRAVERSE ALONG THE CENTER OF HALL ROAD FROM POINT "B" TO POINT "C"

COURSE	BEARING	DISTANCE
1	S 25°56'13"E	47.84'
2	S 10°24'05"E	145.66'
3	S 06°06'22"E	113.77'
4	S 18°08'18"E	70.81'
5	S 33°03'42"E	52.64'
6	S 56°39'01"E	119.17'
7	S 71°26'54"E	84.52'
8	S 63°48'50"E	109.28'
9	S 87°46'06"E	197.07'
10	N 85°13'41"E	150.56'
11	N 79°42'32"E	184.50'
12	N 73°15'52"E	178.99'
13	N 63°33'10"E	79.04'
14	N 54°17'53"E	114.17'
15	N 50°32'01"E	188.22'
16	N 55°48'46"E	98.46'
17	N 80°27'17"E	68.66'
18	S 37°46'30"E	13.96'

TRAVERSE ALONG THE CENTER OF FOLKES CREEK FROM POINT "D" TO POINT "E"

COURSE	BEARING	DISTANCE
1	N 35°32'10"W	94.20'
2	N 71°06'48"W	136.27'
3	N 64°20'56"W	193.61'
4	S 87°30'03"W	356.13'
5	N 24°20'58"W	246.58'
6	N 51°21'50"W	133.11'
7	N 18°21'40"W	123.01'
8	N 16°47'35"E	271.21'
9	N 28°08'58"E	299.50'
10	N 08°42'40"E	133.26'
11	N 36°10'21"W	153.51'
12	N 60°53'20"W	58.40'

NOTES

CLASS "C" SURVEY
DEED REFERENCE: 6-C/666
O DENOTES 1/2" IRON PINE SET UNLESS NOTED OTHERWISE
LOCATION OF RANGE LINE AND SECTION LINES IS APPROXIMATE
P.O.B. FOR PARCEL "B" IS LOCATED SOUTH 348.00', AND EAST 4648.68' FROM THE INTERSECTION OF THE CENTER OF HALL ROAD AND THE CENTER OF COLES CREEK
P.O.B. FOR PARCEL "C" IS LOCATED SOUTH 868.48' AND EAST 7608.03' FROM THE INTERSECTION OF THE CENTER OF HALL ROAD AND THE CENTER OF COLES CREEK
JULY 25, 2001

RONALD KEITH PHILLIPS
REGISTERED PROFESSIONAL LAND SURVEYOR
PLS-1662
STATE OF MISSISSIPPI

R. K. PHILLIPS
Professional Land Surveyor No. 1662
Fayette, MS 39069
(601)786-4479

011774B

EXHIBIT B

BATH & CRAM

FORM 42 CPM-NEW SOUTH
LOUISIANA REVISED SIX (6)-POOLING
REV. 2-76.7

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT, entered into effective as of _____, ____

by and between _____

_____

_____

_____

herein called "Lessor" (whether one or more) and _____

_____

hereinafter called "Lessee", witnesseth, that:

Lessor, in consideration of the sum of _____ ($_____), hereby leases and lets unto Lessee, the exclusive right to enter upon and use the land hereinafter described for the exploration for, and production of oil, gas, sulphur and all other minerals, together with the use of the surface of the land for all purposes incident to the exploration for and production, ownership, possession, storage and transportation of said minerals (either from said land or acreage pooled therewith), and the right to dispose of salt water, with the right of ingress and egress to and from said lands at all times for such purposes, including the right to construct, maintain and use roads, pipelines and/or canals thereon for operations hereunder or in connection with similar operations on adjoining land, and including the right to remove from the land any property placed by Lessee thereon and to draw and remove casing from wells drilled by Lessee on said land; the land to which this lease applies and which is affected hereby being situated in _____ Parish, Louisiana, and described as follows, to-wit:

All land owned by the Lessor in the above mentioned Section or Sections or Surveys, all property acquired by prescription and all accretion or alluvion attaching to and forming a part of said land are included herein, whether properly or specifically described or not. Whether or not any reduction in rentals shall have previously been made, this lease, without further evidence thereof, shall immediately attach to and affect any and all rights, titles, and interests in the above described land, including reversionary mineral rights, hereafter acquired by or inuring to Lessor and Lessor's successors and assigns.

For the purpose of calculating the rental payments hereinafter provided for, the above described land is estimated to comprise _____ acres, whether it actually comprises more or less.

This lease shall be for a term of _____ years and _____ months from the date hereof (called "primary term") and so long thereafter as oil, gas or some other mineral is being produced or drilling operations are conducted either on this land or on acreage pooled therewith (or with any part thereof), all as hereinafter provided for; all subject to the following conditions and agreements:

1. This lease shall terminate on _____, ____, unless on or before said date the Lessee either (1) commences operations for the drilling of a well on the land, or on acreage pooled therewith (or with any part thereof), in search of oil, gas or other minerals and thereafter continues such operations and drilling to completion or abandonment; or (2) pays to the Lessor a rental of _____ Dollars ($_____) per acre for all or that part of the land which Lessee elects to continue to hold hereunder, which payment shall maintain Lessee's rights in effect as to such land without drilling operations for one year from the date last above mentioned; and Lessee may continue to maintain the rights granted without drilling operations for successive twelve months' periods (during the primary term) by paying Lessor, on or before the beginning of such respective periods _____ Dollars ($_____) per acre for all or that part of the land held hereunder. Payments may be made to the Lessor or may be mailed or delivered for deposit to Lessor's credit in the _____ Bank of _____ which Bank or its successor shall continue to be the depository for such rentals as the representative of Lessor and Lessor's successors and

assigns; and the death or incapacity of Lessor shall not terminate or affect Lessee's right to continue to deposit all payments in said depository bank or its successor. The mailing of the check or draft of Lessee or Lessee's successors to Lessor at the address set forth above or to the said Bank on or before the rental paying date shall be considered as payment of rental and operate to maintain Lessee's rights in force and effect. Should said Bank fail or liquidate, or if it should for any reason fail or refuse to accept Lessee's check or draft, the attempted payment in the manner above provided shall not be thereby rendered ineffective and Lessee shall not be in default for failure to pay said rental until thirty (30) days after Lessor shall have furnished Lessee with a recordable instrument naming a new depository; and this provision shall apply to all such new and subsequently named depositories. Wherever used in this lease, "operations for drilling", "drilling operations" and "operations" shall be deemed to have been commenced when work is commenced or materials placed on the ground at or near the well site preparatory to the drilling of a well.

2. Lessee, at its option, is hereby given the right and power without any further approval from Lessor, at any time and from time to time, to pool or combine the land or mineral interest covered by this lease, or any portion thereof, with other land, lease or leases and mineral interests in the immediate vicinity thereof, when, in Lessee's judgment, it is necessary or advisable to do so in order to properly explore or develop or operate said premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises or to prevent waste or to avoid the drilling of unnecessary wells or to comply with the spacing or unitization order of any Regulatory Body of the State of Louisiana or the United States having jurisdiction. The term "Regulatory Body" shall include any governmental officer, tribunal or group (civil or military) issuing orders governing the drilling of wells or the production of minerals. Such pooling shall be of adjacent tracts which will form a reasonably compact (but not necessarily contiguous) body of land for each unit, and the unit or units so created shall not exceed substantially forty (40) acres each for each well for oil exploration or production and substantially one hundred sixty (160) acres each for each well for gas and gas-condensate exploration or production unless a larger spacing pattern or larger drilling or production units (including a field or pool unit) shall have been fixed and established by an order of a Regulatory Body of the State of Louisiana or of the United States, in which event the unit or units shall be the same as fixed by said order. Lessee shall execute and file for record in the Conveyance Records of the Parish in which the land herein leased is situated a declaration describing the pooled acreage; and upon such filing, the unit or units shall thereby become effective, except that when a unit is created by order of a Regulatory Body the pooling shall be effective as of the effective date of such order, and no declaration shall be required in connection therewith. The royalties herein elsewhere specified, and subject to the provisions of Paragraph 10 hereof, shall be computed only on the proportionate part of the production from any pooled unit that is allocated to the land herein described; and unless otherwise allocated by order of a Regulatory Body, the amount of production to be so allocated from each pooled unit shall be that proportion of such total production that the surface area of the land affected hereby and included in the unit bears to the total surface area of all the lands included in such pooled unit. Drilling or reworking operations on or production of oil, gas or other minerals from land included in such pooled unit shall have the effect of continuing this lease in force and effect during or after the primary term as to all of the land covered hereby (including any portion of said land not included in said unit) and as to all strata underlying said land, whether or not such operations be on or such production be from land covered hereby. Any unit formed by Lessee hereunder may be created either prior to or during or after the drilling of the well which is then or thereafter becomes the unit well. Separate units may be created for oil and for gas, or for separate stratum or strata of oil or gas, even though the areas thereof overlap, and the creation of a unit as to one mineral or strata or stratum shall not exhaust the right of Lessee (even as to the same well) to create different or additional units for other minerals or for other strata or stratum of the same or other minerals. The failure of the leasehold title (in whole or in part) to any tract or interest therein included in a pooled unit shall not affect the validity of said unit as to the tracts or interests not subject to such failure, but the unit may thereafter be revised as hereinafter provided. Lessee shall have the right and power to reduce and diminish the extent of any unit created under the terms of this paragraph so as to eliminate from said unit any interest or lease to which title has failed or upon which there is or may be an adverse claim. Such revision of the unit shall be evidenced by an instrument in writing executed by Lessee, which shall describe the lands included in the unit as revised and shall be filed for record in the Conveyance Records of the Parish where the lands herein leased are situated. The revised declaration shall not be retroactive but shall be effective as of the date that it is filed for record. Any unit created by Lessee hereunder shall also be revised so as to conform with an order of a Regulatory Body issued after said unit was originally established; such revision shall be effective as of the effective date of such order without further declaration by Lessee, but such revision shall be limited to the stratum or strata covered by said order and shall not otherwise affect the unit originally created.

3. Lessee, may, at any time prior to or after the discovery and production of minerals on the land, execute and deliver to Lessor or file for record a release or releases of any portion or portions of the lands or any stratum or strata and be relieved of all requirements hereof as to the land, stratum or strata so released; and, in the event of a release of all strata under a portion of the land during the primary term, the rental shall be reduced proportionately, according to acreage. In the event of the forfeiture of this lease for any cause, Lessee shall have the right to retain around each well then producing oil, gas or other minerals or being drilled or worked on the number of acres fixed and located by or in accordance with the spacing or unit or proration allowable order of any Regulatory Body of the State of Louisiana or of the United States under which said well is being drilled or produced, or if said well has been or is being drilled on a unit pooled by Lessee as provided herein, then Lessee may retain all of the acreage comprising said pooled unit and if no spacing or proration allowable order has been issued nor any pooled unit established, then Lessee shall have the right to retain forty (40) acres surrounding each oil well then producing or being drilled or worked on, and one hundred sixty (160) acres around each gas or gas condensate well then producing, or being drilled or worked on or shut in under Paragraph 6 hereof, each of such tracts to be in as near a square form as is practicable. Lessee shall have such rights of way or servitudes affecting the acreage released or forfeited as are necessary for Lessee's operations on the land retained hereunder.

4. Prior to the time that oil, gas or some other mineral is being produced from the leased land or land pooled therewith (or with any part thereof), Lessee may maintain the rights granted during and after the primary term by carrying on operations on said lands or land pooled therewith (or with any part thereof) without the lapse of more than ninety (90) days between abandonment of work on one well and the commencement of operations for drilling or reworking another; and during the primary term such operations may be discontinued and the rights granted maintained by commencing or resuming rental payments, by paying within ninety (90) days from the discontinuance of operations (regardless of the fixed rental paying date) the proportion of the fixed yearly rental that the number of days between the end of said ninety (90) days and the next ensuing rental paying date or the expiration of the primary term bears to the twelve months' period; but, if said ninety (90) days should expire prior to the initial rental paying date or during any year for which rental or other payment has been made, no rental shall be due until the next fixed rental paying date, or, as the case may be, for the balance of the last year of the primary term.

5. If, prior to or after the discovery of oil or gas on the lands held hereunder, a well producing oil or gas in paying quantities for 30 consecutive days should be brought in on adjacent lands not owned by Lessor and not included in a pooled unit containing all or a portion of the lands herein described, Lessee shall drill such offset well to protect the land held hereunder from drainage as and within the time that a reasonable and prudent operator would drill under the same or similar circumstances; it being provided, however, that Lessee shall not be required to drill any such offset well unless the well on adjacent land is within 330 feet of any line of the lands held hereunder, nor shall such offset well be necessary when said lands are being reasonably protected by a well on the leased premises or land pooled therewith (or with any part thereof).

6. After the production of oil, gas or any other mineral in paying quantities, either on the leased premises or on lands pooled therewith (or with any part thereof), the rights granted shall be maintained in effect during and after the primary term and without the payment of the rentals hereinabove provided for so long as oil, gas, or some other mineral is being produced in paying quantities. It is provided, however, that if, after the production of oil, gas or other minerals in paying quantities, the production thereof should cease from any cause, and Lessee is not then engaged in drilling or reworking operations, this lease shall terminate unless Lessee resumes or restores such production, or commences additional drilling, reworking or mining operations within ninety (90) days thereafter and continues such operations without the lapse of more than ninety (90) days between abandonment of work on one well and commencement of reworking operations or operations for the drilling of another, in an effort to restore production of oil, gas or other minerals, or (if during the primary term) commences or resumes the payment of rentals in the manner hereinabove provided for in connection with the abandonment of wells drilled. Lessee shall not be required to produce more than one mineral, the production of any one mineral in paying quantities and with reasonable diligence being sufficient to maintain all of Lessee's rights. In the event that any well on the land or on property pooled therewith (or with any part thereof), is capable of producing gas or gaseous substances in paying quantities but such minerals are not being produced, then Lessee's rights may be maintained, in the absence of production or drilling operations, by commencing or resuming rental payments as hereinabove provided for in connection with the abandonment of wells drilled. Should such conditions occur or exist at the end of or after the primary term, or within ninety (90) days prior to the expiration thereof, Lessee's rights may be extended beyond and after the primary term by the commencement, resumption or continuance of such payments at the rate and in the manner herein provided for rental payments during the primary term, and for the purpose of computing and making such payments the expiration date of the primary term and each anniversary date thereof shall be considered as a fixed rental paying date; provided, however, that in no event shall Lessee's rights be so extended by rental payments and without drilling operations or production of oil, gas or some other mineral for more than five consecutive years.

7. Subject to the provisions of Paragraphs 2 and 10 hereof the royalties to be paid by Lessee are: (a) On oil (which includes condensate and other liquid hydrocarbons when separated by lease separator units), one-eighth (1/8) of that produced and saved from the land and not used for fuel in conducting operations on the property (or on acreage pooled therewith or with any part thereof), or in treating such liquids to make them marketable; (b) On gas produced from or attributable to said land and sold, including the gas remaining after the extraction of hydrocarbon products therefrom, one-eighth (1/8) of the market value at the mouth of the well of the gas so sold, including casinghead gas or other gaseous substances. The price to be used in computing the market value at the mouth of the well shall be the price received by Lessee under an arms' length gas sales contract prudently negotiated in the light of the facts and circumstances existing at the time of consummation of such contract; provided, however, should Lessee by virtue of any order by any regulatory body, state or federal, receive less than the price provided for in any gas sales contract entered into by Lessee, such lesser price shall be used in such computation; (c) With respect to gas used other than for operations hereunder, including casinghead gas or other gaseous substances, royalty shall be one-eighth (1/8) of the market value at the mouth of the well as computed in subparagraph (b) above; provided if Lessee is not selling gas under an arms' length contract as provided in subparagraph (b) above, the market value of gas used other than for operations hereunder, including casinghead gas or other gaseous substances, shall be its fair value at the mouth of the well at the time of production but not less than the average of the prices paid under comparable circumstances for gas of like kind and quality from the field from which such gas is being produced, or if no gas is being sold from that field, the average of prices paid under comparable circumstances for gas of like kind and quality in the three nearest fields where sold; (d) On hydrocarbon products extracted and saved by Lessee from gas, casinghead gas or other gaseous substances produced from or attributable to said land by processing such gas through any plant or plants, whether owned or operated by Lessee or any affiliate of Lessee or by a party other than Lessee, one-eighth (1/8) of the net proceeds received by Lessee for such products, said net proceeds being the net amount received by the Lessee after deducting the costs of processing such gas through said plant or plants; (e) Lessee shall have free use of all oil, gas or any component thereof used in lease or unit operations as well as gas, including the components thereof, injected into subsurface strata as hereinafter defined; (f) One Dollar ($1.00) for each ton of 2,240 pounds of sulphur, payable when marketed; and (g) One-eighth (1/8) of the market value at the well or mine of all other minerals produced and saved or mined and marketed. Oil royalties shall be delivered to Lessor free of expense at Lessor's option in tanks furnished by Lessor at the well or to Lessor's credit in any pipe line connected therewith. In the event Lessor does not furnish tanks for such royalty oil and no pipe line is connected with the well, Lessee may sell Lessor's such oil at the best market price obtainable and pay Lessor the price received f.o.b. the leased property, less any severance or production tax imposed thereon. Lessee shall have the right to inject gas, water, brine or other fluids into subsurface strata, and no royalties shall be due or computed on

8. The Lessee shall be responsible for all damages to timber and growing crops of Lessor caused by Lessee's operations.

9. All provisions hereof shall inure to the benefit of and bind the successors and assigns (in whole or in part) of Lessor and Lessee, (whether by sale, inheritance, assignment, sub-lease or otherwise), but regardless of any actual or constructive notice thereof, no change in the ownership of the land or any interest therein or change in the capacity or status of Lessor or any other owner of rights hereunder, whether resulting from sale or other transfer, inheritance, interdiction, emancipation, attainment of majority or otherwise, shall impose any additional burden on Lessee, or be binding on Lessee for making any payments hereunder unless, at least forty-five (45) days before any such payment is due, the record owner of this lease shall have been furnished with certified copy of recorded instrument or judgment evidencing such sale, transfer or inheritance, or with evidence of such change in status or capacity of Lessor or other party owning rights hereunder. The furnishing of such evidence shall not affect the validity of payments theretofore made in advance. A sublessee may, as to the Lessor, exercise the rights and discharge the obligations of the Lessee, without joinder of any sublessor. In the event of an assignment of the lease as to a segregated portion of the land, delay rentals shall be apportioned among the several leasehold owners according to the surface area of each, and default in payment by one shall not affect the rights of others. Any owner of rights under this lease may pay the entire rental payable hereunder and such payment shall be for the benefit of those holding leasehold rights hereunder. If at any time two or more persons are entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depository named herein; or, at Lessee's election, the proportionate part of said rental to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee may, at its option, discharge any tax, mortgage or other lien upon the land and be subrogated thereto and have the right to apply to the repayment of Lessee any rentals and/or royalties accruing hereunder. If Lessor owns less than the entire undivided interest in all or any portion of the lands or mineral rights relating thereto (whether such interest is herein specified or not) rentals and royalties as to the land in which an interest is outstanding in others shall be reduced proportionately to the interest of the Lessor therein, but the failure of Lessee to reduce rentals shall not affect Lessee's rights to reduce royalties; and all outstanding royalty rights shall be deducted from the royalties herein provided for. Lessee shall have the right to purchase a lease or leases from others to protect its leasehold rights and shall not thereby be held to have disputed Lessor's title; and in the event Lessor's title or an interest therein is claimed by others, Lessee shall have the right to withhold payment of royalties or to deposit such royalties in the registry of the Court until final determination of Lessor's rights.

11. In the event the Lessor at any time considers that operations are not being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee shall have sixty (60) days after receipt of such notice in which to commence any operations that are then legally necessary to comply with the requirements hereof. The service of said notice and the lapse of sixty (60) days without Lessee meeting or commencing to meet the alleged breaches shall be a condition precedent to any action by Lessor for any cause hereunder. It is provided, however, that after production of oil, gas, sulphur, or other mineral has been obtained from the land covered hereby or land pooled therewith (or with any part thereof), this lease shall not be subject to forfeiture or loss, either in whole or in part, for failure to comply with the express or implied obligations of this contract except after final judicial ascertainment of such failure and Lessee has been given a period of sixty (60) days after such final judicial ascertainment to prevent such loss or forfeiture by complying with and discharging the obligations as to which Lessee has been judicially determined to be in default.

12. If the land herein described is owned in divided or undivided portions by more than one party, this instrument may be signed in any number of counterparts, each of which shall be binding on the party or parties so signing regardless of whether all of the owners join in the granting of this lease; and the failure of any party named herein as Lessor to sign this lease shall not affect its validity as to those whose signatures appear hereon or on a counterpart hereof.

13. The requirements hereof shall be subject to any State and/or Federal law or order regulating operations on the land. It is further agreed that should Lessee be prevented from complying with any expressed or implied covenants of this lease, from conducting drilling or reworking operations thereon, or from producing oil, gas or other mineral therefrom by reason of scarcity or inability, after effort made in good faith, to obtain equipment or material or authority to use same, or by failure of carriers to transport or furnish facilities for transportation, or by operation of force majeure, any Federal or State law, or any order, rule or regulation of governmental authority, or other cause beyond Lessee's control, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil, gas or other mineral from the leased premises and the time while Lessee is so prevented shall not be counted against Lessee.

The consideration paid by Lessee to Lessor is accepted as full and adequate consideration for all rights, options and privileges herein granted.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

WITNESSES:

STATE OF _____ }
PARISH (OR COUNTY) OF _____ }

On this _____ day of _____, ____, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

_____
Notary Public.

STATE OF _____ }
PARISH (OR COUNTY) OF _____ }

On this _____ day of _____, ____, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

_____
Notary Public.

STATE OF LOUISIANA }
PARISH OF _____ }

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____ who, being by me duly sworn, stated under oath that _____ was one of the subscribing witnesses to the foregoing instrument and that the same was signed by _____ (Lessor, as above mentioned) in _____ presence and in the presence of the other subscribing witness(es).

_____

SWORN TO AND SUBSCRIBED before me _____, ____

_____
Notary Public in and for _____ Parish, Louisiana.

STATE OF LOUISIANA }
PARISH OF _____ }

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____ who, being by me duly sworn, stated under oath that _____ was one of the subscribing witnesses to the foregoing instrument and that the same was signed by _____ (Lessor, as above mentioned) in _____ presence and in the presence of the other subscribing witness(es).

_____

SWORN TO AND SUBSCRIBED before me _____, ____

_____
Notary Public in and for _____ Parish, Louisiana.

CORPORATION ACKNOWLEDGMENT

STATE OF _____ }
PARISH (OR COUNTY) OF _____ }

ON THIS _____ day of _____, ____, before me, appeared _____ to me personally known, who, being by me duly sworn, did say that he is the _____ of the _____ and that said instrument was signed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public.

No. _____

Oil, Gas and Mineral Lease
(LOUISIANA)

FROM _____

TO _____

Dated _____, _____

No. of Acres _____

_____ Parish, Louisiana

Term _____

This instrument was filed for record on the _____ day of _____, _____, at _____ o'clock _____ M., and duly recorded in Book _____, Page _____ of the records of this office.

_____

By _____, Deputy

BATH & GAM
FORM 42 CPM-NEW SOUTH
LOUISIANA REVISED SIX (6)-POOLING
REV. 2-76 7

Producers 88 (9/70)-Paid Up
With Pooling Provision
Mississippi-Alabama-Florida

This instrument was prepared by:

Indexing instructions:

After recordation return to:

EXHIBIT "B"

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this _____ day of _____, _____, between

lessor (whether one or more), whose address is: _____

and _____ lessee, WITNESSETH:

1. Lessor, in consideration of TEN DOLLARS ($10.00) AND OTHER VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, power lines, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the

County of _____, State of _____, and is described as follows:

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose

of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain _____ acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights, and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of _____ years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar ($1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing gas or any other mineral covered hereby, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar ($1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this sub-paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, or may be deposited to such parties credit in the

_____ Bank at _____, or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize all or any part of said land and of this lease as to any or all minerals or horizons thereunder, with other lands, lease or leases, or portion or portions thereof, or mineral or horizon thereunder, so as to establish units containing not more than 80 surface acres plus 10% acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than 640 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. If larger units are required, under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable, from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged, to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee from time to time, and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith and any such unit may include any well to be drilled, being drilled or already completed. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be land or mineral, royalty or leasehold interests in land within the unit which are not pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of such unit shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. A unit may be so established, modified or dissolved during the life of this lease.

5. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

6. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated except as otherwise provided herein, to commence or continue any operations during the primary term. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless, pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. Should it be asserted in any notice given to the lessee under the provisions of this paragraph that lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which lessee has been judicially determined to be in default. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less that forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. Lessee is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to lessor. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial), beyond the reasonable control of lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

_____ _____ (SEAL)

_____ _____ (SEAL)

_____ _____ (SEAL)

_____ _____ (SEAL)

JOINT OR SINGLE ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF _____

COUNTY OF _____

I hereby certify, that on this day, before me, a NOTARY PUBLIC duly authorized in the state and county aforesaid to take acknowledgments, personally apppeared

to me known to be the person(s) described in and who executed the foregoing instrument and he/she/they acknowledged before me that, being informed of the contents of the same, he/she/they voluntarily signed and delivered the within and foregoing instrument on the day and year therein mentioned.

Given under my hand and official seal, this _____ day of _____, A. D., _____

(Affix Seal)

_____

_____
(Title of Official)

My commission expires _____ in and for _____ County, _____

WITNESS ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF _____

COUNTY OF _____

I, a NOTARY PUBLIC in and for the aforesaid jurisdiction, hereby certify that _____ a subscribing witness to the foregoing instrument, known to me, appeared before me on this day, and being sworn, stated that

the grantor(s), having been informed of the contents thereof, voluntarily executed and delivered the same in his presence, and in the presence of the other subscribing witness, on the day the same bears date: that he attested the same in the presence of the grantor(s), and of the other witness, and that such other witness subscribed his name as a witness in his presence.

_____
(subscribing Witness)

Given under my hand and official seal, this _____ day of _____, _____

(Affix Seal)

_____

_____
(Title of Official)

My commission expires _____ in and for _____ County, _____

COPAS - 1984 - ONSHORE
Recommended by the Council of Petroleum Accountants Societies
COPAS
601, BOX 800 TULSA OK 74101

EXHIBIT "C"

Attached to and made a part of that certain Joint Operating Agreement dated February 4, 2009 between Axis Onshore, LP as Operator and Bean Resources, INC. as Non-Operator.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.
"Operator" shall mean the party designated to conduct the Joint Operations.
"Non-Operators" shall mean the Parties to this agreement other than the Operator.
"Parties" shall mean Operator and Non-Operators.
"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.
"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.
"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies. "Fair Market Value" shall mean the price the asset would bring by bonofide bargaining between well informed buyers and sellers at the date of aquisition for the joint account.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within ~~fifteen (15)~~ (30) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within ~~fifteen (15)~~ (30) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Delta Bank on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered and actually received to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

COPYRIGHT© 1985 by the Council of Petroleum Accountants Societies.

5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. 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 Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report. If Operator fails to reply within the 180 day period, Operator shall promptly give credit for the amount of the exceptions claims in the audit report.

6. Approval By Non-Operators

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, 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.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

A. (1) Salaries and wages of Operator's field employees or consultants directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly or consultants employed on the Joint Property if such charges are excluded from the overhead rates.

~~(4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.~~

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 Paragraph 3A of this Section II. Such costs under this Paragraph 3B 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 Paragraph 3A of this Section II. 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 which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

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

4. Employee Benefits

Operator's current costs of established plans for employees' ~~group life insurance~~, hospitalization, ~~pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature~~, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. **Material**

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

6. **Transportation**

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is $400 or less excluding accessorial charges. The $400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. **Services**

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. **Equipment and Facilities Furnished By Operator**

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. **Damages and Losses to Joint Property**

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. **Legal Expense**

Expense of outside attorneys shall be borne by the joint account in matters of unitization, title and curative activities.

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3. All costs, whether legal, professional or otherwise, incurred in compliance with state and/or federal rules and regulations with respect to spacing proration, production and the NGPA of 1978, or succeeding rules and regulations shall constitute, a direct charge to the joint account.

11. **Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. 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.

COPAS - 1984 - ONSHORE
Recommended by the Council of Petroleum Accountants Societies
COPAS

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

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

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III 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.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

(XX) Fixed Rate Basis, Paragraph 1A, or
~~( ) Percentage Basis, Paragraph 1B~~

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

~~( ) shall be covered by the overhead rates, or~~
(XX) shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(XX) shall be covered by the overhead rates, or
~~( ) shall not be covered by the overhead rates.~~

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 10,000.00
(Prorated for less than a full month)

Producing Well Rate $ 550.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

(1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever

COPAS Recommended by the Council of Petroleum Accountants Societies

is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

(2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

(1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

(2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

(3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

(4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.

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

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

~~B. Overhead - Percentage Basis~~

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

~~(a) Development~~

~~_____ Percent (____ %) of the cost of development of the Joint Property exclusive of costs~~ provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (____ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which 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:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in 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, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

COPAS - 1984 - ONSHORE
Recommended by the Council of Petroleum Accountants Societies
COPAS

Account for overhead based on the following rates for any Major Construction project in excess of $ _____ :

A. 5 % of first $100,000 or total cost if less, plus

B. 4 % of costs in excess of $100,000 but less than $1,000,000, plus

C. 3 % of 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 project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

A. 5 % of total costs through $100,000; plus

B. 4 % of total costs in excess of $100,000 but less than $1,000,000; plus

C. 3 % of total costs in excess of $1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

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

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases *

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received and shall be at fair market value. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions *

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

~~(a) Tubular goods, sized 2⅞ inches OD and larger, except line pipe, shall be priced at Eastern mill~~ published carload base prices effective as of date of movement plus transportation cost ~~using the~~ 80,000 pound carload weight basis to the railway receiving point nearest the ~~Joint~~ Property for which published rail rates for tubular goods exist. If the 80,000 pound rail ~~rate~~ is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges ~~for~~ tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.

(b) For grades which ~~are special~~ to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided ~~above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 80,000~~

*The intent of these pricing mechanisms is to reasonably reflect fair market market value of the material on the date of transfer.

COPAS - 1984 - ONSHORE
Recommended by the Council of Petroleum Accountants Societies
COPAS

~~pound Oil Field Haulers Association interstate truck rate shall be used~~.

~~(c) Special end finish tubular goods shall be priced at the lowest published out of stock price, f.o.b. Houston~~, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.

(d) Macaroni tubing (size less than ~~2⅜ inch~~ OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier ~~plus~~ transportation costs, using the Oil Field Haulers Association interstate truck rate ~~per weight of tubing transferred, to the railway receiving point nearest the Joint Property.~~

(2) Line Pipe

~~(a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or~~ more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(b) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices ~~effective~~ as of date of shipment, plus 20 percent, plus transportation costs based on freight rates ~~as~~ set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.

(d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at ~~prices agreed to by the Parties.~~

(3) Other Material shall be priced at the ~~current new price,~~ fair market value, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At ~~seventy five percent (75%) of current new price, as determined by Paragraph A~~ fair market value.

(2) Material used on and moved from the Joint Property

(a) At ~~seventy five percent (75%) of current new price, as determined by Paragraph A~~ fair market value, if Material was originally charged to the Joint Account as new Material or

(b) At ~~sixty five percent (65%) of current new price, as determined by Paragraph A~~ fair market value, if Material was originally charged to the Joint Account as used Material.

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

At ~~seventy five percent (75%) of current new price as determined by Paragraph A~~ fair market value.

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

C. Other Used Material

(1) Condition C

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

(2) Condition D

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

(a) 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.

(b) 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.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading or unloading costs may be charged to the Joint Account at ~~the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of~~ actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

VI. MISCELLANEOUS

The following, notwithstanding anything herein to the contrary, shall be made a part and included in this Accounting Procedure:

1. In the event Non-Operator is required under any applicable provision of the Operating Agreement or under Article 1.3 of the Accounting Procedure attached thereto as Exhibit "C" to advance or prepay funds for operations to which it has consented, any discounts or rebates from vendors selling to the Joint Account received by Operator and applicable to such prepay situation shall be credited pro rata by Operator to Non-Operator.

2. Any volume discounts or special rebates which are credited to the Operator by vendors selling to the Joint Account shall be credited to the Joint Account when received by Operator.

3. In the event Operator plans to use his own equipment for any operations hereunder, or the equipment of any subsidiary, parent company or sister company, Operator agrees that the charge to the Joint Account for the use of such equipment shall be equal to the competitive fair market price for the use of similar equipment or Operator's actual cost, whichever is the lesser.

4. In the event Operator plans to purchase goods and/or services for the Joint Account from his own subsidiaries, parent company or sister companies, such goods and services shall be charged at the Fair Market Value thereof.

5. Within thirty (30) days after close of operations on any well drilled hereunder, any unused or salvaged tubulars shall be credited to the Joint Account, offered proportionately to the Non-Operators "in kind" or sold to a third party with a credit being reflected on the Joint Account.

6. Operator agrees to acquire any tubular goods obtained for the Joint Account at competitive fair market price. If Operator wishes to use tubular goods from its own inventory, or the inventory of any subsidiary, parent company or sister company, such tubulars shall be charged to the Joint Account at prices which are equal to the lower of the Operator cost or Fair Market Value.

7. The following shall be added to the existing provisions of Article 1.5 of the Accounting Procedure:

   Should a majority Interest of Non-Operators, remaining after exclusion of the Interest owned by Operator, elect to audit the books of the Operator, then all Non-Operators shall share the cost of the audit.

8. Non-operators acknowledge and agree that operator shall have the right to hire a Contract Operator and non-operators agree to pay their pro-rata share of the costs associated with said Contract Operator in addition to the charges identified in Article III A(1) of the COPAS Accounting Procedure attached to the Operating Agreement and identified as Exhibit "C".

EXHIBIT "B"

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 10/31/08

PRODUCER 1-713-739-3600
Benfield Corporate Risk LLC

909 Fannin Street
Suite 1700
Houston, TX 77010

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED
TriDimension Energy, LP
Axis Onshore, LP
16610 Dallas Pkwy
Suite 2500
Dallas, TX 75248

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: St. Paul Surplus Lines Insurance Co.	
INSURER B: AIG National Insurance Company	
INSURER C: Granite State Insurance Company	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY	MU05538957	06/09/08	06/09/09	EACH OCCURRENCE	$1000000
		X COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurence)	$100000
		CLAIMS MADE X OCCUR				MED EXP (Any one person)	$5000
						PERSONAL & ADV INJURY	$1000000
						GENERAL AGGREGATE	$2000000
		GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC				PRODUCTS - COMP/OP AGG	$1000000
B		AUTOMOBILE LIABILITY	AIG0591360	06/20/08	06/20/09	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
		ANY AUTO					
		ALL OWNED AUTOS				BODILY INJURY (Per person)	$
		X SCHEDULED AUTOS					
		X HIRED AUTOS				BODILY INJURY (Per accident)	$
		X NON-OWNED AUTOS					
						PROPERTY DAMAGE (Per accident)	$
		GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
		ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	$
						AGG	$
A		EXCESS/UMBRELLA LIABILITY	MU05576497	06/09/08	06/09/09	EACH OCCURRENCE	$5000000
		X OCCUR CLAIMS MADE				AGGREGATE	$5000000
							$
		DEDUCTIBLE					$
		RETENTION $					$
C		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	WC 295-37-63	04/15/08	04/15/09	X WC STATU-TORY LIMITS OTH-ER	
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT	$1,000,000
		If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE	$1,000,000
						E.L. DISEASE - POLICY LIMIT	$1,000,000
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Weyerhaeuser Company is included as an additional insured (except as respects the Workers' Compensation policy) as required by written contract, but only for liability arising out of the operations of the named insured.

CERTIFICATE HOLDER

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATIO DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTE NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHAL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS O REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

© ACORD CORPORATION 19

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

October 20, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Dr.
Marietta, GA 30064

Attn: Ryan Messer

RE: Jack Allen #7
LaSalle Parish, Louisiana

Dear Ryan,

Reference is made to the above well which Pryme Oil and Gas, Inc. (Pryme) is to participate. Pryme's participation in the drilling of this well is subject to the following terms and conditions:

1. Pryme Oil and Gas, Inc. will participate with a 28.57142% working interest.

2. Pryme's interest will be subject to that certain unrecorded Farmout Agreement dated October 20, 2009 by and between TriDimension Energy, LP/AXIS Onshore, LP (TRID/Axis), as Farmor and Telluride Exploration, LLC, as Farmee.

3. As per the terms of said Farmout Agreement, TRID/AXIS will deliver a 75% net revenue interest Farmout to Telluride. TRID/AXIS will have a 12.50% "carried" working interest to Casing Point. At Casing Point, should TRID/AXIS elect to participate in the completion of the Jack Allen #7, Pryme's interest will be reduced to 25.00%.

4. Said well will be drilled, completed and operated under the terms and conditions of that certain Joint Operating Agreement dated February 4, 2009 designating AXIS Onshore, LP, as Operator, and North Larto Lake of Iowa, LLC, as Non-Operator.

Upon execution of this Letter Agreement, Pryme Oil and Gas, Inc., hereby ratifies, adopts and confirms the term and conditions of the February 4, 2009, Joint Operating Agreement, designating AXIS Onshore, LP, as Operator and agrees to be bound by the terms and conditions thereof.

Should the above be acceptable, please indicate so by executing one (1) original of this letter and returning it to me.

Thank you for your cooperation.

Sincerely yours,

TRIDIMENSION ENERGY, LP
AXIS ONSHORE, LP

Jimmy Nugent
District Manager

AGREED TO AND ACCEPTED.

PRYME OIL AND GAS, INC.

BY: _____
Ryan Messer

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

April 30, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Dr.
Marietta, GA 30064

Attn: Ryan Messer

RE: Participation Agreement
Kelly Hill Prospect
Wilkinson County, Mississippi

When executed by you, it will evidence an agreement whereby Pryme Oil and Gas, Inc. (PRYME) agrees to participate in the referenced prospect owned by TriDimension Energy, LP and operated by AXIS Onshore, LP (AXIS). The terms of this agreement are as follows:

I. On or before May 17, 2009, AXIS shall drill a well (the initial well) in the above Prospect at a location of its choosing in Section 16, T4N-R1W. Said well shall be drilled to a depth sufficient to test the Wilcox Formation.

II. Pryme agrees to participate in the drilling of the initial well in the above Prospect with a 25% working interest.

III. Kelly Hill Prospect shall be described as:

T4N-R1W
Section 4: S/2 SW/4
Section 6: SE/4 SE/4
Section 15: NE/4 NE/4
Section 16: NW/4 NW/4

IV. AXIS has secured an agreement with Griffin and Griffin Exploration, Inc. (G&G), the leaseholder of the location of the initial well, whereby G&G will contribute the oil, gas and mineral lease for a 12.50% carried interest until casing point of the initial well drilled.

V. Pryme hereby agrees to pay 25% of the cost of drilling the initial well to casing point PLUS its proportionate share of the carried interest of G&G. Pryme's interest to casing point, of the initial well, to be 28.57143%. Pryme's interest after casing point of the initial well will be 25%.

VI. Pryme's interest will be 25% in any subsequent wells drilled in Kelly Hill Prospect.

VII. For the leasehold interests included in the Kelly Hill Prospect, heretofore or subsequently acquired by AXIS, Pryme shall pay to AXIS 25% of the actual cost incurred by AXIS in securing the leasehold interests.

VIII. Upon receipt of an Assignment of Oil and Gas Lease, AXIS will assign to Pryme an undivided 25% interest in and to lease(s) covering land within the referenced Prospect. The net revenue interest (NRI) assigned will be the same as received by AXIS.

IX. Simultaneously with the execution of this agreement the parties hereto shall execute a Joint Operating Agreement, with attachments, which shall govern and control all operations to be conducted by the parties within the referenced Prospect.

X. This Participation Agreement shall cover those zones and horizons lying from the surface of the Earth to the Base of the Wilcox Formation.

Should you need any additional information, please do not hesitate to contact me.

Sincerely yours,

AXIS ONSHORE, LP

Jimmy Nugent

Jimmy Nugent
District Land Manager

AGREED TO AND ACCEPTED

PRYME OIL AND GAS, INC.

BY: _____

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

APRIL 27 , **2009** ,
year

OPERATOR **AXIS ONSHORE, LP**

CONTRACT AREA **KELLY HILL PROSPECT**

NON-OPERATOR: GRIFFIN AND GRIFFIN EXPLORATION, LLC, PRYME OIL & GAS, INC., DRAYCO EXPLORATION, LLC, MOSS LAND SERVICES, LLC, GOLDEN WEST HOLDINGS, LLC AND VITAL OILWELL SERVICES, LLC.

COUNTY OR PARISH OF **WILKINSON** , STATE OF **Mississippi**

COPYRIGHT 1989 – ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK BLVD. FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS:	2
	B. INTERESTS OF PARTIES IN COSTS AND PRODUCTION:	2
	C. SUBSEQUENTLY CREATED INTERESTS:	2
IV.	TITLES	2
	A. TITLE EXAMINATION:	2
	B. LOSS OR FAILURE OF TITLE:	3
	1. Failure of Title	3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
	4. Curing Title	3
V.	OPERATOR	4
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:	4
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR:	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	3. Effect of Bankruptcy	4
	C. EMPLOYEES AND CONTRACTORS:	4
	D. RIGHTS AND DUTIES OF OPERATOR:	4
	1. Competitive Rates and Use of Affiliates	4
	2. Discharge of Joint Account Obligations	4
	3. Protection from Liens	4
	4. Custody of Funds	5
	5. Access to Contract Area and Records	5
	6. Filing and Furnishing Governmental Reports	5
	7. Drilling and Testing Operations	5
	8. Cost Estimates	5
	9. Insurance	5
VI.	DRILLING AND DEVELOPMENT	5
	A. INITIAL WELL:	5
	B. SUBSEQUENT OPERATIONS:	5
	1. Proposed Operations	5
	2. Operations by Less Than All Parties	6
	3. Stand-By Costs	7
	4. Deepening	8
	5. Sidetracking	8
	6. Order of Preference of Operations	8
	7. Conformity to Spacing Pattern	9
	8. Paying Wells	9
	C. COMPLETION OF WELLS; REWORKING AND PLUGGING BACK:	9
	1. Completion	9
	2. Rework, Recomplete or Plug Back	9
	D. OTHER OPERATIONS:	9
	E. ABANDONMENT OF WELLS:	9
	1. Abandonment of Dry Holes	9
	2. Abandonment of Wells That Have Produced	10
	3. Abandonment of Non-Consent Operations	10
	F. TERMINATION OF OPERATIONS:	10
	G. TAKING PRODUCTION IN KIND:	10
	(Option 1) Gas Balancing Agreement	10
	(Option 2) No Gas Balancing Agreement	11
VII.	EXPENDITURES AND LIABILITY OF PARTIES	11
	A. LIABILITY OF PARTIES:	11
	B. LIENS AND SECURITY INTERESTS:	12
	C. ADVANCES:	12
	D. DEFAULTS AND REMEDIES:	12
	1. Suspension of Rights	13
	2. Suit for Damages	13
	3. Deemed Non-Consent	13
	4. Advance Payment	13
	5. Costs and Attorneys' Fees	13
	E. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES:	13
	F. TAXES:	13
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	14
	A. SURRENDER OF LEASES:	14
	B. RENEWAL OR EXTENSION OF LEASES:	14
	C. ACREAGE OR CASH CONTRIBUTIONS:	14

TABLE OF CONTENTS

D. ASSIGNMENT; MAINTENANCE OF UNIFORM INTEREST: 15
E. WAIVER OF RIGHTS TO PARTITION: 15
F. PREFERENTIAL RIGHT TO PURCHASE: 15
IX. **INTERNAL REVENUE CODE ELECTION** 15
X. **CLAIMS AND LAWSUITS** 15
XI. **FORCE MAJEURE** 16
XII. **NOTICES** 16
XIII. **TERM OF AGREEMENT** 16
XIV. **COMPLIANCE WITH LAWS AND REGULATIONS** 16
A. LAWS, REGULATIONS AND ORDERS: 16
B. GOVERNING LAW: 16
C. REGULATORY AGENCIES: 16
XV. **MISCELLANEOUS** 17
A. EXECUTION: 17
B. SUCCESSORS AND ASSIGNS: 17
C. COUNTERPARTS: 17
D. SEVERABILITY 17
XVI. **OTHER PROVISIONS** 17

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between AXIS ONSHORE, LP, hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually 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 "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser.

E. 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.

F. 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 unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

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

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or 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.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

O. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.
EXHIBITS

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

X A. Exhibit "A," shall include the following information:
(1) Description of lands subject to this agreement,
(2) Restrictions, if any, as to depths, formations, or substances,
(3) Parties to agreement with addresses and telephone numbers for notice purposes,
(4) Percentages or fractional interests of parties to this agreement,
(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
~~(6) Burdens on production.~~

X B. Exhibit "B," Form of Lease.

X C. Exhibit "C," Accounting Procedure.

X D. Exhibit "D," Insurance.

~~X E. Exhibit "E," Gas Balancing Agreement.~~

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

~~G. Exhibit "G," Tax Partnership.~~

X H. Other: **Memorandum of Operating Agreement**

~~If any provision of any exhibit, except Exhibits "E," "F" and "G," 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:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

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, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area up to, but not in excess of, 25% and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if 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, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A," such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, 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. 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, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, 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 Drilling Party, upon requesst. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and curative work and other direct charges as provided in Exhibit "C" 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 competitive rates for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and 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 and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C."

Operator shall make no charge competitive rates for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the Drilling Parties in such well.

B. Loss or Failure of Title:

~~1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,~~

~~(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

~~(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the Lease or Interest failed;~~

~~(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;~~

~~(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;~~

~~(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;~~

~~(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and~~

~~(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder of the Contract Area shall be considered a Failure of Title as to such remaining Contract Area unless that absence of interest is reflected on Exhibit "A."~~

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. ~~Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or~~ Interest, on an acreage basis, up to the amount of unrecovered costs;

~~(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,~~

~~(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.~~

3. Other Losses: All losses of Leases or Interests committed to this agreement, ~~other than those set forth in Articles IV.B.1. and IV.B.2. above,~~ shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed ~~(other than performance which requires only the payment of money)~~, and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

~~4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.~~

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

AXIS ONSHORE, LP 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. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any 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 only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., 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 under any provision of this agreement, 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 or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or 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 or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors 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 or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: 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. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: 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 charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from

liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each Non-Operator /not in default of its payment obligations or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each Non-Operator not in default of its payment obligations / upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C."

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well:

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, ~~or the~~ and date on which drilling operations are commenced.

(b) Operator will send to Non-Operators Not in default of its payment obligations / such reports, test results and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones In the judgment of majority vote of consenting parties based on ownership as shown on Exibit "A" / encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Not in default of its payment obligations / Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers 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 hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers 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 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 VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 17th day of MAY, 2009. Operator shall commence the drilling of the Initial Well at the following location:
A legal location situated in NW/4 of NW/4, Section 16, T4N-R1W, Wilkinson County, Mississippi.

and shall thereafter continue the drilling of the well with due diligence to

A depth sufficient to test the Wilcox Formation

The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

1. Proposed Operations: If any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone

under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have ~~thirty (30) days~~ fifteen (15) after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone and the response period shall be limited to ~~forty-eight (48)~~ twenty-four (24) hours, ~~exclusive~~ inclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered 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 proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of ~~thirty (30)~~ fifteen (15) days (or as promptly as practicable after the expiration of the ~~forty-eight (48)~~ twenty-four (24) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; 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 examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.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, no later than ninety (90) days after the expiration of the notice period of ~~thirty (30)~~ fifteen (15) days (or as promptly as practicable after the expiration of the ~~forty-eight (48)~~ twenty-four (24) 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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all 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)~~ twenty-four (24) hours (~~exclusive~~ inclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of ~~forty-eight (48)~~ twenty-four (24) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same 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, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that participated in the drilling, Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing 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 (if the Operator did not conduct the operation) 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, Sidetracking, Recompleting, 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 or, in the case of a Reworking, Sidetracking,

Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective 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 applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. 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:

(i) 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 each such 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

(ii) 300 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) 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.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

(c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or 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 amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking 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 amount. Any such Reworking, Recompleting 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 300 % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting 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.

(d) Recoupment Matters. 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 ad valorem, 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.C.

In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening 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, Sidetracking, Plugging Back, Recompleting or Deepening, 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 ninety (90) 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, Sidetracking, Deepening, Plugging Back, testing, Completing, Recompleting, 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~~ quarter 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.

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 as of 7:00 a.m. on the ~~day~~ following the day on which such recoupment occurs, 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, Sidetracking, Reworking, Deepening, Recompleting 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 Exhibit "C" attached hereto.

3. Stand-By Costs: 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, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking,

Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required under Article VI.B.6. to resolve competing proposals) 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. (a), 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.

In the event that notice for a Sidetracking / Or deepening operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby 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.

4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective, calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F.

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(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.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C."

6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, ~~exclusive~~ inclusive / of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (~~exclusive~~ inclusive / of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the

initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, ~~exclusive~~ inclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone 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 Zone.

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of ~~all~~ the majority of consenting parties that have not relinquished interests in the well at the time of such operation.

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

☐ Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of the well, including necessary tankage and/or surface facilities.

☑ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have ~~forty-eight~~ (48) twent-four (24) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any 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 Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking, Recompleting 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.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of THIRTY THOUSAND AND NO/100 Dollars ($ 30,000.00) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that 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 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 THIRTY THOUSAND Dollars ($ 30,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any party or parties owning at least 51 % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

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)~~ twenty-four (24) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays) after delivery 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 by notice delivered to Operator within ~~forty-eight (48)~~ (24) hours (~~exclusive~~ inclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable.

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. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery 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 Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable 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 and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to 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 wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases 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 portions 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 Zone 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 Zone assigned or leased, the assignor or lessor 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.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b).

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 51 % of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1. and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

~~☐ Option No. 1: Gas Balancing Agreement Attached~~

~~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~~

~~SEE ARTICLE XVI. K~~
~~directly from the purchaser thereof for its share of all production.~~

~~If any party fails 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. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator 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.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least ten (10) days written notice of such intended purchase and the price to be paid or the pricing basis to be used.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

~~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 on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement.~~

☑ **Option No. 2: No Gas Balancing Agreement:**

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 expenditures 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.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or 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/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) -day period. Any purchase or sale by Operator of any other party's share of Oil and/or 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.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

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 exploring, 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, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof, and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file this agreement, the recording supplement executed herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they 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 a party 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 party in the payment of its share of expenses, interests or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within ~~one hundred twenty (120)~~ 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. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of 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. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered

only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to elect to participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

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 / Operator for the joint account ~~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 / except for willful misconduct or gross negligence 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 / a joint loss of the parties hereto ~~borne in accordance with the provisions of Article IV.B.2.~~

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be / a joint loss of the parties hereto ~~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 Lease 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 Lease, 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 Gas produced under the terms of this agreement.

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~~ a majority of the parties consent thereto.

However, should any party desire to surrender its interest in any Lease or in any portion thereof, Based on ownership as shown on Exhibit "A" such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties owning an interest therein 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. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment 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 and restoring the surface. ~~If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit.~~ If the assignment or lease 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. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest or liability as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement in the form of this agreement.

B. Renewal or Extension of Leases:*owning an interest in the previous Oil and Gas lease or interest

If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement 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 or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement 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 or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; 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 or replacement 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 said Drilling Parties shared the cost of drilling the well. Such acreage 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 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled inside Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Assignment; Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or

2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days following the first of the month after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

F. Preferential Right to Purchase:

~~☐ (Optional; Check if applicable.)~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby 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 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute 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 Treasury Regulation §1.761. 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 Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, 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 Twenty-Five Thousand Dollars ($ 25,000.00) 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 a 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. **All claims or suits involving title to any interest subject to this Agreement shall be treated a a claim or suit against all parties.**

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 indemnify or make money payments or furnish security, 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 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, lightening, fire, storm, flood or other act of nature, 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.

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.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, telex, telecopy or other facsimile within such period. 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. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice.

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.

☐ ~~Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of _____ days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within _____ days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.~~

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable 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 in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Mississippi shall govern.

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 the 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 Federal Energy Regulatory Commission or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to 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.
MISCELLANEOUS

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations any for ~~the Initial~~ / Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the ~~Initial Well~~ any Wells / which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

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

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

ARTICLE XVI.
OTHER PROVISIONS

ARTICLE XV

OTHER PROVISIONS

A. Further Operations. The provisions of this paragraph shall take precedence over any provisions in the Operating Agreement which may be in conflict therewith:

Where a well that has been authorized under the terms of this Agreement by all parties (or by one or more, but less than all parties under Article VI.B.2) has been drilled to the objective depth or the objective formation, whichever is the lesser, and the parties participating in the well cannot agree upon the sequence and timing of further operations regarding such well, the following elections shall control in the order enumerated below:

(1) an election to do additional logging, coring or testing;
(2) an election to attempt to complete the well at either the objective depth or objective formation;
(3) an election to deepen said well;
(4) an election to plug back and attempt to complete said well;
(5) an election to sidetrack the well;
(6) an election to rework said well by generally accepted stimulation techniques whether or not said well had previously produced in commercial quantities or is capable of commercial production;
(7) an election to temporarily abandon the well; and
(8) an election to plug and abandon the well.

It is provided, however, that if at any time said participating parties are considering the above elections and the hole is in such a condition that, in the opinion of a majority of the parties, a reasonably prudent operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to completing the well in the objective depth or objective formation, such election shall not be given the priority hereinabove set forth. In such event, the operation which, in the opinion of a majority in interest of the parties is less likely to jeopardize the well, will be conducted. It is further understood that if some, but not all parties, elect to participate in the additional logging, coring or testing, they may do so and the party or parties not participating in such operations shall not be entitled to the logs, cores or the results of the tests by shall suffer no other penalty.

B. Limitation on Drilling Proposals. Notwithstanding any provision in this agreement to the contrary:

1. No proposal shall be made for drilling more than one well;

2. No well shall be proposed when another proposal is pending or between the approval to drill a well and commencement of operations for such well;

3. If a proposal for drilling a well is made while another well is being drilled on the Contract Area, any party to whom the proposal is made shall have the right to defer an election until thirty (30) days after receipt of the proposal or until fifteen (15) days after all operations have been completed on the drilling well (completing and equipping or plugging and abandoning, as the case may be), whichever occurs last;

4. For purposes of this Article XV B (Limitation of Drilling Proposals), a drilling well shall also include the deepening or sidetracking of an existing well, and a proposal to drill a well on land not included in the Contract Area, but pooled with land in the Contract Area shall be considered a proposal to drill pursuant to the terms of this agreement; and

5. The provisions of Article XV B (Limitation of Drilling Proposals) shall not apply to a well subject to the provisions of Article XV D (Required Operations.

C. If any party hereto should create against its interest any overriding royalty, payment or other burden or charge (except such burdens and charges as are reflected or recorded or of which written notice has been given as of the effective date of this agreement), and if any other party or parties thereafter should conduct non-consent operations, and , as a result, become entitled to receive the net working interest of a Non-Consent Party or Parties, the party or parties entitled to receive the net working interest burden of the Non-Consent party or parties shall be entitled to receive such production free and clear of all such overriding royalty, production payment or other burdens and charges (except such burdens and charges as are reflected of record or of which written notice has been given as of the effective date of this agreement), and the Non-Consenting Party or Parties creating such burden shall discharge such burdens out of its own funds and shall save the Consenting Party or Parties harmless with respect to receipt of such working interest production.

D. Required Operations. Any well or operation which is necessary to perpetuate an expiring lease or leases or interest Therein, or to earn an additional lease or leases or interest therein pursuant to any farmout or other agreement shall be deemed to be a "required well" or "required operation". As to any required well or required operation proposed by any party hereto in accordance with Article VI B (Subsequent Operations) in which any other party hereto elects not to participate, the Non-Consenting party shall release and relinquish forever proportionately to the Consenting Parties all of Non-Consenting Party's interest without any depth limitation in and to the lease or leases or interest therein which would be perpetuated or earned by such required well or required operation. The interest in such relinquished leases shall be assigned by Non-Consenting party to the Consenting parties without warranty of title except as to claims by, through, or under Assignor and any "subsequently created interest" affecting Assignor's interest shall be handled as provided in Article III C.

E. Payment of Severance Taxes. When Non-Operator is exercising the right to take in kind or separately dispose of its proportionate part of production, Non-Operator shall pay or arrange for the payment of all production, severance, or similar taxes imposed on such part, but at such times when Operator is purchasing or selling Non-Operator's share of production, Operator shall arrange for payment of such taxes.

F. Notwithstanding anything to the contrary contained in the Operating Agreement or the Accounting Procedure (Exhibit "C"), the following items pertaining to the Prospect Area shall not be considered as administrative overhead, but operator shall be entitled to make a direct charge against the Joint Account for same:

> Long distance telephone calls, fees for legal services, title costs, costs and expenses in connection with preparation and presentation of evidence and exhibits at the Mississippi Oil and Gas Board hearings, preparation and handling of application to the hearings before governmental agencies or regulatory bodies.

G. Charges made hereunder have reference to the 100% working interest and shall be proportionately reduced to the extent of the working interest covered hereby.

H. Funds received by Operator under this agreement need not be segregated or maintained by it as a separate fund but may be co-mingled with its own funds.

I. This operating Agreement may be executed in any number of counterparts, each of which shall be binding on the parties so signing and may be combined into a single instrument for all purposes and treated as a single original.

J. Notwithstanding anything to the contrary herein contained, each party of this agreement shall have the right to present its position in all hearings, conferences and litigations affecting the Unit Area.

K. Non-Operators hereby 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 any statutes, rules, rulings, regulations, order or other pronouncement or any governmental authority relating to the classification of wells, or the pricing, allocation, production and/or marketing of oil, gas or other hydrocarbons or liquids or liquid products therefrom to the extent Operator's interpretations or application of such statutes, rules, rulings, regulations, orders or other pronouncements were made in good faith. Non-Operator's further agree to reimburse Operator for their proportionate share of any amounts Operator may be requited to refund, rebate or pay as a result of an incorrect interpretation or application of such statutes, rules, rulings, together with Non-Operator's proportionate part of interest and penalties owning by Operator as a result of such incorrect interpretation of application of such statutes, rules, regulations, orders or other pronouncements.

L. Without enlarging the Operator's obligations and liabilities as otherwise provided in this agreement, Operator shall:

(1) Attempt to conduct all operations under this agreement in accordance with industry approved safety standards and in compliance with governmental safety regulations and shall require the same of all contractors and subcontractors performing work hereunder;

(2) Maintain and require its contractors and subcontractors to maintain well control equipment in good operating conditions at all times;

(3) Use all reasonable means to control and prevent fires and blowouts, and to protect equipment and personnel;

(4) Notify each party as soon as practicable of all major accidents or occurrences resulting in injuries to its employees and employees of contractors or subcontractors or to third parties, or damage to property hereunder, and when requested shall furnish such parties with copies of all reports made in connection with such accidents or occurrences;

(5) Attempt to properly handle all oil, water, mud, and chemicals which may be used in or result from its operations hereunder and to attempt to prevent same from escaping. Operator shall attempt to comply with all governmental regulators relating to prevention and control of pollution, and shall attempt to take such additional measures as to prudent Operator would take under the same or similar circumstances as to protect the environment from pollution.

(6) It is specifically provided, however, that the costs and expenses incurred by Operator, with respect to operations under this agreement, in the absence of gross negligence or willful misconduct on the part of Operator, in respect to alleged or actual violations or breaches of, or failure to comply with, any Federal or State Laws, rules, regulations, whether by action or inaction of Operator, shall be joint operating expense and Operator, shall be protected and indemnified by the joint account against all such costs, expenses, liabilities and obligations.

M. Operator is authorized to take all reasonable action in any emergency situation at the joint expense of the parties without prior consent of the parties where such action is prudent in the circumstances in the interest of parties or the jointly owned properties subject to this agreement; provided, however, Operator shall promptly notify the parties as soon as reasonable possible of the development of such emergency situation and the action taken by it in the circumstances.

N. Anything to the contrary herein notwithstanding, the failure of any party to pay his pro rata share of the cost incurred in drilling, completing and equipping the initial test well shall subject that non-paying party's interest to the penalty provisions of Article VI B.1.2.(b) (ii) as though that party had failed and/or refused to consent to the initial drilling operations.

O. For any Assignment made amending the interest as set out on Exhibit "A" (or any amendment thereto), Operator shall charge each Assignee a fee of Two hundred fifty dollars ($250.00) to cover the cost associated with making such transfer.

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

IN WITNESS WHEREOF, this agreement shall be effective as of the 4th day of May, 2009.

Axis Onshore, LP, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles **IV,A; IV,B; V,D; VI,B; VI,E; VII,A; VII,B; VII,E; VIII,A; VIII,D; X; XV,A; XVI**, have been made to the form.

ATTEST OR WITNESS:

OPERATOR

AXIS ONSHORE, LP

By

JAMES P. RYAN
Type or print name

Title **PRESIDENT**

Date 5-4-09

Tax ID or S.S. No. **20-3169624**

NON-OPERATORS

PRYME OIL & GAS, INC.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

By

Type or print name

Title

Date

Tax ID or S.S. No.

ACKNOWLEDGMENTS

Note: The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Individual acknowledgment:

State of Louisiana)

) ss.

County of Concordia)

This instrument was acknowledged before me on May 1, 2009

James P. Ryan, President of Axis Onshore, LP

(Seal, if any)

Rita A. McManus

Title (and Rank) RITA A. McMANUS NOTARY PUBLIC # 59067 STATE OF LOUISIANA, CONCORDIA PARISH

My commission expires: AT MY DEATH

Acknowledgment in representative capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

_____ of _____.

(Seal, if any)

_____

Title (and Rank) _____

My commission expires: _____

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement (JOA) dated April 27, 2009, by and between AXIS ONSHORE, LP, as Operator, and GRIFFIN & GRIFFIN EXPLORATION, L.L.C., et al as Non-Operators

(1) Description of lands subject to this Agreement

KELLY HILL PROSPECT

T4N-R1W
Section 4: S/2 SW/4
Section 6: SE/4 SE/4
Section 15: NE/4 NE/4
Section 16: NW/4 NW/4

(2) Restrictions as to Depths

This Agreement shall cover those zones and formations lying between the surface of the Earth and the Base of the Wilcox Formation.

(3) & (4) Parties, and addresses thereof, and fractional interest subject to this Agreement.

	BCP	ACP
TriDimension Energy, LP AXIS Onshore, LP (Operator) 450 Texas St. Vidalia, LA 71373 Phone: 318-336-9881 Fax: 318-336-5167	.4571428	.4000000
Griffin & Griffin Exploration, L.L.C. 4800 1-55 North, Suite 210 Jackson, MS 39211 Attn: John Andrew Griffin Phone: 601-713-1146 Fax: 601-713-1175	.0000000	.1250000
Pryme Oil and Gas, Inc. 494 Bouldercrest Dr. Marietta, GA 30064 Attn: Ryan Messer Phone: 713-401-9806 ~~832-478-0607~~ Fax: 832-201-0936	.2857143	.2500000
Vital Oil Well Services, LLC 1526 Murray St. Vidalia, LA 71373 Attn: Jackie M. Ryan Phone: 318-336-3359 Fax: 318-336-4059	.0571429	.0500000

Moss Land Services, LLC 320 Ampacet Dr. DeRidder, LA 70634 Attn: David O'Neal Phone: Fax:	.0285714	.0250000
BritLind Resources, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX 75248 Attn: James P. Ryan Phone: 972-267-2104 Fax: 972-267-2089	.1142857	.1000000
Golden West Holdings, LLC 405 Texas St. Vidalia, LA 71373 Attn: Scott O'Neal Phone: 318-336-8812 Fax: 318-336-5137	.0571428	.050000
	1.0000000	1.0000000

TRIDIMENSION ENERGY, LP / AXIS ONSHORE, LP

Well:	Crosby 16-4 #1	TVD:	7,000' Ft	Drilling X	Workover AFE #
Field/Prospect:	Kelly Hill	MD:	Ft		
Parish/ State:	Wilkinson County, Mississippi	Est. Start Date:	1st Quarter '09	Facility X	P&A
Description:	Section 16, T4N – R1W				

Code		Drlg $/day	Cased $/day	DRILL COST	CASED COST	COMP. COST	TOTAL COST
INTANGIBLE ESTIMATE							
01	Land, legal and leases			$25,000			$25,000
02	Regulatory / I Permits / Bonds			$1,500			$1,500
03	Damages			$3,000			$3,000
04	Location Preparation/Construction/Survey/right of way			$15,000			$15,000
05	Location Clean-Up			$5,000			$5,000
06	Prospect Generation and Geological						$0
07	Rig Costs: Turnkey						$0
08	Rig Costs: Footage 7,000 feet @ $ 31.00/ft			$217,000			$217,000
09	Rig Costs: Daywork						$0
10	Well Service Unit						$0
11	Water / Water Well			$3,000			$3,000
12	Fuel			$7,000			$7,000
13	Hammer/Casing/Laydown Svc.			$1,500			$1,500
14	Bits			N/C			$0
15	Stab's, Reamers, Hole Openers						$0
16	Contract Welding			$2,000			$2,000
17	Mud & Chemicals / Completion Fluids			$15,000			$15,000
18	Mud Engineering			$700			$700
19	Cement & Cementing Svcs			$7,500			$7,500
20	Rentals - Surface wellhead			$1,500			$1,500
21	Rentals - Downhole						$0
22	Directional Tools / Service / MWD						$0
23	Mud Logging Days						$0
24	Open Hole Evaluation / LWD			$15,000			$15,000
25	Geological Supervision			$2,500			$2,500
26	Core Analysis			$3,000			$3,000
27	Communications						$0
28	Wellsite Supervision						$0
29	Contract Labor Casing Crew			$1,500			$1,500
30	Cementer / Tools						$0
31	Dispatcher						$0
32	Surface Casing 9 5/8" 36lbs. 500'			$15,000			$15,000
33	Trucking / Freight Mob $23,000 Demob $23,000			$23,000			$23,000
34	Marine Transportation						$0
35	Fishing Services						$0
36	Gyro/ Multishot Surveys						$0
37	Environmental Costs						$0
38	Cased Hole logging / Perforating						$0
39	Acidizing / Fracturing						$0
40	Sand Control						$0
41	Coil Tubing / Wireline Service						$0
42	Well Testing						$0
43	Tubular Inspections / Tstg						$0
44	Administrative Overhead			$1,500			$1,500
45	Well Control Insurance						$0
46	In-House Engineering						$0
47	Rig Supplies						$0
48	Contingencies refundable						$0
90	P&A $20,000						$0
	TOTAL INTANGIBLE ESTIMATE			$366,200	$0	$0	$366,200

TANGIBLE ESTIMATE w/ Taxes		Size	Ftg	$/Ft						
01	Drive Pipe / Caisson									$0
02	Conductor Casing									$0
03	Surface Casing									$0
04	Intermediate Casing									$0
05	Drilling Liner									$0
06	Production Casing / Liner Price as per 1/1/09									$0
07	Tieback Casing									$0
08	Liner Hanger / Whipstocks/ Tieback									$0
09	Tubing									$0
09	Rods									$0
10	Packer Downhole pump									$0
11	Wellhead Equipment Pumping Unit Or gas hookup									$0
12	Flowlines / Pipelines									$0
13	Tanks									$0
14	Production Treatment Equipment									$0
15	Roustabout									$0
	TOTAL TANGIBLE ESTIMATE							$0	$0	$0	$0
	TOTAL COST ESTIMATE							$366,200	$0	$0	$366,200

Date:

Partner Pryme Oil and Gas, Inc.

Signature

Working Interest 28.57143%

$104,628.58	$0.00	$0.00	$104,628.58

Producers 88 (9/70)-Paid Up
With Pooling Provision
Mississippi-Alabama-Florida

This instrument was prepared by:

Indexing instructions:

After recordation return to:

EXHIBIT "B"

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this _____, _____ day of _____, _____, between

lessor (whether one or more), whose address is: _____

and _____ lessee, WITNESSETH:

1. Lessor, in consideration of TEN DOLLARS ($10.00) AND OTHER VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, power lines, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the

County of _____, State of _____, and is described as follows:

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose

of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain _____ acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights, and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of _____ years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar ($1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing gas or any other mineral covered hereby, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to one dollar ($1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this sub-paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, or may be deposited to such parties credit in the

_____ Bank at _____, or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize all or any part of said land and of this lease as to any or all minerals or horizons thereunder, with other lands, lease or leases, or a portion or portions thereof, or mineral or horizon thereunder, so as to establish units containing not more than 80 surface acres plus 10% acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than 640 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. If larger units are required, under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable, from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged, to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee from time to time, and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith and any such unit may include any well to be drilled, being drilled or already completed. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be land or mineral, royalty or leasehold interests in land within the unit which are not pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of such unit shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. A unit may be so established, modified or dissolved during the life of this lease.

5. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest.

6. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated except as otherwise provided herein, to commence or continue any operations during the primary term. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless, pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9 In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. Should it be asserted in any notice given to the lessee under the provisions of this paragraph that lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which lessee has been judicially determined to be in default. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less that forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained

10 Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. Lessee is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to lessor. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11 If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial), beyond the reasonable control of lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

_____ _____ (SEAL)

_____ _____ (SEAL)

_____ _____ (SEAL)

_____ _____ (SEAL)

JOINT OR SINGLE ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF _____

COUNTY OF _____

I hereby certify, that on this day, before me, a NOTARY PUBLIC duly authorized in the state and county aforesaid to take acknowledgments, personally apppeared

to me known to be the person(s) described in and who executed the foregoing instrument and he/she/they acknowledged before me that, being informed of the contents of the same, he/she/they voluntarily signed and delivered the within and foregoing instrument on the day and year therein mentioned.

Given under my hand and official seal, this _____ day of _____, A. D., _____

(Affix Seal)

_____

_____
(Title of Official)

My commission expires _____ in and for _____ County, _____

WITNESS ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF _____

COUNTY OF _____

I, a NOTARY PUBLIC in and for the aforesaid jurisdiction, hereby certify that _____

a subscribing witness to the foregoing instrument, known to me, appeared before me on this day, and being sworn, stated that

the grantor(s), having been informed of the contents thereof, voluntarily executed and delivered the same in his presence, and in the presence of the other subscribing witness, on the day the same bears date: that he attested the same in the presence of the grantor(s), and of the other witness, and that such other witness subscribed his name as a witness in his presence.

_____
(subscribing Witness)

Given under my hand and official seal, this _____ day of _____, _____

(Affix Seal)

_____

_____
(Title of Official)

My commission expires _____ in and for _____ County, _____

EXHIBIT " C "
ACCOUNTING PROCEDURE
JOINT OPERATIONS

Attached to and made part of that certain Joint Operating Agreement dated April 27, 2009 by & between Axis Onshore, LP, as Operator and Griffin & Griffin Exploration, LLC et al as Non-Operator.

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.

"Agreement" means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting Procedure is attached.

"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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

"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; debarkation 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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 ~~fifteen (15) days~~ Thirty (30) 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 it 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 Material*), 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

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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-Operator participants 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 (1) 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.5.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

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 ~~_____ (_____) or more~~ Parties, one of which is the Operator, having a combined working interest of at least fifty-one percent (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 MFI-37 ("Chargeability of Incentive Compensation Programs"), for:

(1) Operator's field employees / or consultants 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 / or consultants providing First Level Supervision,

(4) Operator's employees / or consultants 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 / or consultants 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 / customary rates for consulting services ~~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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 ____twelve____ percent (___12___%) per annum; provided, however, depreciation shall not be charged when the

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 such Affiliate's goods and services billed to such individual project do not exceed $_____ 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 $_____ 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.

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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 MFI-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

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

- 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.

1. 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, recompletion, 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) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month $ 7,500.00 (prorated for less than a full month)

Producing Well Rate per month $ 600.00

(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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

(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 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 _____ 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 _____ 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] expenditures 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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 I.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.

(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-38 ("Material Pricing Manual") and other COPAS MFIs 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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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 (i) is 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 I.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").

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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.
- 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*).
- 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.
- 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.

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

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*).

COPYRIGHT © 2005 by Council of Petroleum Accountants Societies, Inc. (COPAS)

EXHIBIT "D"

TO JOINT OPERATING AGREEMENT

INSURANCE REQUIREMENTS

A. The Operator shall carry the following minimum insurance to cover the risk of accidents and/or damages to persons and/or property which may occur in the course of operations conducted under this agreement, a proportionate part of the premiums on such insurance, determined on some equitable basis consistent with Operator's accounting practice, to be charged to the Joint Account:

1. Worker's Compensation Coverage – In compliance with the Applicable Law of the states having jurisdiction over each employee and employer's liability coverage.
2. Employer's Liability Insurance – Limits of not less than $1,000,000.
3. Comprehensive General Liability in the amount of $1,000,000 for injury or 3rd party property damage per accident / occurrence.
4. Automobile Insurance in a minimum amount of $1,000,000 per occurrence / accident.
5. Umbrella Liability in the minimum amount of $10,000,000 which overlaps each of the above policies.

B. Operator Maintains Operator's Expense Insurance including coverage for Cost of Well Control for a Combined Single Limit of $10,000,000. Any Non-Operator party to this agreement will be included in this insurance. Should a Non-Operator elect not to participate in this insurance, the Non-Operator must acknowledge the election not to participate in writing.

C. In the event a Non-Operator elects not to participate in the Operator's Insurance, as outlined above, the Non-Operator, shall, prior to commencement of operations, furnish Operator with a Certificate of Insurance therefore as evidence that such insurance coverage is maintained by Non-Operator in amounts not less than those maintained by the Operator.

D. Losses for which no insurance is required to be carried or in excess of the limits set forth above, shall be borne by the parties in proportion to their respective interests herein and shall be charged to the Joint Account.

E. Non-Operators shall be named as additional insured for all insurance coverage which Operator carries for the Joint Account, unless otherwise notified as stated above.

AAPL – FORM 610RS – 1989

MODEL FORM RECORDING SUPPLEMENT TO OPERATING AGREEMENT AND FINANCING STATEMENT

THIS AGREEMENT, entered into by and between AXIS ONSHORE, LP, hereinafter referred to as "Operator," and the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

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" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on Exhibit "A";

WHEREAS, the parties hereto have executed an Operating Agreement dated APRIL 27, 2009 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.

2. The parties do hereby agree that:

   A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do hereby commit such Leases and Interests to the performance thereof.

   B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this agreement.

   C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.

   D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on Exhibit "A," all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.

   E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.

   F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.

   G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers.

      This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

   H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of non-participation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.

November 5, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Dr.
Marietta, GA 30064

Attn: Ryan Messer

RE: Participation Agreement
Saukum Prospect
Wilkinson County, Mississippi

When executed by you, it will evidence an agreement whereby Pryme Oil and Gas, Inc. (PRYME) agrees to participate in the referenced prospect operated by AXIS Onshore, LP (AXIS). The terms of this agreement are as follows:

I. On or before November 15, 2009, AXIS shall drill a well (the initial well) in the above Prospect at a location of its choosing in Section 31, T3N-R1E. Said well shall be drilled to a depth sufficient to test the Wilcox Formation.

II. Pryme agrees to participate in the drilling of the initial well in the above Prospect with a 25% working interest.

III. Saukum Prospect shall be described as comprising the following described property situated in Wilkinson County, Mississippi:

T3N-R1E
Section 31: SE/4 NW/4, SW/4 NE/4, S/2 NE/4 NW/4, S/2 NW/4 NE/4, N/2 NE/4 SW/4 and N/2 NW/4 SE/4

IV. AXIS has secured an agreement with Griffin and Griffin Exploration, Inc. (G&G), the leaseholder of the location of the initial well, whereby G&G will contribute the oil, gas and mineral lease for a 28.57143% carried interest until casing point of the initial well drilled.

V. Pryme hereby agrees to pay 25% of the cost of drilling the initial well to casing point PLUS its proportionate share of the carried interest of G&G. Pryme's interest to casing point, of the initial well, to be 28.57143%. Pryme's interest after casing point of the initial well will be 25%.

VI. Pryme's interest will be 25% in any subsequent wells drilled in Saukum Prospect.

VII. For the leasehold interests included in the Saukum Prospect, heretofore or subsequently acquired by AXIS, Pryme shall pay to AXIS 25% of the actual cost incurred by AXIS in securing the leasehold interests.

VIII. Upon receipt of an Assignment of Oil and Gas Lease, AXIS will assign to Pryme an undivided 25% interest in and to lease(s) covering land within the referenced Prospect. The net revenue interest (NRI) assigned will be the same as received by AXIS.

IX. All operations shall be governed by the Joint Operating Agreement by and between AXIS Onshore, LP, as Operator and Griffin & Griffin Exploration, LLC, et al, as Non-Operators designated as "Kelly Hill Prospect" heretofore executed by the parties hereto.

X. This Participation Agreement shall cover those zones and horizons lying from the surface of the Earth to the Base of the Wilcox Formation.

XI. Pryme will have the right, but not the obligation, to participate in with a 25% working interest on any prospect defined on the acreage, including any extension, covered by the JDA with G&G. Said 25% working interest will be subject to any carried interest defined in the JDA with G&G.

Should you need any additional information, please do not hesitate to contact me.

Sincerely yours,

AXIS ONSHORE, LP

Jimmy Nugent
Division Manager

AGREED TO AND ACCEPTED

PRYME OIL AND GAS, INC.

BY: _____

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

February 19, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Dr.
Marietta, GA 30064

Attn: Ryan Messer

RE: Axis Onshore, LP
10 Wilcox Well Program

Dear Ryan,

Enclosed please find the following concerning the above references Program:

1. Two (2) originals of the Exploration Agreement.
2. The Joint Operating Agreement covering all wells drilled under this Program, along with extra signature and acknowledgment pages.
3. An original and one (1) copy of the AFEs covering the estimated cost of the drilling of the first three (3) wells of our program.
4. An invoice for Pryme's lease cost and Dry Hole cost for the first three (3) wells.

Please have one (1) original of the Exploration Agreement, the extra signature page of the JOA and the original AFEs executed on behalf of Pryme Oil and Gas, Inc. and return them to me.

We will forward the amended Exhibit "A" to the JOA and AFEs for the next successive three (3) wells to be drilled under this agreement before spudding of the 4th well.

If you need any additional information. please give me a call.

Sincerely yours,

AXIS ONSHORE, LP

Jimmy Nugent
District Land Manager

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

TO: Pryme Oil and Gas, Inc.
1001 Texas Ave, Suite 1400
Houston, TX 77002

DATE: 2/4/2009
INVOICE NO.: 2-09-3001

TO INVOICE YOU FOR YOUR SHARE OF LEASE COST AND ESTIMATED DRILLING COST TO CASING POINT FOR THE FOLLOWING PROSPECTS:

COPPER RIVER PROSPECT (WEYERHAEUSER 23-5 #1)

	100% COSTS	YOUR 25% SHARE
LEASE COSTS	$ 7,997.75	$ 1,999.44
ESTIMATED COST TO C.P.	165,450.00	41,362.50
		$ 43,361.94

SANDY CREEK PROSPECT (WEYERHAEUSER 8-14 #1)

	100% COSTS	YOUR 25% SHARE
LEASE COSTS	$ 7,993.00	$ 1,998.25
ESTIMATED COST TO C.P.	171,500.00	42,875.00
		$ 44,873.25

SUNNYSIDE PROSPECT (HALL #1)

	100% COSTS	YOUR 25% SHARE
LEASE COSTS	$ 39,042.70	$ 9,760.68
ESTIMATED COST TO C.P.	254,600.00	63,650.00
		$ 73,410.68

TOTAL INVOICE **$ 161,645.86**

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

February 4, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Drive
Marietta, GA 30064

Attn: Mr. Ryan Messer

RE: Exploration Agreement
Area of Mutual Interest

Copper River Prospect, Sandy Creek Prospect, Winn Parish, Louisiana
North Natchez Prospect, Adams County, Mississippi
Sunnyside Prospect, Jefferson County, Mississippi
NE Point Breeze Prospect, West Lismore Landing Prospect, Concordia Parish, Louisiana
Wallace Lake Prospect, North Larto Lake Prospect, West Larto Lake Prospect, Larto Lake Prospect, Catahoula Parish, Louisiana

When executed by you in the manner provided below, this Exploration Agreement ("Agreement") will evidence an agreement between AXIS Onshore, LP (hereinafter referred to as "AXIS") and Pryme Oil and Gas, Inc. (hereinafter referred to as Pryme or "Participant") covering the above referenced Area of Mutual Interest ("AMI"). The terms of this Agreement are as follows:

I. **EXHIBITS**

The following exhibits are attached hereto and made a part of this Agreement:

A. Exhibit A to Exploration Agreement

Copy of the Authority for Expenditures (AFE) dated February 4, 2009

B. Exhibit B to Exploration Agreement

AAPL 610-1989 Model Form Operating Agreement dated February 4, 2009 (JOA) with Exhibits by and between AXIS Onshore, LP (sometimes hereinafter referred to as "Operator") and the parties who are identified therein as Non-Operators (sometimes hereinafter referred to as "Participants"). The JOA shall cover all

operations conducted pursuant to this Agreement; provided, however, in the event of any conflict or inconsistency between any of the terms of the JOA and this Agreement, this Agreement shall prevail.

C. Exhibit A-1 to JOA

Plat depicting the Area of Mutual Interest ("AMI") for the above referenced prospects and AXIS' lease position in the Prospects.

D. Exhibit A-5 to JOA

Lease Schedule containing description of Oil, Gas and Mineral Leases (the "Leases") owned by AXIS Onshore, LP as of February 4, 2009 covering lands located within the AMI.

II. AGREEMENT TO CONVEY INTEREST IN LEASES

A. For and in consideration of the receipt of $13,758.36, by AXIS from Pryme, and subject to the terms, provisions and conditions herein contained, AXIS agrees, within thirty (30) days of a written request by Pryme and only after the initial well has been drilled, to assign to Pryme 18.75% of 8/8ths interest in an to the Leases purchased in the above named prospects. It is understood that the above payment represents lease costs for the first three (3) Prospects to be drilled under this agreement. Upon request by AXIS, and prior to the spudding of the fourth (4th) Test Well, Pryme will pay its estimated cost of leases for the next three (3) Prospects to be drilled under this Agreement. Said payment shall be due and payable upon receipt of Pryme of an invoice evidencing said payment is due.

B. ~~AXIS shall deliver to Participant an assignment of an undivided 18.75% interest in and to leases purchased in each of the prospects covered hereby. The oil, gas and mineral leases and interest to be assigned shall provide and AXIS agrees to deliver a seventy-five percent (75%) net revenue interest lease. In the event the leasehold burdens are equal to or greater than 25%, the net revenue interest assigned will be 100% less the lease burden~~. See Amendment #1 attached hereto.

C. Exhibit A-5 to the JOA list the respective Net Revenue Interests in the Leases after the deduction of the royalty burdens set forth in Section II (B) of this Agreement.

D. Any additional leases acquired after February 4, 2009 shall be subject to Article XVI (G) "Area of Mutual Interest" of the JOA attached hereto as Exhibit "B" and billable to participants in accordance with the terms set forth in said Article XVI (G) of the JOA, i.e. actual cost. Any additional leases shall also be subject to Article II (B) of this Exploration Agreement.

III. AXIS ONSHORE, LP AS TRUSTEE OR AGENT

Article XVI, Section Q of the JOA attached hereto as Exhibit "B" states that parties owning less than 5% of 8/8ths interest must appoint a single Trustee or Agent to receive notices, approve expenditures, etc. on their behalf. Therefore, participants

who own less than 5% of 8/8ths interest, hereby appoint AXIS their Trustee or Agent. AXIS shall use its best efforts to keep all participants advised and will handle matters for and on behalf of Participant. However, any Participant who owns less than 5% of 8/8ths may be able to appoint another Trustee or Agent by giving written notice to AXIS.

IV. TEST WELLS

A. Pryme agrees to participate in the drilling of the Test Wells. "Test Wells" means the first well that is proposed and drilled in each AMI. The Test Wells shall be drilled to a depth sufficient to evaluate the prospective zones of the Wilcox Formation as more fully defined in the drilling prospectus previously provided.

B. The Test Wells shall be drilled by a reputable Drilling Contractor. A copy of the Drilling Contract will be furnished to Participant upon request.

C. If it is determined by the Operator that any of the "Test Wells" shall be deepened below the "Contract Depth" to evaluate zones below the Wilcox Formation for future development, participants shall be notified and presented with an AFE (estimated cost to deepen). Participants will then be provided twenty-four (24) hours, if there is a rig on location, to make an election. In the event Participant elects NOT to participate in the deepening operations, said Participant shall forfeit any and all right, title and interest in and to said deeper prospect.

V. SUBSTITUTE TEST WELL

A. If the Test Well is abandoned prior to reaching Contract Depth due to heaving shale, salt water flow, rock salt, dome formation, lost circulation, impenetrable formation, mechanical difficulty or other conditions rendering further drilling impractical, any party who participated in drilling the Test Well shall have the option, but not the obligation, to propose and drill a substitute well (hereinafter referred to a "Substitute Test Well"). The parties who participate in drilling the Test Well shall have to right to participate in drilling the Substitute Test Well by following the same procedure and the same elections set forth in Section VI of this Agreement for the Test Well.

VI. COST OF THE TEST WELL

A. The cost to Pryme for all operations necessary to drill the Test Well and any Substitute Test Well to Contract Depth, conduct all open hole evaluation procedures (plug and abandon the Test Well and restore the drill site if no completion is attempted) shall be based upon an interest of 25% of 8/8ths of the actual costs, in addition to the applicable overhead rate per the COPAS provisions of the JOA (attached as Exhibit "B" to this Exploration Agreement). Pryme's proportionate share of the estimated cost to drill the Test Well (inclusive of the promote) is $147,887.50 and shall be due and payable contemporaneously with the execution of this Agreement. This payment shall cover the first three (3) Test Wells to be drilled under this Agreement. Upon request by AXIS, and prior to the spudding of the fourth (4th) Test Well, Pryme will pay its estimated cost of drilling to casing point of the next three (3) successive Test Wells to be drilled

under this Agreement. Said payment shall be due and payable upon receipt of Pryme of an invoice evidencing said payment is due.

B. A copy of the Authority of Expenditure (AFE) for the drilling of the test well is attached as Exhibit "A" to this Exploration Agreement. Said AFE denotes actual estimated cost, nonpromoted. Per VI (C) below, Participant acknowledges that there is a 25% promote which provides that AXIS Onshore, LP (AXIS), or it's designee, is carried for 25% of 8/8ths of the costs of drilling, completing and producing the Test Well or any Substitute Test Well, until payout, at which time Pryme's interest will decrease from 25% to 18.75%.

C. The cost to Pryme for completing and equipping the Test Well and any Substitute Test Well shall be 25% of 8/8ths of the actual costs plus the applicable overhead rate per the COPAS provisions of the JOA attached as Exhibit "B" to this Exploration Agreement.

VII. PARTICIPATION BY OTHER PARTIES

In the event that there are any persons who are not parties to the JOA who own working interest in the drilling unit for the Test Well and who choose to participate for a proportionate share of the drilling and completion costs, the cost and working interest to Pryme of drilling or completing the Test Well shall be proportionately reduced to reflect the actual interest of Pryme. The overriding royalty interest to AXIS shall also be proportionately reduced insofar as it affects the interest of Pryme. This shall also hold true for any subsequent wells drilled within the AMI.

VIII. COST OF SUBSEQUENT/DEVELOPMENT WELLS

For any well(s) drilled after the drilling of the Test Well and any Substitute Test Well within the AMI areas in which Pryme participates, Pryme's share of costs shall be 18.75% of 8/8ths of the actual costs (i.e. no promote) subject to the terms of the JOA and shall be subject to those certain reservations as found in Section II and Section V.

IX. OPERATING AGREEMENT

Simultaneously with the execution of this Agreement, Operator and Participants shall execute the Joint Operating Agreement (JOA) with Exhibits A through G, attached hereto as Exhibit "B", which is applicable to all operations hereunder. AXIS shall be designated as Operator in said JOA. In the event of a conflict between the terms and provisions of this Agreement and the JOA, this Agreement shall prevail.

X. INFORMATION TO BE FURNISHED

Operator shall notify Participants when actual drilling of a Test Well is commenced and shall, upon request, furnish Participants with copies of all regulatory permits for both the Louisiana Office of Conservation & Mississippi State Oil and Gas Board. During the drilling of any of the Test Well, Participants' duly authorized representatives shall have access, at their own risk, at all times to the derrick floor and shall be given any available information requested regarding the well, including daily drilling reports, Monday through Friday, and sufficient notice pursuant to the

JOA of all tests or the running of a log in order for Participants to have representatives present, if so desired.

XI. INSURANCE

At all times while conducting operations under this Agreement, Operator shall carry or cause to be carried for the benefit account of the Participants (who elect to be covered and who pay their prorata share of the insurance costs), insurance coverage as provided for on Exhibit "D" to the JOA.

XII. AREA OF MUTUAL INTEREST

The provisions of the JOA relating to all the AMIs shall apply and are herein incorporated by reference.

XIII. PROVISION CONCERNING TAXATION

The provisions of the JOA related to taxation and liability of parties shall apply and are herein incorporated by reference and nothing in this agreement or in any of the exhibits attached hereto is intended to create or shall it be deemed to create a joint venture or a mining or other partnership of any kind, or to provide for or create any joint liability.

XIV. NOTICES

All notices, proposals, reports and other communication given under this Agreement shall be sent to the parties at the following addresses:

Pryme Oil and Gas, Inc.	AXIS Onshore, LP
494 Bouldercrest Drive	405 Texas Street
Marietta, GA 30064	Vidalia, LA 71373
832-478-8607 Office	318-336-9881 Office
832-201-0936 Fax	318-336-5167 Fax

and to such other addressees as the parties may designate in writing, notices, etc. may be sent by mail, fax or expedited delivery service. Any notice, etc. shall be deemed to be received by the addressee on the day after it is actually sent.

XV. ASSIGNMENTS

The form of assignment(s) shall be mutually agreed upon, and AXIS shall be responsible for all filing and recordation and the obtaining of all necessary approvals and/or consents to the assignment(s).

XVI. HEIRS, SUCCESSORS, AND ASSIGNS

Any assignment or transfer of an interest under this Agreement shall be expressly made subject to this Agreement and the JOA. In any such assignment, the assigning party shall furnish its assignee with a copy of this Agreement and all exhibits

attached thereto, and the assignee(s) shall agree to assume and be bound by the terms and provisions hereof.

XVII. **CONTROLLING LAW**

This Agreement and the parties' rights and obligations under it shall be governed by the Laws of the State of Louisiana.

XVIII. **EFFECT OF PARAGRAPH HEADINGS**

The headings of the paragraphs herein have been used for convenience only and shall not be used in construing the provisions of this Agreement.

XIX. **EFFECTIVE DATE**

This Agreement shall be effective for all purposes as of February 4, 2009, regardless of the date of its actual execution.

XX. **ACCEPTANCE**

This Agreement shall not be binding upon AXIS until Pryme shall indicate its acceptance of the terms and provisions herein contained by executing in the space provided below and returning one (1) copy of this Agreement along with the Joint Operating Agreement (JOA) to AXIS Onshore, LP's office, along with a check covering the consideration described in Section II hereof, on or before February 4, 2009. This Agreement may be executed in multiple counterparts, all of which taken together shall constitute one (1) Agreement.

Sincerely,

AXIS ONSHORE, LP

By: _____
James P. Ryan
President

AGREED TO AND ACCEPTED THIS 18TH DAY OF FEBRUARY, 2009.

PRYME OIL AND GAS, INC.

By: _____
Ryan Messer

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

February 4, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Drive
Marietta, GA 30064

Attn: Mr. Ryan Messer

RE: Exploration Agreement
Area of Mutual Interest

Copper River Prospect, Sandy Creek Prospect, Winn Parish, Louisiana
North Natchez Prospect, Adams County, Mississippi
Sunnyside Prospect, Jefferson County, Mississippi
NE Point Breeze Prospect, West Lismore Landing Prospect, Concordia Parish, Louisiana
Wallace Lake Prospect, North Larto Lake Prospect, West Larto Lake Prospect, Larto Lake Prospect, Catahoula Parish, Louisiana

When executed by you in the manner provided below, this Exploration Agreement ("Agreement") will evidence an agreement between AXIS Onshore, LP (hereinafter referred to as "AXIS") and Pryme Oil and Gas, Inc. (hereinafter referred to as Pryme or "Participant") covering the above referenced Area of Mutual Interest ("AMI"). The terms of this Agreement are as follows:

I. **EXHIBITS**

The following exhibits are attached hereto and made a part of this Agreement:

A. Exhibit A to Exploration Agreement

Copy of the Authority for Expenditures (AFE) dated February 4, 2009

B. Exhibit B to Exploration Agreement

AAPL 610-1989 Model Form Operating Agreement dated February 4, 2009 (JOA) with Exhibits by and between AXIS Onshore, LP (sometimes hereinafter referred to as "Operator") and the parties who are identified therein as Non-Operators (sometimes hereinafter referred to as "Participants"). The JOA shall cover all

operations conducted pursuant to this Agreement; provided, however, in the event of any conflict or inconsistency between any of the terms of the JOA and this Agreement, this Agreement shall prevail.

C. Exhibit A-1 to JOA

Plat depicting the Area of Mutual Interest ("AMI") for the above referenced prospects and AXIS' lease position in the Prospects.

D. Exhibit A-5 to JOA

Lease Schedule containing description of Oil, Gas and Mineral Leases (the "Leases") owned by AXIS Onshore, LP as of February 4, 2009 covering lands located within the AMI.

II. AGREEMENT TO CONVEY INTEREST IN LEASES

A. For and in consideration of the receipt of $13,758.36, by AXIS from Pryme, and subject to the terms, provisions and conditions herein contained, AXIS agrees, within thirty (30) days of a written request by Pryme and only after the initial well has been drilled, to assign to Pryme 18.75% of 8/8ths interest in an to the Leases purchased in the above named prospects. It is understood that the above payment represents lease costs for the first three (3) Prospects to be drilled under this agreement. Upon request by AXIS, and prior to the spudding of the fourth (4th) Test Well, Pryme will pay its estimated cost of leases for the next three (3) Prospects to be drilled under this Agreement. Said payment shall be due and payable upon receipt of Pryme of an invoice evidencing said payment is due.

B. AXIS shall deliver to Participant an assignment of an undivided 18.75% interest in and to leases purchased in each of the prospects covered hereby. The oil, gas and mineral leases and interest to be assigned shall provide and AXIS agrees to deliver a seventy-five percent (75%) net revenue interest lease. In the event the leasehold burdens are equal to or greater than 25%, the net revenue interest assigned will be 100% less the lease burden.

C. Exhibit A-5 to the JOA list the respective Net Revenue Interests in the Leases after the deduction of the royalty burdens set forth in Section II (B) of this Agreement.

D. Any additional leases acquired after February 4, 2009 shall be subject to Article XVI (G) "Area of Mutual Interest" of the JOA attached hereto as Exhibit "B" and billable to participants in accordance with the terms set forth in said Article XVI (G) of the JOA, i.e. actual cost. Any additional leases shall also be subject to Article II (B) of this Exploration Agreement.

III. AXIS ONSHORE, LP AS TRUSTEE OR AGENT

Article XVI, Section Q of the JOA attached hereto as Exhibit "B" states that parties owning less than 5% of 8/8ths interest must appoint a single Trustee or Agent to receive notices, approve expenditures, etc. on their behalf. Therefore, participants

who own less than 5% of 8/8ths interest, hereby appoint AXIS their Trustee or Agent. AXIS shall use its best efforts to keep all participants advised and will handle matters for and on behalf of Participant. However, any Participant who owns less than 5% of 8/8ths may be able to appoint another Trustee or Agent by giving written notice to AXIS.

IV. TEST WELLS

A. Pryme agrees to participate in the drilling of the Test Wells. "Test Wells" means the first well that is proposed and drilled in each AMI. The Test Wells shall be drilled to a depth sufficient to evaluate the prospective zones of the Wilcox Formation as more fully defined in the drilling prospectus previously provided.

B. The Test Wells shall be drilled by a reputable Drilling Contractor. A copy of the Drilling Contract will be furnished to Participant upon request.

C. If it is determined by the Operator that any of the "Test Wells" shall be deepened below the "Contract Depth" to evaluate zones below the Wilcox Formation for future development, participants shall be notified and presented with an AFE (estimated cost to deepen). Participants will then be provided twenty-four (24) hours, if there is a rig on location, to make an election. In the event Participant elects NOT to participate in the deepening operations, said Participant shall forfeit any and all right, title and interest in and to said deeper prospect.

V. SUBSTITUTE TEST WELL

A. If the Test Well is abandoned prior to reaching Contract Depth due to heaving shale, salt water flow, rock salt, dome formation, lost circulation, impenetrable formation, mechanical difficulty or other conditions rendering further drilling impractical, any party who participated in drilling the Test Well shall have the option, but not the obligation, to propose and drill a substitute well (hereinafter referred to a "Substitute Test Well"). The parties who participate in drilling the Test Well shall have to right to participate in drilling the Substitute Test Well by following the same procedure and the same elections set forth in Section VI of this Agreement for the Test Well.

VI. COST OF THE TEST WELL

A. The cost to Pryme for all operations necessary to drill the Test Well and any Substitute Test Well to Contract Depth, conduct all open hole evaluation procedures (plug and abandon the Test Well and restore the drill site if no completion is attempted) shall be based upon an interest of 25% of 8/8ths of the actual costs, in addition to the applicable overhead rate per the COPAS provisions of the JOA (attached as Exhibit "B" to this Exploration Agreement). Pryme's proportionate share of the estimated cost to drill the Test Well (inclusive of the promote) is $147,887.50 and shall be due and payable contemporaneously with the execution of this Agreement. This payment shall cover the first three (3) Test Wells to be drilled under this Agreement. Upon request by AXIS, and prior to the spudding of the fourth (4th) Test Well, Pryme will pay its estimated cost of drilling to casing point of the next three (3) successive Test Wells to be drilled

under this Agreement. Said payment shall be due and payable upon receipt of Pryme of an invoice evidencing said payment is due.

B. A copy of the Authority of Expenditure (AFE) for the drilling of the test well is attached as Exhibit "A" to this Exploration Agreement. Said AFE denotes actual estimated cost, nonpromoted. Per VI (C) below, Participant acknowledges that there is a 25% promote which provides that AXIS Onshore, LP (AXIS), or it's designee, is carried for 25% of 8/8ths of the costs of drilling, completing and producing the Test Well or any Substitute Test Well, until payout, at which time Pryme's interest will decrease from 25% to 18.75%.

C. The cost to Pryme for completing and equipping the Test Well and any Substitute Test Well shall be 25% of 8/8ths of the actual costs plus the applicable overhead rate per the COPAS provisions of the JOA attached as Exhibit "B" to this Exploration Agreement.

VII. PARTICIPATION BY OTHER PARTIES

In the event that there are any persons who are not parties to the JOA who own working interest in the drilling unit for the Test Well and who choose to participate for a proportionate share of the drilling and completion costs, the cost and working interest to Pryme of drilling or completing the Test Well shall be proportionately reduced to reflect the actual interest of Pryme. The overriding royalty interest to AXIS shall also be proportionately reduced insofar as it affects the interest of Pryme. This shall also hold true for any subsequent wells drilled within the AMI.

VIII. COST OF SUBSEQUENT/DEVELOPMENT WELLS

For any well(s) drilled after the drilling of the Test Well and any Substitute Test Well within the AMI areas in which Pryme participates, Pryme's share of costs shall be 18.75% of 8/8ths of the actual costs (i.e. no promote) subject to the terms of the JOA and shall be subject to those certain reservations as found in Section II and Section V.

IX. OPERATING AGREEMENT

Simultaneously with the execution of this Agreement, Operator and Participants shall execute the Joint Operating Agreement (JOA) with Exhibits A through G, attached hereto as Exhibit "B", which is applicable to all operations hereunder. AXIS shall be designated as Operator in said JOA. In the event of a conflict between the terms and provisions of this Agreement and the JOA, this Agreement shall prevail.

X. INFORMATION TO BE FURNISHED

Operator shall notify Participants when actual drilling of a Test Well is commenced and shall, upon request, furnish Participants with copies of all regulatory permits for both the Louisiana Office of Conservation & Mississippi State Oil and Gas Board. During the drilling of any of the Test Well, Participants' duly authorized representatives shall have access, at their own risk, at all times to the derrick floor and shall be given any available information requested regarding the well, including daily drilling reports, Monday through Friday, and sufficient notice pursuant to the

JOA of all tests or the running of a log in order for Participants to have representatives present, if so desired.

XI. **INSURANCE**

At all times while conducting operations under this Agreement, Operator shall carry or cause to be carried for the benefit account of the Participants (who elect to be covered and who pay their prorata share of the insurance costs), insurance coverage as provided for on Exhibit "D" to the JOA.

XII. **AREA OF MUTUAL INTEREST**

The provisions of the JOA relating to all the AMIs shall apply and are herein incorporated by reference.

XIII. **PROVISION CONCERNING TAXATION**

The provisions of the JOA related to taxation and liability of parties shall apply and are herein incorporated by reference and nothing in this agreement or in any of the exhibits attached hereto is intended to create or shall it be deemed to create a joint venture or a mining or other partnership of any kind, or to provide for or create any joint liability.

XIV. **NOTICES**

All notices, proposals, reports and other communication given under this Agreement shall be sent to the parties at the following addresses:

Pryme Oil and Gas, Inc.	AXIS Onshore, LP
494 Bouldercrest Drive	405 Texas Street
Marietta, GA 30064	Vidalia, LA 71373
832-478-8607 Office	318-336-9881 Office
832-201-0936 Fax	318-336-5167 Fax

and to such other addressees as the parties may designate in writing, notices, etc. may be sent by mail, fax or expedited delivery service. Any notice, etc. shall be deemed to be received by the addressee on the day after it is actually sent.

XV. **ASSIGNMENTS**

The form of assignment(s) shall be mutually agreed upon, and AXIS shall be responsible for all filing and recordation and the obtaining of all necessary approvals and/or consents to the assignment(s).

XVI. **HEIRS, SUCCESSORS, AND ASSIGNS**

Any assignment or transfer of an interest under this Agreement shall be expressly made subject to this Agreement and the JOA. In any such assignment, the assigning party shall furnish its assignee with a copy of this Agreement and all exhibits

attached thereto, and the assignee(s) shall agree to assume and be bound by the terms and provisions hereof.

XVII. **CONTROLLING LAW**

This Agreement and the parties' rights and obligations under it shall be governed by the Laws of the State of Louisiana.

XVIII. **EFFECT OF PARAGRAPH HEADINGS**

The headings of the paragraphs herein have been used for convenience only and shall not be used in construing the provisions of this Agreement.

XIX. **EFFECTIVE DATE**

This Agreement shall be effective for all purposes as of February 4, 2009, regardless of the date of its actual execution.

XX. **ACCEPTANCE**

This Agreement shall not be binding upon AXIS until Pryme shall indicate its acceptance of the terms and provisions herein contained by executing in the space provided below and returning one (1) copy of this Agreement along with the Joint Operating Agreement (JOA) to AXIS Onshore, LP's office, along with a check covering the consideration described in Section II hereof, on or before February 4, 2009. This Agreement may be executed in multiple counterparts, all of which taken together shall constitute one (1) Agreement.

Sincerely,

AXIS ONSHORE, LP

By: _____
James P. Ryan
President

AGREED TO AND ACCEPTED THIS 18th DAY OF February, 2009.

PRYME OIL AND GAS, INC.

By: _____
Ryan Messer

AXIS Onshore, LP

P. O. Box 507
Vidalia, Louisiana 71373
Office: 318-336-9881
Fax: 318-336-5167

March 9, 2009

Pryme Oil and Gas, Inc.
494 Bouldercrest Dr.
Marietta, GA 30064

Attn: Ryan Messer

RE: Exploration Agreement
Dated February 4, 2009
Amendment #1

Dear Ryan,

Please be advised that AXIS would like to amend the above referenced agreement insofar as it pertains to the net revenue interest to be assigned. The amendment is as follows:

Paragraph II, B. shall be amended to read as follows:

B. AXIS shall deliver to Participant an assignment of an undivided 18.75% interest in and to leases purchased in each of the prospects covered hereby. The net revenue interest assigned shall be 100% less the lease royalty burden and less any overriding royalty interest which AXIS has obligated in order to secure the lease(s) covering said prospects. AXIS shall not create or reserve any additional overriding royalty interest on leases assigned.

Please indicate your approval of the above amendment by executing one (1) copy of this letter and return it to me.

Thank you for your cooperation

Sincerely yours,

AXIS ONSHORE, LP

Jimmy Nugent

Jimmy Nugent
District Land Manager

AGREED TO AND ACCEPTED

PRYME OIL AND GAS, INC.

BY: _____
Ryan Messer

December 17, 2009

Pryme Oil & Gas, Inc.
494 Bouldercrest Drive
Marietta, GA 30064

Attn: Mr. T. Ryan Messer

RE: AFE for Completion
Crosby 16-4 No. 2
Wilkinson County, Mississippi

The above referenced well was spudded on or about December 3, 2009. Total Depth was reached late on December 10, 2009, and the electric log and cores were retrieved on December 11, 2009. After careful evaluation of the log and cores, the decision was made to run production casing in an attempt to complete the well as a producer.

Attached hereto is an Authority for Expenditures (AFE), reflecting your prorata share (25.0%) of the estimated completion costs.

Please indicate below whether or not you elect to participate in the completion of the well.

Should you elect to participate in the completion of the well, please sign and return one copy of the AFE, and one copy of this agreement reflecting your election to participate, along with your check in the amount of $61,675.00.

Should you elect not to participate in the completion of the well, please sign and return one copy of this agreement reflecting your election not to participate. You will be bound by the terms and conditions of the Joint Operating Agreement (JOA) for Kelly Hill Prospect, dated April 6, 2009, by and between AXIS Onshore, LP as Operator, and Pryme Oil & Gas, Inc., et al as Non-Operators.

Should you need any additional information, please do not hesitate to contact me.

Sincerely,

AXIS ONSHORE, LP

By: _____
Scott O'Neal
COO

_____ I/WE ELECT TO PARTICIPATE

_____ I/WE ELECT NOT TO PARTICIPATE

Pryme Oil and Gas, Inc.

By: _____
T. Ryan Messer

Date: Jan 5th 10'

direct dial: 214.745.5393
sharvey@winstead.com

5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

214.745.5400 OFFICE
214.745.5390 FAX
winstead.com

May 11, 2010

Via Certified Mail, Return Receipt Requested
Axis Onshore, LP
c/o Rodney Moore
Vinson & Elkins
Trammell Crow Center
2001 Ross Avenue
Suite 3700
Dallas, Texas 75201-2975

Via Hand-Delivery
Axis Onshore, LP
c/o Rodney Moore
Vinson & Elkins
Trammell Crow Center
2001 Ross Avenue
Suite 3700
Dallas, Texas 75201-2975

Via Certified Mail, Return Receipt Requested
Axis Onshore, LP
405 Texas St.
Vidalia, LA 71373

Re: Model Form Operating Agreement dated February 4, 2009 by and between Axis Onshore, LP ("Axis"), as Operator, and Pryme Oil & Gas, Inc. ("Pryme"), as Non-Operator, covering the Copper River Prospect T12N-R2W, Sandy Creek Prospect T11N-R1W, North Natchez Prospect 16-T7N-R2W, Sunnyside Prospect T8N-R1W, NE Point Breeze Prospect T1N-R9E, West Lismore Landing Prospect 16-T6N-R7E, Wallace Lake Prospect 14-T8N-R6E, North Larto Lake Prospect T5N-R6E, West Larto Lake Prospect 10-T4N-R5E, and Larto Lake Prospect 16-T5N-R6E in Louisiana (the "Operating Agreement").

Gentlemen:

Pursuant to Article VII. of the Operating Agreement, this letter shall serve as Notice of Default to Axis of Axis' default under the Operating Agreement due to Axis' failure to perform its obligations thereunder, as further described below. Any terms delineated by capital letters not defined herein shall have the meaning given thereto in the Operating Agreement. Notwithstanding the above-captioned description of lands covered by the Operating Agreement, to Pryme's knowledge and belief, the Contract Area was amended subsequent to execution of the Operating Agreement to include the following wells:

Hall No. 1 (Jefferson County, Mississippi)
Crosby 16 No. 1 (Wilkinson, Mississippi)
Beltzhoover No. 1 (Section 5, T5N-R6E, Catahoula Parish, Louisiana)
Missiana 18-11 No. 2 (Catahoula Parish, Louisiana)
Trisler Lease (All Wells) (Catahoula Parish, Louisiana)
Jack Allen No. 7 (LaSalle Parish, Louisiana)
Crosby 31-11 No.1 (Wilkinson, Mississippi)

Crosby 16-4 No. 2 (Wilkinson, Mississippi)
LP minerals 2-3 No. 1 (LaSalle Parish, Louisiana)
SL 19857 No. 1 (LaSalle Parish, Louisiana)

Axis has failed to make certain payments as and when due under the in accordance with the Operating Agreement. Pursuant to Article V.D. 2 of the Operating Agreement, Axis must promptly pay and discharge expenses incurred in the development and operation of the Contract Area. Furthermore, pursuant to Article V.D. 3 of the Operating Agreement, Axis must also (i) pay all accounts in respect of the Contract Area as they become due, and (ii) keep the Contract Area free from liens and encumbrances. Axis has failed to make such payments and keep the Contract area free from liens as evidenced by the liens listed on Schedule 1 hereto which have been filed in Concordia Parish, Louisiana and copies of which are attached hereto as Exhibit A (the "Liens"). Accordingly, this letter shall serve as written Notice of Default for Axis' failure to perform such obligations of Axis under the Operating Agreement.

Pryme hereby demands that Axis immediately remedy the above-described defaults by paying all amounts for development and operation of the Contract Area which are past due and a obtaining a release of the Liens and any other liens affecting the Contract Area. In the event Axis fails to cure its defaults within thirty (30) days of delivery of this letter, then Pryme and the other non-operators may pursue any and all rights and remedies which they may have under the Operating Agreement, at law or in equity (including, without limitation, suspension of Axis' rights under Article VII.D.1 the Operating Agreement).

Neither this letter nor its contents, nor any other communications between Pryme and Axis or their respective counsel or representatives, shall constitute an election of remedies. Notwithstanding anything to the contrary set forth in this letter or in any other communications, Pryme shall not be deemed to have waived any other defaults by Axis under the Operating Agreement (whether now existing or hereafter arising) or any other right or claim under the Operating Agreement, at law or in equity. Pryme reserves all rights and remedies under the Operating Agreement, at law, and in equity.

If you have any questions with regard to the above matters, please call Stan Harvey at (214) 745-5393.

Sincerely,

Stan Harvey

Stan Harvey

cc: Mr. Justin Pettett
Mr. Ryan Messer

SCHEDULE 1

Schedule of Liens

Lien Schedule
Concordia Parish, Louisiana
Axis Onshore, LP (f/k/a/ Axis Onshore, LLC)

Claimant	Amount Owed	Date of Service(s)	Field(s)	Well(s)	COB Bk/Pg	JOA Y/N
Vital Oil Well Services, LLC	$6100.00	12/8/2009 12/9/2009 12/14/2009 12/15/2009 12/18/2009 12/21/2009 12/23/2009 12/24/2009	Lismore Landing	Beard 16-9 #001 well (serial no. 238101) in Section 16, T6N, R7E	436/1007	Y
Vital Oil Well Services, LLC	$6897.50	12/1/2009	Pointe Breeze	3200 FRIO RA SUC; Hodges C #4 well (serial no. 214961) in Section 11, T1N, R9E	436/1031	Y
Miss-Lou Oil Well Supply, LLC	$442.24	12/18/2009	Pointe Breeze	3200 FRIO RA SUA; Hodges C #003 well (serial no. 214080) in Section 12, T1N, R9E	436/910	Y
Miss-Lou Oil Well Supply, LLC	$15519.08	12/1/2009 12/3/2009 12/2/2009 1/29/2010 1/31/2010	Pointe Breeze	3200 FRIO RA SUD; Hodges C #004 well (serial no. 214961) in Section 11, T1N, R9E	436/918	Y
Miss-Lou Oil Well Supply, LLC	$105.36	12/18/2009	Pointe Breeze	3200 FRIO RA SUB; Hodges C #006 well (serial no. 217129) in Section 11, T1N, R9E	436/927	Y
Miss-Lou Oil Well Supply, LLC	$1045.96	12/4/2009 12/28/2009	Pointe Breeze	3200 FRIO RA SUA; Hodges C #003 well (serial no. 214080) in Section 12, T1N, R9E; 3200 FRIO RA SUA; Hodges C #006 well (serial no. 217129) in Section 11, T1N, R9E	436/929	Y
Miss-Lou Oil Well Supply, LLC	$174.01	12/21/2009	Lismore Landing	Beard 16-9 #1 well (serial no. 238101) in Section 16, T6N, R7E	436/822	Y

EXHIBIT A

Copies of Liens

FILED AND RECORDED
COB 436 1007
MOB 409 2042
2010 APR 15 PM 1:33
CONCORDIA PARISH LA.

STATEMENT OF PRIVILEGE

Vital Oil Well Services, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $6,100.00, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice No. 8503 dated 12-17-2009 in the amount of $900.00 for hauling salt water from location to the Catahoula Bank tank battery performed on 12-8-2009;

2. Invoice No. 8504 dated 12-17-2009 in the amount of $800.00 for hauling salt water from Beard well to Catahoula Bank tank battery performed on 12-9-2009;

3. Invoice No. 8549 dated 12-22-2009 in the amount of $900.00 for hauling salt water form Beard well to Catahoula Bank tank battery performed on 12-14-2009;

4. Invoice No. 8550 dated 12-22-2009 in the amount of $700.00 for hauling salt water from beard well to Catahoula Bank tank battery performed on 12-15-2009;

5. Invoice No. 8551 dated 12-22-2009 in the amount of $700.00 for hauling salt water from Beard well to Catahoula Bank tank battery performed on 12-18-2009;

6. Invoice No. 8565 dated 12-29-2009 in the amount of $900.00 for hauling salt water from Beard well to Catahoula Bank tank battery performed on 12-21-2009;

7. Invoice No. 8566 dated 12-29-2009 in the amount of $700.00 for hauling salt water from Beard well to Catahoula Bank tank battery performed on 12-23-2009;

8. Invoice No. 8567 dated 12-29-2009 in the amount of $500.00 for hauling salt water from Beard well to Catahoula Bank tank battery performed on 12-24-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the Beard 16-9 # 001 well (serial no. 238101) located in Section 16, T6N, R7E, in the Lismore Landing Field, Concordia Parish, Louisiana. Copies of said invoices are attached hereto as Exhibit A.

The operator of the aforementioned well as shown by the records of the Commissioner of Conservation for the State of Louisiana is **Axis Onshore, L. P.**

Vidalia, Louisiana this 14th day of April, 2010

Jack M. Ryan SR

Vital Oil Well Services, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

Rebecca L Carlton

NOTARY PUBLIC

My commission expires: at my death

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/17/2009	8503

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7291	BEARD #1	CONCORDIA	12/8/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM THE BEARD TO CATAHOULA BANK TANK BATTERY	9	100.00	900.00
	Sales Tax (8.75%)			$0.00
			Total	$900.00

Net Due 30

01009

2041

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/17/2009	8504

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7292	BEARD #1	CONCORDIA	12/9/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CATAHOULA BANK TANK BATTERY	8	100.00	800.00
	Sales Tax (8.75%)			$0.00
			Total	$800.00

Net Due 30

01010

2045

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/22/2009	8549

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7855	BEARD #1	CONCORDIA	12/14/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CAT BANK TANK BATTERY	9	100.00	900.00
	Sales Tax (8.75%)			$0.00
			Total	$900.00

Net Due 30

2046

01011

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/22/2009	8550

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7856	BEARD #1	CONCORDIA	12/15/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEAR TO CATAHOULA BANK	7	100.00	700.00
	Sales Tax (8.75%)			$0.00
			Total	$700.00

Net Due 30

2047

01012

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/22/2009	8551

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7869	BEARD #1	CONCORDIA	12/18/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CATAHOULA BANK	7	100.00	700.00
	Sales Tax (8.75%)			$0.00
			Total	$700.00

Net Due 30

01013

2048

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/29/2009	8565

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7872	BEARD #1	CONCORDIA	12/21/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CATAHOULA BANK TANK BATTERY	9	100.00	900.00
	Sales Tax (8.75%)			$0.00
			Total	$900.00

Net Due 30

01014

2049

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/29/2009	8566

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7878	BEARD #1	CONCORDIA	12/23/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CATAHOULA BANK TANK BATTERY	7	100.00	700.00
	Sales Tax (8.75%)			$0.00
			Total	$700.00

Net Due 30

2050

01015

Vital Oil Well Services-Construction

P.O. Drawer 2128
Vidalia, LA. 71373

Invoice

Invoice Date	Invoice #
12/29/2009	8567

Phone #	Fax #
318-336-3359	318-336-4059

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O. #
7879	BEARD #1	CONCORDIA	12/24/2009	

Item	Description	Quantity	Rate	Amount
Peterbuilt	Peterbuilt-651 HAULED WATER FROM BEARD TO CATAHOULA BANK TANK BATTERY	5	100.00	500.00
	Sales Tax (8.75%)			$0.00
			Total	$500.00

Net Due 30

2051

275515

COB 436 1031
MOB 409 2068

2010 APR 15 PM 1:43

BY CLERK & RECORDER
CONCORDIA PARISH LA

STATEMENT OF PRIVILEGE

Vital Oil Well Services, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of **$6,897.50**, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice No. P2676 dated 12-9-2009 in the amount of $6,897.50 for work over rig services (w/o ticket #4627, #4628, #4629) performed on 12-1-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the 3200 FRIO RA SUC; Hodges C #4 well (serial no. 214961) located in Section 11, T1N, R9E, in the Pointe Breeze Field, Concordia Parish, Louisiana. A copy of said invoice is attached hereto as Exhibit A.

The operator of the aforementioned wells as shown by the records of the Commissioner of Conservation for the State of Louisiana is Axis Onshore, L. P.

Vidalia, Louisiana this 14th day of April, 2010

Jack M Ryan Sr.
Vital Oil Well Services, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

Rebecca L Carter
NOTARY PUBLIC
My commission expires: at my death

01031 2068

Vital Oil Well Services - Production

P.O. Drawer 2128
Vidalia, LA 71373

Phone #	Fax #
318-336-3359	318-336-4059

Invoice

Date	Invoice #
12/9/2009	P2676

Bill To
Axis Onshore, LLC 16610 Dallas Parkway Suite 2500 Dallas, TX. 75248

Work Order	Well Name & Number	Well Location	Date of Service	Customer P.O.#
SEE BELOW	HODGES C-4	CONCORDIA	12/1/2009	

ITEM	DESCRIPTION	QUANTITY	RATE	AMOUNT
W/O-Rig	W/O Rig-4			
W/O-Rig	12/01/09 - W/O TICKET #4627		780.00	780.00
W/O-Rig	12/02/09 - W/O TICKET #4628		3,392.50	3,392.50
W/O-Rig	12/03/09 - W/O TICKET #4629		2,725.00	2,725.00
	Sales Tax (8.75%)			$0.00

Total	$6,897.50

Net Due 30

01032

2069

275490

FILED AND RECORDED
MOB BK 407 PG 1944
COB 436 910
2010 APR 15 AM 11:44
Sherrie Marks
3X DY CLERK & RECORDER
CONCORDIA PARISH, LA.

STATEMENT OF PRIVILEGE

Miss-Lou Oil Well Supply, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $442.24, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice no. 10360 dated 12-21-2009 in the amount of $442.24 for materials, fittings, and replacement guage delivered on 12-18-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the 3200 Frio RA SUA; Hodges C # 003 well (serial no. 214080) located in Section 12, T1N, R9E, in the Point Breeze Field, Concordia Parish, Louisiana. A copy of said invoice is attached hereto as Exhibit A.

The operator of the aforementioned well as shown by the records of the Commissioner of Conservation for the State of Louisiana is **Axis Onshore, L. P.**

Vidalia, Louisiana this 14th day of April, 2010

Miss-Lou Oil Well Supply, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

NOTARY PUBLIC
My commission expires: at my death

1944

0 910

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

Invoice

Date	Invoice #
12/21/2009	10360

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C0281	CURTIS	12/18/2009	HODGES #3	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPLACE GAUGE		
1	OPLCS5000	OPLC-S-5000 MURPHY SWITCH	387.20	387.20T
	390-20%	20% DISCOUNT	-20.00%	-77.44
2	X1/2X2	1/2" X 2" XH NIPPLE	15.02	30.04T
	390-60%	60% DISCOUNT	-60.00%	-18.02
1	TF1/2	TEE-FS: 2000# 1/2"	21.25	21.25T
	390-50%	50% DISCOUNT	-50.00%	-10.63
1	PD8183	PD8183 1/4x1/4 PULSATION DAMPNER	85.54	85.54T
	390-20%	20% DISCOUNT	-20.00%	-17.11
2	BF1/2X1/4	BUSHING-HEX: FORGED STEEL 1/2" X 1/4"	5.81	11.62T
	390-50%	50% DISCOUNT	-50.00%	-5.81
		Sales Tax (8.75%)		$35.60

Net Due 30

Total $442.24

1945 0 911

275493

FILED AND RECORDED
MOB BK. 909 PG. 1952
COB 436 918
2010 APR 15 AM 11:45
Sherrie Martin
CLERK & RECORDER
CONCORDIA PARISH, LA.

STATEMENT OF PRIVILEGE

Miss-Lou Oil Well Supply, LLC, the claimant, P.O. Box 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $15,519.08, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice no. 10266 dated 12-15-2009 in the amount of $1,061.45 for (5) ¾"x25' sucker rods, (5) 7/8" x 25' sucker rods and rod couplings delivered on 12-1-2009;

2. Invoice no. 10311 dated 12-17-2009 in the amount of $1,404.21 to repair 2 ¼" plunger, pump repair charge, materials and supplies performed on 12-3-2009;

3. Invoice no. 10378 dated 12-22-2009 in the amount of $2,721.78 for 530.25' or 17 joints of 2 7/8" new api smls tubing delivered on 12-2-2009;

4. Invoice no. 10827 dated 1-31-2009 in the amount of $781.29 to repair tubing anchor, anchor repair charge, materials and supplies performed on 1-29-2010;

5. Invoice no. 10715 dated 1-31-2010 in the amount of $1,231.22 for 30 roller rod guide repair kits to repair rod guides delivered on 1-31-2010;

6. Invoice no. 10828 dated 1-31-2010 in the amount of $135.94 for labor charge to repair rod guides performed on 1-31-2010; and

7. Invoice no. 10830 dated 1-31-2010 in the amount of $8,183.19 to repair down hole pump, pump repair charge, materials and supplies performed on 1-29-2010.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the 3200 FRIO RA SUD; Hodges C # 004 well (serial no. 214961) located in Section 11, T1N, R9E, in the Point Breeze Field, Concordia Parish, Louisiana. Copies of said invoice are attached hereto as Exhibit A.

1952 0 918

The operator of the aforementioned well as shown by the records of the Commissioner of Conservation for the State of Louisiana is **Axis Onshore, L. P.**

Vidalia, Louisiana this 14th day of April, 2010

Miss-Lou Oil Well Supply, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

NOTARY PUBLIC

My commission expires: at my death

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/15/2009	10266

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
11114	EARL/ALTON	12/1/2009	HODGES C-4	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPLACE ROD STRING		
5	SR3/4X25	3/4 X 25 SUCKER ROD	57.25	286.25T
5	3/4FSSM	3/4" FS SPRAY METAL ROD COUPLING	26.91	134.55T
5	SR7/8X25	7/8 X 25 SUCKER ROD	79.38	396.90T
5	7/8FSSM	7/8" FS SPRAY METAL ROD COUPLING	31.67	158.35T
		Sales Tax (8.75%)		$85.40

Net Due 30

Total $1,061.45

1954

0 920

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/17/2009	10311

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C1151	ALTON	12/3/2009	HODGES C#4	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPAIR 2-1/4 PLUNGER		
1	SC-PUMP	SUB-SURFACE PUMP REPAIR CHARGE	125.00	125.00T
1	P3/4X6	PONY ROD	98.92	98.92T
	390-20%	20% DISCOUNT	-20.00%	-19.78
1	P3/4X4	PONY ROD	86.30	86.30T
	390-20%	20% DISCOUNT	-20.00%	-17.26
1	P7/8X6	PONY ROD	122.87	122.87T
	390-20%	20% DISCOUNT	-20.00%	-24.57
1	P7/8X4	PONY ROD	106.26	106.26T
	390-20%	20% DISCOUNT	-20.00%	-21.25
1	P7/8X2	PONY ROD	91.63	91.63T
	390-20%	20% DISCOUNT	-20.00%	-18.33
18	3/4FSSM	3/4" FS SPRAY METAL ROD COUPLING	40.36	726.48T
	390-20%	20% DISCOUNT	-20.00%	-145.30
1	SBR-CONE	CONE STUFFING BOX RUBBERS	19.00	19.00T
	390-20%	20% DISCOUNT	-20.00%	-3.80
2	7/8X3/4FSSM	7/8 X 3/4 FS SPRAY METAL COMB. COUPLING	103.16	206.32T
	390-20%	20% DISCOUNT	-20.00%	-41.26
		Sales Tax (8.75%)		$112.98

Net Due 30

Total $1,404.21

1955

0 921

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/22/2009	10378

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
11117	Alton Daniels	12/2/2009	Hodges C-4	Concordia Par

Qty	Item	Description	Rate	Amount
530.25	NEW PIPE SA...	Ft. (17 Jts) 2 7/8 6.50# J-55 New API SMLS Tubing	4.72	2,502.78T
		ALL PIPE INVOICES MUST BE PAID WITHIN 10 DAYS OF INVOICE DATE		
		Sales Tax (8.75%)		$219.00

Net Due 30

Total $2,721.78

1956

0 922

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

Miss Lou Oil Well Supply, LLC
Vidalia, La.
318-336-3359

Invoice

Date	Invoice #
1/31/2010	10827

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C1233	ALTON	1/29/2010	HODGES C4	CONCORDIA

Qty	Item	Description	Rate	Amount
		ANCHOR REPAIR		0.00
1	02037	51/2" LOCK NUT	64.75	64.75T
	390-20%	20% DISCOUNT	-20.00%	-12.95
1	02038	51/2" UPPER CONE	129.50	129.50T
	390-20%	20% DISCOUNT	-20.00%	-25.90
1	02043	51/2 LOWER CONE	155.39	155.39T
	390-20%	20% DISCOUNT	-20.00%	-31.08
1	020461	5 1/2" LOWER CONE SLEEVE	77.70	77.70T
	390-20%	20% DISCOUNT	-20.00%	-15.54
1	020471	5 1/2 X 2 7/8 BOTTOM SUB	116.55	116.55T
	390-20%	20% DISCOUNT	-20.00%	-23.31
1	02042A	5 1/2" SLIP ASSEMBLY	161.95	161.95T
	390-20%	20% DISCOUNT	-20.00%	-32.39
3	02049	51/2" DRAG SPRING	16.50	49.50T
	390-20%	20% DISCOUNT	-20.00%	-9.90
10	02015	SHEAR PIN	1.77	17.70T
	390-20%	20% DISCOUNT	-20.00%	-3.54
1	SC-ANCHOR	TUBING ANCHOR REPAIR CHARGE	100.00	100.00T
		Sales Tax (8.75%)		$62.86

Net Due 30

Total $781.29

0 923

1957

Miss-Lou Oil Well Supply, LLC
VIDALIA, LA.
318-336-3359

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

Invoice

Date	Invoice #
1/31/2010	10715

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
11787	ALTON	1/31/2010	HODGES C-1	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPAIR ROD GUIDE		
30	Non-Inventory ...	7/8 X 21/2 ROLLER ROD GUIDE REPAIR KITS	33.00	990.00T
1	FREIGHT	UPS RED	142.16	142.16T
		Sales Tax (8.75%)		$99.06

Net Due 30

Total $1,231.22

1958

0 924

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
1/31/2010	10828

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C1235	ALTON	1/31/2010	HODGES C4	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPAIR ON ROD GUIDES		
1	SC-LABOR	LABOR CHARGE TO REPAIR ROLLER ROD GUIDES	125.00	125.00T
		Sales Tax (8.75%)		$10.94

Net Due 30

Total $135.94

1959

0 925

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
1/31/2010	10830

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C1233	ALTON	1/29/2010	HODGES C4	CONCORDIA

Qty	Item	Description	Rate	Amount
		DOWN HOLE PUMP REPAIR		
1	Non-Inventory ...	6-236L24 BARREL	5,773.51	5,773.51T
	390-10%	10% Discount	-10.00%	-577.35
1	25KLS	SHOE, 2-1/4" SEATING SHOE PIN & BOX REG. STEEL	220.90	220.90T
	390-25%	25% DISCOUNT	-25.00%	-55.23
2	8L48	21/4" BALL & SEAT	249.40	498.80T
	390-10%	10% Discount	-10.00%	-49.88
1	51-542L4-3	PLUNGER	1,276.84	1,276.84T
	390-15%	15% DISCOUNT	-15.00%	-191.53
2	82-190L+30	CUP	12.54	25.08T
	390-25%	25% DISCOUNT	-25.00%	-6.27
1	CF642-1	21/4" CAGE, OPEN, 11/16" PIN	156.83	156.83T
	390-25%	25% DISCOUNT	-25.00%	-39.21
1	S25K41	PULLER, 2-1/4" STANDING VALVE COMPLETE ASSEMBLY F/ API PIN END PLGR SSTL	301.70	301.70T
	390-25%	25% DISCOUNT	-25.00%	-75.43
2	7/8X3/4FST	COMBINATION ROD COUPLING	35.00	70.00T
	390-20%	20% DISCOUNT	-20.00%	-14.00
1	P7/8X4	PONY ROD	106.26	106.26T
	390-20%	20% DISCOUNT	-20.00%	-21.25
1	SC-PUMP	SUB-SURFACE PUMP REPAIR CHARGE	125.00	125.00T
		Sales Tax (8.75%)		$658.42

Net Due 30

Total $8,183.19

1960

0 926

275494

FILED AND RECORDED
MOB BK 409 1961
COB 936 927
2010 APR 15 AM 11:46
BY Sherrie Marks
DY. CLERK & RECORDER
CONCORDIA PARISH, LA

STATEMENT OF PRIVILEGE

Miss-Lou Oil Well Supply, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $105.36, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice no. 10363 dated 12-21-2009 in the amount of $105.36 for materials, fittings and replacement gauge delivered on 12-18-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the 3200 FRIO RA SUB; Hodges C # 006 well (serial no. 217129) located in Section 11, T1N, R9E, in the Point Breeze Field, Concordia Parish, Louisiana. Copies of said invoices are attached hereto as Exhibit A.

The operator of the aforementioned well as shown by the records of the Commissioner of Conservation for the State of Louisiana is Axis Onshore, L. P.

Vidalia, Louisiana this 14th day of April, 2010.

Jack M. Ryan Sr.
Miss-Lou Oil Well Supply, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

Rebecca L Carter
NOTARY PUBLIC
My commission expires: at my death

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/21/2009	10363

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C0282	CURTIS	12/18/2009	HODGES #6	CONCORDIA

Qty	Item	Description	Rate	Amount
		REPLACE GAUGE		
2	X1/2X2	1/2" X 2" XH NIPPLE	15.02	30.04T
	390-60%	60% DISCOUNT	-60.00%	-18.02
2	BF1/2X1/4	BUSHING-HEX: FORGED STEEL 1/2" X 1/4"	5.81	11.62T
	390-50%	50% DISCOUNT	-50.00%	-5.81
1	TF1/2	TEE-FS: 2000# 1/2"	21.25	21.25T
	390-50%	50% DISCOUNT	-50.00%	-10.63
1	PD8183	PD8183 1/4x1/4 PULSATION DAMPNER	85.54	85.54T
	390-20%	20% DISCOUNT	-20.00%	-17.11
		Sales Tax (8.75%)		$8.48

Net Due 30

Total $105.36

1962

0 928

275495

FILED AND RECORDED
MOB BK 409 PG 1963
COB 436 929
2010 APR 15 AM 11:47
Sherrie Martin
BY DY. CLERK & RECORDER
CONCORDIA PARISH LA.

STATEMENT OF PRIVILEGE

Miss-Lou Oil Well Supply, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $1,045.96, plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice no. 10278-T dated 12-15-2009 in the amount of $1,014.64 for materials and supplies, repairing triplex pump, labor and labor helper charge performed on 12-4-2009; and

2. Invoice no. 10429 dated 12-29-2009 in the amount of $31.32 for 3/8" poly tubing for chemical hook-up delivered on 12-28-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the 3200 FRIO RA SUA; Hodges C # 003 well (serial no. 214080) located in Section 12, T1N, R9E, and the FRIO RA SUA; Hodges C # 006 well (serial no. 217129) located in Section 11, T1N, R9E, both in the Point Breeze Field, Concordia Parish, Louisiana. Copies of said invoices are attached hereto as Exhibit A.

The operator of the aforementioned wells as shown by the records of the Commissioner of Conservation for the State of Louisiana is Axis Onshore, L. P.

Vidalia, Louisiana this 14th day of April, 2010

Jack M. Ryan Sr.
Miss-Lou Oil Well Supply, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, LLC
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

0 929

1963

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

Rebecca L Carlton

NOTARY PUBLIC

My commission expires: at my death

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

Invoice

Date	Invoice #
12/15/2009	10278-T

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
T-10974	CURTIS	12/4/2009	HODGES 3-6	CONCORDIA

Qty	Item	Description	Rate	Amount
		TRIPLEX PUMP REPAIR		
12	19063	OIL SEAL	49.00	588.00T
3	SC-LABOR	LABOR CHARGE	75.00	225.00T
3	SC-HELPER	LABOR HELPER CHARGE	40.00	120.00T
		Sales Tax (8.75%)		$81.64

Net Due 30

Total $1,014.64

1965

0 931

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/29/2009	10429

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
11519	LOUIS	12/28/2009	HODGES 3 & 6	CONCORDIA

Qty	Item	Description	Rate	Amount
		CHEMICAL HOOK UP		
50	P3/8	3/8" OD POLY TUBING	0.72	36.00T
	390-20%	20% DISCOUNT	-20.00%	-7.20
		Sales Tax (8.75%)		$2.52

Net Due 30

Total $31.32

0 932

1966

3

275474

FILED AND RECORDED
MOB BK 409 1856
COB 436 822
2010 APR 15 AM 11:33
DY. CLERK & RECORDER
CONCORDIA PARISH, LA.

STATEMENT OF PRIVILEGE

Miss-Lou Oil Well Supply, LLC, the claimant, P.O. Drawer 2128, Vidalia, Louisiana 71373, states a privilege in the amount of $174.01 plus costs, interest and attorney's fees, to secure the debt owed to the claimant by **Axis Onshore, LP**, 16610 Dallas Parkway, Suite 2500, Dallas, TX 75248, formerly known as **Axis Onshore, LLC**, for the following services, supplies, or materials provided by the claimant:

1. Invoice no. 10403 dated 12-22-2009 in the amount of $174.01 for materials, fittings and supplies for chemical line delivered on 12-21-2009.

All of the above described services, supplies, or materials were provided for, delivered, or performed in connection with the Beard 16-9 # 1 well (serial no. 238101) located in Section 16, T6N, R7E, in the Lismore Landing Field, Concordia Parish, Louisiana. Copies of said invoices are attached hereto as Exhibit A.

The operator of the aforementioned well as shown by the records of the Commissioner of Conservation for the State of Louisiana is **Axis Onshore, L. P.**

Vidalia, Louisiana this 14th day of April, 2010

Miss-Lou Oil Well Supply, LLC
By: Vital Holdings, LLC
Its: Sole Member
By: JMR Resources, Inc.
Its: Board of Managers
By: Jack M. Ryan, Sr.
Its: President

0 822

1856

SWORN TO AND SUBSCRIBED before me on this the 14th day of April, 2010.

Rebecca L Carter

NOTARY PUBLIC

My commission expires: at my death

Miss-Lou Oil Well Supply, LLC
P.O. Drawer 2128
Vidalia, LA 71373

VIDALIA, LA.
318-336-3359

Invoice

Date	Invoice #
12/22/2009	10403

Phone #	Fax #
318-336-9970	318-336-9972

Bill To

Axis Onshore, LLC
16610 Dallas Parkway
Suite 2500
Dallas, TX. 75248

Field Order	Customer P.O...	Ship Date	Well Name & Number	Well Location
C0294	MIKE	12/21/2009	BEARD #1	CONCORDIA

Qty	Item	Description	Rate	Amount
		CHEMICAL LINE		
1	LC1/4SS	1/4" 6000LB MALE/FEMALE STAINLESS STEEL INLINE CHECK BALL VALVE	50.00	50.00T
	390-20%	20% DISCOUNT	-20.00%	-10.00
1	68X3/8X1/4	MALE CONNECTOR	3.63	3.63T
	390-20%	20% DISCOUNT	-20.00%	-0.73
1	69X3/8X1/4	MALE ELBOW	6.68	6.68T
	390-20%	20% DISCOUNT	-20.00%	-1.34
2	CC1/4	1/4" D.F. CLIP	2.80	5.60T
	390-20%	20% DISCOUNT	-20.00%	-1.12
22	CB1/4	1/4" 7X19 GALV. CABLE	0.60	13.20T
	390-20%	20% DISCOUNT	-20.00%	-2.64
20	SS3/8	3/8" S.S. TUBE	2.64	52.80T
	390-20%	20% DISCOUNT	-20.00%	-10.56
2	BF1X1/4	BUSHING-HEX: FORGED STEEL 1" X 1/4"	11.31	22.62T
	390-50%	50% DISCOUNT	-50.00%	-11.31
1	TF1/4	TEE-FS: 2000# 1/4"	22.13	22.13T
	390-50%	50% DISCOUNT	-50.00%	-11.07
3	X1/4X2	1/4" X 2" XH NIPPLE	26.33	78.99T
	390-60%	60% DISCOUNT	-60.00%	-47.39
1	TEFLON-1/2	TAPE-TEFLON: THREAD SEALING 1/2" X 520"	0.65	0.65T
	390-20%	20% DISCOUNT	-20.00%	-0.13
		Sales Tax (8.75%)		$14.00

Net Due 30

Total $174.01

0 824 1858

Northern District of Texas
Claims Register

10-33565-sgj11 TriDimension Energy, L.P.

Judge: Stacey G. Jernigan **Chapter:** 11

Office: Dallas **Last Date to file claims:** 07/28/2010

Trustee: **Last Date to file (Govt):**

Creditor: (13408998) Pryme Oil and Gas, Inc. c/o Winstead PC Attn: R. Michael Farquhar 1201 Elm St., Ste. 5400 Dallas, Texas 75270	**Claim No: 45** *Original Filed Date*: 07/27/2010 *Original Entered Date*: 07/27/2010	*Status:* *Filed by:* CR *Entered by:* Zarin, Gregory *Modified:*

Unsecured claimed: $1890596.18

Total claimed: $1890596.18

History:

Details 45-1 07/27/2010 Claim #45 filed by Pryme Oil and Gas, Inc., total amount claimed: $1890596.18 (Zarin, Gregory)

Description:

Remarks:

Claims Register Summary

Case Name: TriDimension Energy, L.P.
Case Number: 10-33565-sgj11
Chapter: 11
Date Filed: 05/21/2010
Total Number Of Claims: 1

	Total Amount Claimed	Total Amount Allowed
Unsecured	$1890596.18	
Secured		
Priority		
Unknown		
Administrative		
Total	**$1890596.18**	**$0.00**