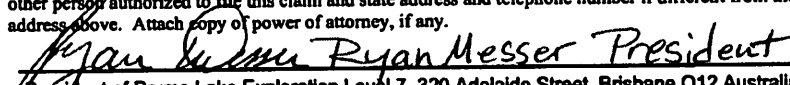



B 10 (Official Form 10) (04/10)

UNITED STATES BANKRUPTCY COURT Northern District of Texas		PROOF OF CLAIM
Name of Debtor: Axis Onshore, L.P.		Case Number: 10-33565-SGJ
<i>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.</i>		
Name of Creditor (the person or other entity to whom the debtor owes money or property): Pryme Lake Exploration, L.L.C.		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____
Name and address where notices should be sent: Winstead PC Attn: R. Michael Farquhar 1201 Elm Street, Suite 5400, Dallas, TX 75270-2199		
Telephone number: (214) 745-5400		
Name and address where payment should be sent (if different from above): Same as above		<input type="checkbox"/> 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. <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
Telephone number:		
1. Amount of Claim as of Date Case Filed: \$ 547,850.00 plus any and all additional amounts owing under any agreement between the Debtor and Creditor and/or pursuant to 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. <input type="checkbox"/> 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.		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. <input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> 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). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5). <input type="checkbox"/> 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). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507 (a)(). Amount entitled to priority: \$ _____ <small>*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.</small>
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: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> 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:		
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. <div style="text-align: center;">  Ryan Messer President </div>	
Ryan Messer, President of Pryme Lake Exploration Level 7, 320 Adelaide Street, Brisbane Q12 Australia 4000 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.		FOR COURT USE ONLY TriDimension  00117

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 Lake Exploration, LLC ("PLX") files this 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 claims arising under the hereinafter-described documents, and money advanced and/or goods and services provided to the Debtors.

2. Basis and Amount of Claim 1.

On December 9, 2009, PLX entered into that certain letter agreement with TriDimension pursuant to which it acquired an undivided 50% interest in certain oil, gas and mineral leases ("Leases") and items of equipment ("Equipment") pursuant to the Partial Assignment and Bill of Sale. The Equipment consists of certain boats, barges and drilling rig equipment. With respect to the Equipment, PLX and TriDimension agreed to refurbish the Equipment to permit drilling of oil and gas wells from the surface of Lake Catahoula, Louisiana from a drilling rig mounted on a barge ("Drilling Barge"). PLX and TriDimension each agreed to bear fifty-percent (50%) of the costs associated with having the Drilling Barge refurbished for operation of Lake Catahoula. Axis initially oversaw and managed the Drilling Barge refurbishment work and requested advances for costs associated with refurbishment. In accordance with the Debtors' advance requests, PLX advanced a total of \$200,000 to the Debtors for PLX's fifty-percent (50%) share of costs to be incurred for refurbishment of the Drilling Barge.

After payment of advances by PLX for Drilling Barge refurbishment costs, the Debtors ceased work on the Drilling Barge refurbishment on or about April 28, 2010. No accounting of funds advanced to the Debtors by PLX for Drilling Rig refurbishment has been provided by the Debtors, and PLX is unsure whether and/or how such advance payments were applied by the Debtors to third party contractors performing refurbishment work.

As of the Petition Date, the aggregate amount of at least \$200,000 had been advanced by PLX to the Debtors for refurbishment costs of the Drilling Barge for which no accounting has been provided. Any amounts or portions thereof advanced by PLX and not applied to payment of costs relating to refurbishment of the Drilling Barge are due and owing PLX by Axis and/or TriDimension.

3. Basis and Amount of Claim 2.

On December 16, 2009, PLX entered into that certain Participation Agreement with Axis pursuant to which PLX agreed to pay fifty-percent (50%) of costs of drilling a well to test the Wilcox Formation on Louisiana State Lease 19857 covering lands in LaSalle Parish, Louisiana, in exchange for the agreement by Axis to assign to PLX an interest in such lease sufficient to give PLX a 50% interest in such well (designated as the "State Lease 19857 No. 1 Well"). Pursuant to the terms of the Participation Agreement, PLX paid the Debtors the sum of at least \$192,000 (such sum represents 50% of the cost to drill the well to the Wilcox Formation), to conduct open hole evaluation procedures on the well and plug and abandon the well if no completion was attempted. Pursuant to the terms of the Participation Agreement, operations were to be conducted pursuant to the terms of a Joint Operating Agreement naming Axis as operator and PLX and other working interest owners of oil and gas leaseholds covering other oil and gas leases included in the unit for the well, as non-operators.

Upon drilling the well to a depth sufficient to test the Wilcox Formation, the working interest owners, including PLX, agreed to complete the well. In response to a written request from the Debtors PLX advanced the sum of at least \$155,850 to the Debtors (such sum represents 50% of estimated completion costs). The Debtors have not provided an accounting of the actual costs associated with drilling and completing the well or how funds paid and advanced by PLX pursuant to the Participation Agreement were applied.

On May 24, 2010, PLX received a letter dated May 18, 2010 from Carl Dore, Jr., counsel for Weatherford International, Inc., addressed to PLX, TriDimension, and Axis advising that invoices totaling at least \$85,151.96 for materials or services provided at the instruction of Axis for the State Lease 19857 No. 1 Well remain unpaid and demanding payment. Since no accounting of payments or advances made by PLX to the Debtors has been provided, PLX is unable to determine how the funds paid and advanced by it to the Debtors were utilized. Article V. D.4 of the Joint Operating Agreement provides, in part pertinent, that "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 Agreement.

As of the Petition Date, the aggregate amount of at least **\$347,850** had been advanced by PLX to the Debtors for costs of drilling and completing the State Lease 19857 Well No. 1 for which no accounting has been provided. Any amounts or portions thereof advanced by PLX to the Debtors and not properly applied to payment of costs relating to drilling and completing the State Lease 19857 No. 1 Well are due and owing to PLX.

4. Basis and Amount of Claim 3.

The Participation Agreement dated December 16, 2009 between PLX and Axis meets the definition of farmout agreement" under 11 U.S.C. Section 101(21) of the Bankruptcy Code. Pursuant to the Participation Agreement, PLX is entitled to an assignment of an interest in oil, gas and mineral leases from Axis, PLX having fully performed its obligations under the Participation Agreement. To the extent not yet executed and recorded, PLX demands an assignment of an interest in such oil, gas and mineral leases from Axis, which pursuant to 11 U.S.C. Section 541(b)(4) interest is not property of Debtors estates, in accordance with the terms and provisions of the Participation Agreement.

5. Indebtedness to PLX.

As of the Petition Date, Axis' proportionate part of costs and expenses currently owed to PLX is at least **\$547,850.00**, plus any unliquidated amounts pursuant to the allegations under Claim 3 asserted above.

6. 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.

7. Other Rights.

In addition to the foregoing claims, PLX reserves the right in the future to amend, if necessary, and assert any and all other and additional claims that PLX may have against Axis 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 PLX may be entitled. The filing of this Proof of Claim is not to be construed as an election of remedies.

8. 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.

9. Notices.

All notices with respect to this Proof of Claim should be sent to counsel for PLX:

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

10. Payments.

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

Pryme Lake Exploration, LLC
c/o Winstead PC
Attn: R. Michael Farquhar, Esq.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

11. Amendments.

PLX 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 PLX. This Proof of Claim and Addendum are not intended to be exhaustive or limiting. All documents supporting PLX's claim against the Debtors are available upon written request to counsel for PLX.

12. Reservation of Rights.

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

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.

PLX does not waive any right to any security held by PLX; 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 PLX has or may have against the Debtors or any other person or persons, and PLX 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 PLX's rights against any other person, entity, or property; (b) a consent by PLX to the jurisdiction of this Court or any other court with respect to proceedings, if any, commenced in any case against or otherwise involving PLX; (c) a waiver or release of PLX'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 PLX 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 PLX'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 PLX; 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

December 14 , 2009 ,
year

OPERATOR AXIS ONSHORE, LP

CONTRACT AREA HAWG PEN PROSPECT

NON-OPERATOR: PRYME LAKE EXPLORATION, LLC; CATAHOULA ENERGY
PARTNERS, LP; GOLDEN WEST HOLDINGS, LLC; BRITLIND RESOURCES,
LLC; DRAYCO EXPLORATION, LLC; S. O'NEAL & CO;
ROBERT L. GRAHAM ;

COUNTY OR PARISH OF LASALLE , STATE OF LOUISIANA

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1
2 **OPERATING AGREEMENT**

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

6 **WITNESSETH:**

7 WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land
8 identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil
9 and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

10 NOW, THEREFORE, it is agreed as follows:

11 **ARTICLE I.**

12 **DEFINITIONS**

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

14 A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of
15 estimating the costs to be incurred in conducting an operation hereunder.

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

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

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

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

27 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
28 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
29 established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

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

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

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

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

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

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

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

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

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

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

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

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

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

59 **ARTICLE II.**

60 **EXHIBITS**

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

62 X. A. Exhibit "A" shall include the following information:

1 ~~— If any provision of any exhibit, except Exhibits "E," "F," and "G," is inconsistent with any provision contained in~~
2 ~~the body of this agreement, the provisions in the body of this agreement shall prevail.~~

3 **ARTICLE III.**

4 **INTERESTS OF PARTIES**

5 **A. Oil and Gas Interests:**

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

9 **B. Interests of Parties In Costs and Production:**

10 Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne
11 and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their
12 interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the
13 Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

14 Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other
15 burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or
16 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,
17 25% and shall indemnify, defend and hold the other parties free from any liability therefor.

18 Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is
19 burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts
20 stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend
21 and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as
22 the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to
23 be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s)
24 which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any
25 liability therefor.

26 No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's
27 lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher
28 price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

29 Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby,
30 and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in
31 said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

32 **C. Subsequently Created Interests:**

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

41 The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and
42 alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other
43 parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses
44 chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the
45 same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required
46 under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the
47 production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of
48 said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or
49 parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

50 **ARTICLE IV.**

51 **TITLES**

52 **A. Title Examination:**

53 Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and,
54 if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire
55 Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working
56 interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing
57 Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator
58 all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of
59 charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the
60 examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or
61 by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. / ^{upon request} Costs incurred by Operator in

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

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

6 **B. Loss or Failure of Title:**

7 ~~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~~
8 ~~reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest~~
9 ~~(including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title~~
10 ~~failure to acquire a new lease or other instrument during the entirety of the title failure, which acquisition will not be subject~~
11 ~~to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas~~
12 ~~Leases and Interests; and,~~

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

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

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

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

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

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

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

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

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

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

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} / ~~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} / ~~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, ^{and} ~~on~~ the date on which drilling operations are commenced.

(b) Operator will ^{Not in default of its payment obligations} send to Non-Operators / 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 Exhibit "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 31st day of DECEMBER, 2009, Operator shall commence the drilling of the Initial Well at the following location: **A BOTTOM HOLE LOCATION IN THE NW/4 OF THE SE/4, SECTION 2, T6N-R3E, LASALLE PARISH, LOUISIANA.**

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

notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone

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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) hours~~ ^{twenty-four (24) 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) days~~ ^{fifteen (15)} (or as promptly as practicable after the expiration of the ~~forty-eight (48) hour~~ ^{twenty-four (24)} 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~~ ^{fifteen (15)} (or as promptly as practicable after the expiration of the ~~forty-eight (48) hour~~ ^{twenty-four (24)} 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~~ ^{twenty-four (24) 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~~ ^{twenty-four (24) 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 is

1 Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-
2 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect
3 to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or
4 market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes,
5 royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production
6 from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

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

14 (ii) 300 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening,
15 Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C.,
16 and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections),
17 which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

27 (c) Reworking, Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or
28 Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in
29 such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full
30 recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to
31 participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking
32 operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at
33 any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such
34 Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the
35 cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 300 % of
36 that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to
37 such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is
38 proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting
39 Parties in said well.

40 (d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's
41 share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem,
42 production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to
43 Non-Consenting Party's share of production not excepted by Article III.C.

44 In the case of any Reworking, Sidetracking, Plugging Back, Recompleting or Deepening operation, the Consenting
45 Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all
46 such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back,
47 Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each
48 party receiving its proportionate part in kind or in value, less cost of salvage.

49 Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations
50 for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to
51 the well, and an itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing,
52 Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement
53 of such costs of operation, may submit a detailed statement of monthly billings. Each ~~month~~^{quarter} thereafter, during the time the
54 Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties
55 shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of
56 the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from
57 the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas
58 produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or
59 periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with
60 any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited
61 against the total unrecovered costs of the work done and of the equipment purchased in determining when the interest of such

1 Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required
2 under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening
3 operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted,
4 whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms
5 of the second grammatical paragraph of Article VI.B.2. (a). shall be charged to and borne as part of the proposed operation,
6 but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated
7 between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total
8 interest as shown on Exhibit "A" of all Consenting Parties.

9 ~~Or deepening~~
10 In the event that notice for a Sidetracking / operation is given while the drilling rig to be utilized is on location, any party
11 may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in
12 Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended
13 response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending
14 the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be
15 allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's
16 interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties.

17 4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed
18 pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article
19 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
20 of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the
21 Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate
22 in the Deepening operation.

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

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

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

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

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

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

58 (b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of
59 such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth
60 at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above. Such party's
61 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."

1 initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation
2 within five (5) days after expiration of the election period (or within twenty-four (24) hours, ~~exclusive~~ ^{inclusive} of Saturday, Sunday
3 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
4 is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to
5 relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within
6 such period shall be deemed an election not to participate in the prevailing proposal.

7 7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be
8 proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract
9 Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone./

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

13 C. Completion of Wells; Reworking and Plugging Back:

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

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

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

47 2. Rework, Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked,
48 Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking,
49 Recompleting or Plugging Back of a well shall include all necessary expenditures in conducting such operations and
50 Completing and equipping of said well, including necessary tankage and/or surface facilities.

51 D. Other Operations:

52 Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of _____
53 THIRTY THOUSAND AND NO/100 Dollars (\$ 30,000.00) except in connection with the
54 drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously
55 authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden
56 emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion
57 are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the
58 emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so
59 requesting an information copy thereof for any single project costing in excess of THIRTY THOUSAND Dollars
60 (\$ 30,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that
61 Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as

1 plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any
2 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
3 delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the
4 proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the
5 cost, risk and expense of the parties who participated in the cost of drilling or Deepening such well. Any party who objects to
6 plugging and abandoning such well by notice delivered to Operator within ~~forty-eight (48)~~ ^{twenty-four (24)} hours ~~(exclusive)~~ ^{inclusive} of Saturday,
7 Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such
8 forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of
9 Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct
10 such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and
11 abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party
12 taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against
13 liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and
14 restoring the surface, for which the abandoning parties shall remain proportionately liable.

15 2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been
16 conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has
17 been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to
18 such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk
19 and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed
20 abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the
21 proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its
22 operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the
23 applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties
24 against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide
25 proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well
26 within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession
27 of such well and plug and abandon the well.

28 Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of
29 the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost
30 of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event
31 the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the
32 value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing
33 operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning
34 parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all
35 of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only
36 insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the
37 interest of the abandoning party is or includes an Oil and Gas Interest, such party shall execute and deliver to the non-
38 abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of
39 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
40 attached as Exhibit "B." The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located.
41 The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their
42 respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract
43 Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

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

51 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as
52 between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided,
53 however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further
54 operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well
55 in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest
56 in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as
57 provided in Article VI.B.2.(b).

58 **F. Termination of Operations:**

59 Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing,
60 Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without
61 consent of parties bearing 51 % of the costs of such operation; provided, however, that in the event granite or other

~~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 "F" 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.

1 **B. Liens and Security Interests:**

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

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

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

30 To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the
31 Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code.
32 The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an
33 election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In
34 addition, upon default by any party in the payment of its share of expenses, interests or fees, or upon the improper use
35 of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect
36 from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by
37 such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount
38 owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production
39 may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the
40 default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in
41 this paragraph.

42 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
43 Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the
44 proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so
45 paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each
46 paying party may independently pursue any remedy available hereunder or otherwise.

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

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

60 **C. Advances:**

61 Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other

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 / party or parties who subjected such lease to this agreement at its or their expense. ~~In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event / of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be / borne in accordance with the provisions of Article IV.B.2.~~ ^{except for willful misconduct or gross negligence} ^{a joint loss of the parties hereto}

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 / borne jointly by the parties hereto under the provisions of Article IV.B.2.

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 ^{a majority of the} all 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. ^{owning an interest therein} If all parties / do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. 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

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 hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 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

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, lightning, 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.

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 XVI.

OTHER PROVISIONS

A. Well Proposals:

It is specifically provided that no notice shall be given under Article VI hereof which proposes the drilling of more than one well. Further, insofar as same pertain to notification by a party of its desire to drill a well, the provisions of Article VI hereof shall be suspended for so long as (i) a prior notice has been given which is still in force and effect and the period of time during which the well regarding same may be commenced has not expired, or (ii) a well is then being drilled hereunder. This paragraph shall not apply under those circumstances where the operations to which notice is directed is a Required Operation (as defined in Article XVI.D hereof).

B. Advance of Well Costs:

Notwithstanding anything to the contrary contained herein, and in addition to any other right of Operator, Operator shall have the right to request and receive from each Non-Operator, payment in advance of its respective share of the cost of any drilling, completion, reworking, recompletion, sidetracking, deepening or plugging back operation to which such Non-Operator has consented (any such operation being herein called a "Drilling Operation"). Such request for advance payment may, at the election of Operator, be made upon all Non-Operators or upon any one or more of them to the exclusion of others, and shall be made in writing no earlier than thirty (30) days prior to the anticipated commencement date for such Drilling Operation. The amount of each Non-Operator's advance shall be based upon the latest AFE approved by persons participating in the Drilling Operation who own a majority of the working interest for such Drilling Operation.

A Non-Operator receiving a request for advance payment shall, within two (2) days of the receipt of such request if a drilling rig is on location and within ten (10) days of the receipt of such request in all other cases, pay to Operator in cash the full amount of such request or tender to Operator an irrevocable bank letter of credit (which shall permit partial draws) or other cash equivalent security satisfactory to Operator for the full amount due. In the event payment is in cash, Operator shall credit the amount to the Non-Operator's account for the payment of such Non-Operator's share of costs of such Drilling Operation, and following the end of each month Operator shall charge such account with such Non-Operator's share of actual costs incurred during such month.

Payment of an advance shall in no event relieve a Non-Operator of its obligation to pay its share of the actual cost of a Drilling Operation, and when the actual costs have been determined, Operator shall adjust the accounts of the parties by refunding any net amounts due or invoicing the parties for additional sums owing, which additional sums shall be paid in accordance with the Accounting Procedure -- Joint Operations attached hereto as Exhibit "C." Advance payment by a Non-Operator of its share of the completed well costs shall in no event prevent such Non-Operator from electing not to participate in completion of a well pursuant to Option No. 2 of Article VI.C.1 hereof, and, in the event such a Non-Operator elects not to participate in completion, the sums which such Non-Operator has advanced shall not be charged with any share of the costs of any completion attempted.

In the event a Non-Operator from which a request for advance payment was made does not, within the time and manner above provided, fully satisfy the request for advance

Operation.

Notwithstanding anything to the contrary contained herein, Operator shall have the right to collect judicially from a Non-Operator who failed to pay or furnish the aforesaid security as provided above its proportionate share of expenses, in lieu of an assignment of all Non-Operator's leasehold and contract rights within the Contract Area or in lieu of obtaining a non-consent penalty as provided for in Article VI.B.2.

If the Non-Operator fails to make such payment or furnish such security within five (5) days of the receipt of such second request, Operator shall promptly notify all other parties still participating in such Drilling Operation of the relinquishment of an interest under this provision. The parties who wish to participate in the Drilling Operation shall have five (5) days from receipt of such notice to elect to assume the costs chargeable to such relinquished interest and shall share such relinquished interest, in proportion to their assumption of such relinquished interest. If the parties who wish to participate in the Drilling Operation are unwilling to assume the costs chargeable to such relinquished interest, the Drilling Operation may, at the election of Operator, be cancelled.

C. Rights of Operator Against a Defaulting Party:

1. Operator's Options. Notwithstanding anything to the contrary contained in Article VII.B, if, in the course of conducting drilling, reworking, deepening, testing, completing or plugging back operations in a well on the Contract Area, any Consenting Party fails or is unable to pay its proportionate share of the costs and expenses for such operation, Operator shall have the right to enforce the lien as provided in Article VII.B herein (or by law) or Operator shall have the right (which may be exercised before or after completion of such operation), after thirty (30) days' prior written notice of such intention is given to the defaulting party, to treat such defaulting party as having made a non-consent election and being subject to the non-consent provisions provided in Article VI.B.2, effective as of when such party defaulted in payment of its bills, unless the defaulting party pays such bills in full (together with interest as specified in Article XVI.H.2 hereof) within said thirty (30) day period; however, the penalty amounts provided for in Article VI.B.2(b) shall be five hundred (500%) per cent. If Operator elects to treat the defaulting party as having made a non-consent election, Operator may not enforce the lien as provided in Article VII.B herein (or by law). If the defaulting party is the Operator, the Non-Operator(s) shall select a new Operator pursuant to Article V.B.2 hereof.

2. Restriction on Access of Defaulting Party. Notwithstanding anything to the contrary contained herein, if the lien provided for in Article VII.B (or by law) has been enforced, then, for so long as the affected party remains in default, it shall have no further access to the Contract Area or to information obtained in connection with operations hereunder and shall not be entitled to vote on any matter hereunder. As to any proposed operation in which it otherwise would have the right to participate, such party shall have the right to be a Consenting Party herein only if it pays, before commencement of such operation, the amount for which it is in default (together with interest as specified in Article XV.H.2 hereof); otherwise, it automatically shall be deemed a Non-Consenting Party to that operation. If the defaulting party is the Operator, the Non-Operator(s) shall select a new Operator pursuant to Article V.B.2 hereof.

D. Required Operations:

Notwithstanding the provisions of Article VI.B hereof, the provisions of this paragraph apply to a well proposal relating to a proposed well or operation required or necessary (i) to maintain in force and effect an oil and gas lease within the Contract Area, which oil and gas lease would otherwise (in the absence of such proposed operations) expire and terminate within

facts and circumstances which, in the view of the proposing party, necessitate the subsequent operation so proposed in order to maintain leasehold rights or earn any interest (but without any liability or responsibility on the proposing party in the event that any such fact or circumstance so included is not correct or complete). If a party receiving the notice provided for in Article VI.B.1 hereof elects not to participate in the proposed Required Operations, then, in such event, such Non-Consenting Party shall *ipso facto* forfeit and relinquish [and shall be obligated to convey and assign, free and clear of any liens, mortgages, costs, charges, encumbrances or other burdens whatsoever (the "Burdens") (except those existing pursuant to the terms hereof or of the letter agreement to which this Operating Agreement is attached)] to and in favor of the Consenting Parties, proportionately among them, all of its right, title and interest in and to the oil and gas leases LESS AND EXCEPT, however, any portion of the oil and gas leases included within the geographic boundaries of any unit(s) created or established for any then producing well (any substitute therefor, any recompletion thereof or any subsequent or other well) in which such Non-Consenting Party had theretofore participated (the "Retained Acreage"). In the event of the overlapping of the Retained Acreage with any unit(s) created or established for the well(s) in which such Non-Consenting Party shall have elected not to participate (whether or not such overlapping results from the original unit or any revision thereof), such forfeiture or relinquishment shall also relate to the geological strata or horizons underlying that portion of the Retained Acreage which is unitized with such well in which such Non-Consenting Party does not participate. It is the intention of the parties, and this paragraph should be construed, that a party shall only participate in production from a borehole in the costs of which such party shall have participated and, conversely, that no party shall participate in production from any borehole to the costs of which such party shall not have contributed. To that end, should a party who, by reason of its previous election, shall have forfeited and relinquished its interest in and to any acreage (the "Previously Relinquished Acreage"), elect to participate in any further operations (whether a new well, a recompletion or otherwise) proposed to be conducted on the Retained Acreage, and should such operations result in the creation of a unit for such well which includes, in addition to the Retained Acreage, any Previously Relinquished Acreage, then, notwithstanding such previous election, such party shall be reassigned its interest in and to the Previously Relinquished Acreage INsofar AND ONLY INsofar as such acreage is included within such unit and, further, ONLY INsofar as the unitized formation, such reassignment to be free and clear of any Burdens (except those existing pursuant to the terms hereof or of the Participation Agreement to which this Operating Agreement is attached or to which such party's interest was subject prior to the initial forfeiture or relinquishment).

E. Priority of Operations:

Where a well authorized under the terms of this agreement by all parties (or by less than all parties under Article VI.B.2 hereof) has been drilled to the objective formation and the Drilling Parties cannot agree upon the sequence and timing of further operations regarding such well, the following elections shall, in the absence of mutual agreement to the contrary, control in the order enumerated below, as follows:

- (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 formation;
- (3) An election to plug back the well and attempt a completion at a shallower formation;
- (4) An election to deepen the well;

(8) An election to plug and abandon the well.

However, if, at any time the Drilling Parties are considering the above elections, the hole is in such a condition that, in the considered opinion of a majority (on an interest basis) of the Drilling Parties, a reasonably prudent operator would not conduct the operations contemplated by the particular election involved because of the possibility of placing the hole in jeopardy or of losing the same prior to completing the well, such election shall not be given the priority hereinabove set forth. Instead, that operation will be conducted which, in the considered opinion of the majority (on an interest basis) of the Drilling Parties, is less likely to jeopardize the well. 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 logging, coring or testing shall not be entitled to the logs, cores or the results of the tests but shall suffer no other penalty.

F. Delay and Shut-In Rental Payments:

1. Operator to Pay Rentals, Etc. Operator shall advance and pay for the Joint Account (as defined in Paragraph I.1 of the Accounting Procedure -- Joint Operations attached hereto as Exhibit "C") all delay rentals and shut-in rental payments required to be paid in order to maintain in force and effect the oil and gas leases, but shall not be liable for failure to pay or improper or untimely payment of any such payments because of clerical error, inadvertence, oversight or any other reason, so long as Operator shall have acted in good faith and shall have not acted with gross negligence.

2. Non-Operator's Election. Should any Non-Operator desire not to maintain any oil and gas lease in force and effect by the payment of any such payments, it shall notify Operator, in writing, of such desire at least sixty (60) days before the date on which such payments are due. Should any Non-Operator fail to give the notice for the required period of time, the payment of rentals or shut-in payments by Operator shall be deemed to have been for the account of itself and Non-Operators. Should any Non-Operator request that rentals or shut-in payments under any oil and gas lease not be paid, as above provided, the Operator may nevertheless pay the same for itself and any other Non-Operator desiring to pay the same and, upon making such payments, the Non-Operator not desiring to pay the rentals or shut-in payments shall not be charged with any portion of such payments, but such Non-Operator shall thereupon immediately convey and assign to the other parties its interest in said oil and gas lease free and clear of all Burdens (except those existing pursuant to the terms hereof or of the letter agreement to which this Operating Agreement is attached). Such Non-Operator shall henceforth have no interest in said oil and gas lease, and said oil and gas lease shall no longer be affected by the terms of this contract insofar as said Non-Operator is concerned.

3. Operator's Election. Should Operator, at any time, not desire to pay rentals or shut-in payments under any oil and gas lease, as they fall due, it shall notify, in writing, the Non-Operators, at least sixty (60) days in advance of the date when such payments accrue, of such desire; and Operator shall not be required to pay such rentals or shut-in payments unless, at least twenty (20) days before the rental or shut-in payments date, a Non-Operator should request Operator, in writing, to pay the rentals or shut-in payments for its account. If such request is received by Operator within the time specified, Operator shall thereupon use its best efforts to make any such payments and shall bill such Non-Operator for such payments. Such bill for any such payments shall be promptly paid to Operator. Operator and each Non-Operator not timely requesting payment of such rentals or shut-in payments shall thereafter convey and assign their interests in said oil and gas lease to the Non-Operators paying said rentals or shut-in payments free and clear of all Burdens (except those existing pursuant to the terms hereof or of the letter agreement to which this Operating Agreement is attached), and such oil and gas lease shall no

G. Area of Mutual Interest:

The parties hereby create and establish an Area of Mutual Interest (the "AMI") comprising the area outlined in red on the plat which is attached hereto, and made a part hereof, as Exhibit "A-1." It is agreed and understood that, if any lease or leases should be acquired (whether by direct acquisition or farm-in) by any party hereto (its respective successors, assigns, agents, partners, representatives or other interposed or associated persons) within the AMI during the term of this agreement, then, in such event, the acquiring party shall promptly so notify all other parties in writing of the fact of such acquisition and shall furnish full particulars in connection therewith, including a statement or summary of the actual cost of acquisition thereof. Upon receipt of such notice, each of the notified parties shall have the right and option, exercisable within fifteen (15) days of receipt of such notice, to acquire its proportionate part of the newly acquired lease(s) after payment to the acquiring party of its proportionate part of the actual cost of acquisition thereof, including initial bonus consideration, brokerage and legal expenses, recordation expenses, etc. As used in the preceding sentence, the term "proportionate part" shall mean the proportion which the then interest of the party electing to acquire an interest pursuant to this paragraph in the newly acquired lease(s) bears to the aggregate of the then interest of all parties electing to acquire an interest pursuant to this paragraph in the newly acquired lease(s). The newly acquired lease(s) shall be subject to and burdened by such overriding royalty interest(s), if any, as might be provided for in the Participation Agreement to which this Operating Agreement might be attached. The failure of a notified party to timely elect to receive its proportionate part of the newly acquired lease(s) by the payment to the acquiring party of its proportionate part of the actual cost of acquisition thereof pursuant to this paragraph shall be deemed to constitute an election to not receive an assignment pursuant to this paragraph.

H. Attorney's Fees and Interest:

1. Attorney's Fees. Should Operator secure the services of an attorney in order to enforce any provision of this agreement, or should Operator institute legal proceedings in order to enforce any obligation assumed by any Non-Operator hereunder or to collect any money or other payments due to it hereunder or to secure judicial declaration of the default of any Non-Operator or of the termination of this agreement, then, in any of such events, the non-prevailing party, shall be responsible for all costs incurred by the prevailing party in connection therewith, including court costs and reasonable attorney's fees.

2. Interest. Any unpaid payment due hereunder shall bear interest from due date until paid in full at the rate specified in Paragraph 1.3.B of the Accounting Procedure -- Joint Operations attached hereto as Exhibit "C."

I. Removal of Operator:

Notwithstanding the provisions of Article V.B., at any time after six (6) months from the date hereof, any Non-Operator may notify Operator in writing of more cost efficient terms under which such Non-Operator would be prepared to act as Operator. Unless within thirty (30) days from receipt of such notice Operator agrees in writing to continue to act as Operator on the terms outlined by such Non-Operator, said Non-Operator shall become Operator on the said terms at the end of thirty (30) days following the end of said thirty (30) day period. Similarly, at any time after six (6) months after the new Operator has taken over as Operator hereunder, any Non-Operator may notify Operator in writing of the terms under which such Non-Operator would be prepared to act as Operator, and unless, within thirty (30) days from receipt of such notice, Operator agrees in writing to continue to act as Operator on the terms outlined by said Non-Operator, such Non-Operator shall become Operator on the same terms at the end of thirty (30)

J. Authorization For Expenditure:

Notwithstanding anything herein to the contrary, any party proposing an operation in the Contract Area shall prepare and send to Operator and Non-Operator(s) an authorization for expenditure ("AFE") for such operation, which AFE shall set forth in reasonable detail a good faith estimate of the cost of such operation. Such AFE shall also indicate the percentage of such costs for which Operator and Non-Operator(s) will be liable. No consent to an operation shall be deemed an authorization to expend monies in excess of one hundred twenty-five per cent (125%) of the AFE associated with such operation. At such time as the Operator believes or has reason to believe that the cost of any operation shall exceed one hundred twenty-five per cent (125%) of the AFE, Operator shall (i) cease all operations and expenditures associated with such operation, except those reasonably necessary to conclude or preserve work in progress, and (ii) notify all parties who consented to the operation of the cost overrun and submit to such parties a revised authorization for expenditure ("Revised AFE") setting forth its good faith estimate of the cost of completing such operation. The procedure established in Article VI hereof governing the election to participate in a proposed operation shall apply to any Revised AFE. Except in instances of a Required Operation as defined in Paragraph D, Article XVI, any party's election not to participate in the operation covered by a Revised AFE shall be subject to the provisions of Article VI, including the non-consent Penalties provided for therein; provided, however, that such provision shall apply only to the extent of the operations covered by such Revised AFE and not to those operations previously consented to and to which such party has contributed or advanced funds.

K. Well Data Requirements

Operator shall provide Non-Operator with copies of all information obtained in the drilling and testing of the Initial Test Well. Such information will include, but not be limited to, daily drilling reports, logs, cores, tests and all forms and reports filed with the appropriate governmental authority. Operator shall provide such data to Non-Operator as required on the attached Exhibit "I", Well Data Requirements.

K. Contract Operator:

Notwithstanding the designation of TRIDIMENSION ENERGY, LP as Operator pursuant to Article V hereof, the actual physical operations shall be conducted and performed by AXIS ONSHORE, LP (or any other third-party designee of TRIDIMENSION ENERGY, LP) in its capacity as Contract Operator (the "Contract Operator"). The Contract Operator shall supervise and direct all operations on the Contract Area, subject to the direction and instructions of Operator. The Contract Operator shall conduct all operations in a good and workmanlike manner, but it shall have no liability to Operator or any other party who may own any interest in the Contract Area for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct. All drilling operations and/or reworking operations shall be carried out in accordance with well program(s) prepared or approved by Operator in accordance with the terms of this Operating Agreement.

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 – Statutory.
 2. Employer's Liability Insurance – Limits of not less than \$100,000.
 3. Comprehensive General Liability in the amount of \$500,000 for injury or death of more than one person in any one accident and Property Damage insurance with limits of \$500,000 for any one accident.
 4. Automobile Insurance in a minimum amount of \$500,000 for injury or death of one person and \$1,000,000 for injury or death of more than one person in any one accident and Property Damage Insurance with limits of \$250,000 for any one 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.



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EXHIBIT " C "

ACCOUNTING PROCEDURE JOINT OPERATIONS

Attached to and made part of that certain Joint Operating Agreement dated December 14, 2009 by & between Axis Onshore, L.P. as Operator and PRYME LAKE EXPLORATION, L.L.C., ET AL, AS LISTED ON THE JOA AS NON-OPERATORS.

I. GENERAL PROVISIONS

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

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

I. 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



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1 "Joint Property" means the real and personal property subject to the Agreement.

2
3 "Laws" means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other
4 governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions
5 contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted,
6 promulgated or issued.

7
8 "Material" means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

9
10 "Non-Operators" means the Parties to the Agreement other than the Operator.

11
12 "Offshore Facilities" means platforms, surface and subsea development and production systems, and other support systems such as oil and
13 gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping,
14 heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of
15 offshore operations, all of which are located offshore.

16
17 "Off-site" means any location that is not considered On-site as defined in this Accounting Procedure.

18
19 "On-site" means on the Joint Property when in direct conduct of Joint Operations. The term "On-site" shall also include that portion of
20 Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other
21 facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

22
23 "Operator" means the Party designated pursuant to the Agreement to conduct the Joint Operations.

24
25 "Parties" means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as
26 "Party."

27
28 "Participating Interest" means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees,
29 or is otherwise obligated, to pay and bear.

30
31 "Participating Party" means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of
32 the costs and risks of conducting an operation under the Agreement.

33
34 "Personal Expenses" means reimbursed costs for travel and temporary living expenses.

35
36 "Railway Receiving Point" means the railhead nearest the Joint Property for which freight rates are published, even though an actual
37 railhead may not exist.

38
39 "Shore Base Facilities" means onshore support facilities that during Joint Operations provide such services to the Joint Property as a
40 receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication,
41 scheduling and dispatching center; and other associated functions serving the Joint Property.

42
43 "Supply Store" means a recognized source or common stock point for a given Material item.

44
45 "Technical Services" means services providing specific engineering, geoscience, or other professional skills, such as those performed by
46 engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint
47 Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second
48 paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator's Affiliate, Non-
49 Operator, Non-Operator Affiliates, and/or third parties.

50 51 2. STATEMENTS AND BILLINGS

52
53 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
54 preceding month. Such bills shall be accompanied by statements that identify the AFF (authority for expenditure), lease or facility, and all
55 charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified
56 and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications.



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 1.4 (*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 1.5 (*Expenditure Audits*).

B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section 1.4.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 1.4 (*Adjustments*). Any Party that is subject to payout accounting under the



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those Non-Operators approving such audit.

The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month requirement for taking specific detailed written exception as required in Section 1.4.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 1.5.B or 1.5.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 1.5.B or 1.5.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 1.3.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 1.5.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 1.3.B (*Advances and Payments by the Parties*).

D. If any Party fails to meet the deadlines in Sections 1.5.B or 1.5.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 1.5.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 1.5.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 1.5.B or 1.5.C, any unresolved exceptions that

Charges for personnel chargeable under this Section 11.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section 11.2, unless otherwise approved by the Parties pursuant to Section 1.6.A (*General Matters*).



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- 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



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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



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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 1.6.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 11.6 (*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 11.2 (*Labor*), 11.5 (*Services*), or Section 11.1 (*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.

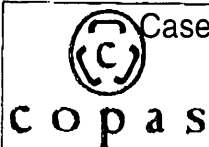
15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section 11 (*Direct Charges*), or in Section 11.1 (*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 11.15 shall require approval of the Parties, pursuant to Section 1.6.A (*General Matters*).

III. OVERHEAD

As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section 11 (*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



- 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

(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).~~



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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.

Catastrophic 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

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.



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 1.6.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 1.6.A (*General Matters*).

(5) Condition "E" - Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

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



c o p a s

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.



c o p a s

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 1.6.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*).

December 16, 2009

Pryme Lake Exploration
494 Boulder Crest
Marietta, GA 30064

Attn: Mr. T. Ryan Messer

RE: Participation Agreement
Hawg Pen Prospect
LaSalle Parish, LA

When executed by you in the manner provided below, this Participation Agreement ("Agreement") will evidence an agreement between AXIS Onshore, LP (hereinafter referred to as "AXIS") and Pryme Lake Exploration (hereinafter referred to as Pryme or "Participant") covering the above referenced Prospect. 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 Participation Agreement

Copy of the Authority for Expenditures (AFE) depicting the estimated costs of drilling and completing the initial well.

B. Exhibit B to Participation Agreement

AAPL 610-1989 Model Form Operating Agreement dated December 14, 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

A description of the lands subject to this agreement.

D. Exhibit A-5 to JOA

Lease Schedule containing description of Oil, Gas and Mineral Leases (the "Leases") subject to this agreement.

II. AGREEMENT TO CONVEY INTEREST IN LEASES

- A. 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 such interest in the subject leases that will cause Pryme to own 50.0% of 8/8ths interest in and to the subject Leases.
- B. The net revenue interest in the subject leases is approximately seventy- nine and 63/100 percent (79.63%).

III. TEST WELLS

- A. Pryme agrees to participate in the drilling of the Test Well. "Test Well" means the first well that is proposed and drilled in the Prospect. 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 Well 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 the "Test Well" 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.

IV. 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 the right to participate in drilling the Substitute Test Well by following the same procedure and the same elections set forth in Section III of this Agreement for the Test Well.

V. 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 50.0% 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 Participation Agreement). Pryme's proportionate share of the estimated cost to drill the Test Well is \$192,300.00 and shall be due and payable contemporaneously with the execution of this Agreement.
- B. The cost to Pryme for completing and equipping the Test Well and any Substitute Test Well shall be 50.0% 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 Participation Agreement.

VI. 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.

VII. 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 50.0% of 8/8ths of the actual costs (i.e. no promote) subject to the terms of the JOA attached hereto.

VIII. 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.

IX. 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 the Louisiana Office of Conservation. 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.

X. 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.

XI. AREA OF MUTUAL INTEREST

The provisions of the JOA relating to all the AMLs shall apply and are herein incorporated by reference.

XII. 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.

XIII. NOTICES

All notices, proposals, reports and other communication given under this Agreement shall be sent to the parties at the following addresses:

Pryme Lake Exploration, LLC
494 Bouldercrest Drive SW
Marietta, GA 30064
713-401-9806 Office
832-201-9776 Fax

AXIS Onshore, LP
405 Texas Street
Vidalia, LA 71373
318-336-9881 Office
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.

XIV. 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).

XV. 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.

XVI. CONTROLLING LAW

This Agreement and the parties' rights and obligations under it shall be governed by the Laws of the State of Louisiana.

XVII. 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.

XVIII. EFFECTIVE DATE

This Agreement shall be effective for all purposes as of December 14, 2009, regardless of the date of its actual execution.

XIX. 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 Pryme's share of the estimated cost to drill the initial well to casing point, described in Section II hereof. 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 17th DAY OF December, 2009.

PRYME LAKE EXPLORATION, LLC

By: T. Ryan Messer
T. Ryan Messer

Well:	SL #19857	TVD:	Ft	Drilling	Workover		
Field/Prospect:	Hawg Pin Prospect Catahoula Lake	MD:	5,200 Ft	X			
Parish/ State:	LaSalle Parish, Louisiana	Est. Start Date:	8. Dec 14th '09	Facility	X P&A		
Description:							
Code		Drig \$/day	Cased \$/day	DRILL COST	CASED COST	COMP. COST	TOTAL COST
INTANGIBLE ESTIMATE							
01	Land, logal and leases			\$10,500		\$500	\$11,000
02	Regulatory / F Permits / Bonds			\$5,000		\$500	\$6,000
03	Damages			\$3,000			\$3,000
04	Location Preparation/Construction/Survey/right of way			\$15,000		\$2,500	\$17,500
05	Location Clean-Up			\$5,000			\$5,000
06	Prospect Generation and Geological			\$3,000			\$3,000
07	Rig Costs: Turnkey						
08	Rig Costs: Footage 0 feet @ \$ 0.00 /ft						
09	Rig Costs: Daywork 10 days \$10,500			\$105,000			\$105,000
10	Well Service Unit		0			\$8,000	\$8,000
11	Water / Water Well			\$3,000			\$3,000
12	Fuel			\$10,000			\$10,000
13	Hammer/Casing/Laydown Svc.						
14	Bits			\$14,000			\$14,000
15	Stab's, Reamers, Hole Openers						
16	Contract Welding					\$1,100	\$1,100
17	Mud & Chemicals / Completion Fluids			\$10,000			\$10,000
18	Mud Engineering			\$700			\$700
19	Cement & Cementing Svcs			\$15,000		\$10,000	\$25,000
20	Rentals - Surface wellhead			\$1,500			\$1,500
21	Rentals - Downhole						
22	Directional Tools / Service / MWD			\$120,000			\$120,000
23	Mud Logging Days						
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						
28	Wellsite Supervision			\$5,000		\$3,000	\$8,000
29	Contract Labor Casing Crew					\$8,500	\$8,500
30	Cementor / Tools						
31	Dispatcher						
32	Surface Casing 800' 8 5/8"			\$10,400			\$10,400
33	Trucking / Freight			\$25,000			\$25,000
34	Marine Transportation						
35	Fishing Services						
36	Gyro/ Multishot Surveys						
37	Environmental Costs						
38	Cased Hole logging / Perforating					\$11,000	\$11,000
39	Acidizing / Fracturing						
40	Sand Control						
41	Coil Tubing / Wireline Service						
42	Well Testing						
43	Tubular Inspections / Testg						
44	Administrative Overhead			\$3,000		\$3,000	\$6,000
45	Well Control Insurance						
46	In-House Engineering						
47	Rig Supplies						
48	Contingencies refundable						
90	P&A						
TOTAL INTANGIBLE ESTIMATE				\$384,600	\$0	\$40,100	\$424,700
TANGIBLE ESTIMATE w/ Taxes		Size	Ftg	\$/Ft			
01	Drive Pipe / Caisson						
02	Conductor Casing operator pays						
03	Surface Casing						
04	Intermediate Casing						
05	Drilling Liner						
06	Production Casing / Liner Price as per 1/1/09					\$67,500	\$67,500
07	Tieback Casing						
08	Liner Hanger / Whipstocks/ Tieback						
09	Tubing					\$52,000	\$52,000
09	Rods						
10	Packer Downhole pump					\$11,500	\$11,500
11	Wellhead Equipment Pumping Unit Or gas hookup					\$100,000	\$100,000
12	Flowlines / Pipelines					\$2,500	\$2,500
13	Tanks					\$11,000	\$11,000
14	Production Treatment Equipment					\$9,000	\$9,000
15	Roustabout					\$10,000	\$10,000
TOTAL TANGIBLE ESTIMATE				\$0	\$0	\$263,500	\$263,500
TOTAL COST ESTIMATE				\$384,600	\$0	\$311,700	\$696,300

Date:

Partner

Signature

Working Interest

Pryme Lake Exploration, LLC

50.00%

\$192,300.00 \$0.00 \$125,250.00 \$222,800.00

AXIS ONSHORE, LP
16610 DALLAS PKWY, SUITE 2500
DALLAS TX 75248

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010011000100
Statement Dat 01/31/2010

JOINT OWNER STATEMENT

PRYME LAKE EXPLORATION LLC

1001 TEXAS AVE, STE 1400
HOUSTON TX 77002

Reference	Description	Amount	Balance
	Balance Forward		0.00
	Service Charge		0.00
Payments and Adjustments			
	**** Balance After Payments ****		0.00
Current Invoices			
I2010011000376	000376.01 CATAHOULA LAKE BARGE RIG	0.00	
	**** Total Current Invoices ****		<u>0.00</u>
	**** Total Due ****		0.00

AXIS ONSHORE, LP
Property Name: CATAHOULA LAKE BARGE RIG
Property #: 000376.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010011000100
Invoice #: I2010011000376
Inv Date: 01/31/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
EQUIPMENT						
	DAVIS SUP JAN 10	ENG SUP DAVIS 01/04/10 TO 01/15/10	01/15/2010	5,909.09	0.50000000	2,954.55
BEARING SERVICE & SUPPL	01435177	ROLLER BEARINGS, OIL SEAL, DOUBLE ROW BEARING	01/13/2010	747.29	0.50000000	373.65
BES MACHINE & WELDING, I	11213	RECUT KEYWAY IN GEAR & SHAFT TO LARGER SIZE, MAKE NEW KEY, REWORK TAPER ON SHAFT, MAKE COPPER OIL LINE, REASSEMBLE, RETAINER PLATE FOR GRAV BOX SHAFT, REPAIR OILER LINES	01/20/2010	1,412.16	0.50000000	706.08
CARQUEST OF JENA, LA	10538-ROA	PARTS	01/13/2010	152.33	0.50000000	76.17
CARQUEST OF JENA, LA	10538-99308	XSM TRACTOR, TRACTOR HYD	01/13/2010	24.41	0.50000000	12.21
DRAYCO EXPLORATION, LLC	01202010	MISC BARGE COST REIMB	01/13/2010	229.14	0.50000000	114.57
GOLDEN WEST HOLDINGS, L	171	GANG PUSHER & ROUSTABOUT TRUCK FOR 6 DAYS	01/29/2010	8,230.00	0.50000000	4,115.00
GOLDEN WEST HOLDINGS, L	175	ROUSTABOUT, LET SPUD LINE OUT	01/29/2010	760.00	0.50000000	380.00
KEITH PRITCHARD WELDING	1644	WORK ON BARGE	01/30/2010	600.00	0.50000000	300.00
McZAYDE LLC OILFIELD SER	249	USE BACKHOE O UNLAND METAL & MOVE ONTO BARGE & CLEAN UP DOCK & BARGE FOR 16 DAYS	01/11/2010	2,580.00	0.50000000	1,290.00
MORGAN & MORGAN	39106	FLAT BOR, PE BLK PIPE, CR ROVN, S/PLATE	01/15/2010	3,630.92	0.50000000	1,815.46
MORGAN & MORGAN	39073	FLOOR PLATES, FLAT BOES, ANGLE IRONS	01/12/2010	7,467.75	0.50000000	3,733.88
OILFIELD-INDUSTRIAL SUPP	219481	DIAMOND 160-1 COTTERED ROLLER CHAIN, LINK-BELT, ROTORSEAL B-3, ELEMENT CLUTCH 24", 16", 16"	01/13/2010	7,040.23	0.50000000	3,520.12
OILFIELD-INDUSTRIAL SUPP	219479	LEAD-BESE DRILL COLLAR DOPE, ALLOY SPINNING CHAIN, ROPE, MANILLA, HVY DUTY HI-TEMP GREASE CARTRIDGE, CONNECTING LINK, DIE TONG, REPLACEMENT CHAIN	01/13/2010	2,049.75	0.50000000	1,024.88
OILFIELD-INDUSTRIAL SUPP	12012009	ROPE-MANILLA 350', DIE-TONG, ALLOY SPINNING CHAIN W/LINK	12/01/2009	618.73	0.50000000	309.37
RANDY TRAYLOR WELDING	632761	WELD HANDRAILS, V-DOOR, DRAW-WORKS, WORK ON TOE BOARD	01/14/2010	2,400.00	0.50000000	1,200.00

Owner Cod 001703

Owner Nam PRYME LAKE EXPLORATIO

Owner Statement S2010011000100

AXIS ONSHORE, LP						
RANDY TRAYLOR WELDING	632762	WELD TURN TABLE, DOOR, V-DOOR, TOE BOARD	01/15/2010	3,000.00	0.50000000	1,500.00
RANDY TRAYLOR WELDING	632764	WELDING RIG FLOOR, CHAIN BOX, CHAIN GUARD	01/30/2010	3,060.00	0.50000000	1,530.00
RED NECK WELDING	368717	REPLACE FLOOR IN TOP DOG HOUSE, CUT OLD RIG FLOOR OFF, REPLACE FLOOR IN TOP DOG HOUSE & PARTS OF SIDE, WELD TOE PLATE, FAB & WELD ON BACK STOP & RAMP	01/21/2010	2,400.00	0.50000000	1,200.00
RED NECK WELDING	368713	WELD HANDRAILS ON BARGE, WELD ON DOGHOUSE, HEATING SHIVES ON DRAW WORKS, WELD TOEPLATES	01/11/2010	2,400.00	0.50000000	1,200.00
TIM WILLIAMSON	1050	WORK ON DRAW WORKS, 1/11, 1/12, 1/13, & 1/14	01/11/2010	2,400.00	0.50000000	1,200.00
TIM WILLIAMSON	1049	WORKED ON BARGE RIG 5 DAYS	01/15/2010	3,000.00	0.50000000	1,500.00
TY JONES	784001	BARGE LANDING & RIG ON 1/30, 1/31, 2/1, 2/2, 2/3, & 2/4	01/30/2010	3,480.00	0.50000000	1,740.00
TY JONES	784003	BUILD GUARDS ON RIG, BUILD OIL BATH GUARD FOR ROTARY DRIVE, MODIFY GUARDS WELDED IN DRAIN	01/06/2010	2,400.00	0.50000000	1,200.00
Total EQUIPMENT				65,991.80		32,995.94
Total Billable Amount				65,991.80		32,995.94
Prepayments Applied						32,995.94
Amount Due-Your Share						0.00

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010011000100

AXIS ONSHORE, LP

Pre-Payment
Schedule

Property Name	Afe Name	Original Pre-Payment	Beginning Balance	Currently Applied	Pre-Payment Remaining
CATAHOULA LAKE BARGE RIG		80,000.00	80,000.00	0.00	80,000.00
CATAHOULA LAKE BARGE RIG		60,000.00	60,000.00	(32,995.94)	27,004.06
		140,000.00	140,000.00	(32,995.94)	107,004.06

AXIS ONSHORE, LP
16610 DALLAS PKWY, SUITE 2500
DALLAS TX 75248

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010021000103
Statement Dat 02/28/2010

JOINT OWNER STATEMENT

PRYME LAKE EXPLORATION LLC

1001 TEXAS AVE, STE 1400
HOUSTON TX 77002

Reference	Description	Amount	Balance
	Balance Forward		0.00
	Service Charge		0.00
Payments and Adjustments			
	**** Balance After Payments ****		0.00
Current Invoices			
I2010021000423	000376.01 CATAHOULA LAKE BARGE RIG	0.00	
	**** Total Current Invoices ****		<u>0.00</u>
	**** Total Due ****		0.00

AXIS ONSHORE, LP
Property Name: CATAHOULA LAKE BARGE RIG
Property #: 000376.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010021000103
Invoice #: I2010021000423
Inv Date: 02/28/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
EQUIPMENT						
ACE FAMILY HARDWARE	657123 1734	4PC BRUSH SET	02/06/2010	17.34	0.50000000	8.67
ACE FAMILY HARDWARE	652528 2892	55 GAL DRUM LINER 20PK, SPADE GRDN FBRGLS 29"	01/20/2010	28.92	0.50000000	14.46
ACE FAMILY HARDWARE	657125 3253	BROOM, 55 GAL DRUM LINER 20PK	02/06/2010	32.53	0.50000000	16.27
ACE FAMILY HARDWARE	650080 6899	NIPPLE GALV 1X6, 16'X100' 6 MIL CLR POLY FLM	01/11/2010	68.99	0.50000000	34.50
ACE FAMILY HARDWARE	662147 5818	PADLOCK, KEYS, SUPPLIES	02/26/2010	58.18	0.50000000	29.09
ACE FAMILY HARDWARE	660838 23046	PAINT AND PAINTING SUPPLIES	02/22/2010	230.46	0.50000000	115.23
ACE FAMILY HARDWARE	661613 27826	PAINT, PAINTING SUPPLIES	02/24/2010	278.26	0.50000000	139.13
ACE FAMILY HARDWARE	657970 38924	PAINT, SUPPLIES	02/10/2010	389.24	0.50000000	194.62
ACE FAMILY HARDWARE	657373 46577	PAINTING MATERIALS	02/06/2010	465.77	0.50000000	232.89
ACE FAMILY HARDWARE	659647 12474	QLTY LTX FLT ULTRA / 100' EXTENSION CORD 12/3	02/17/2010	124.74	0.50000000	62.37
ANDREWS TRUCKING, INC	808	TRUCK RENT FOR DELIVERY OF WINNROCK TO #2 BARGE LANDING	02/09/2010	275.00	0.50000000	137.50
BELL SUPPLY COMPANY, LL	PSI189686	NIPPLES, CAP 2" STD, COUPLING API LINE PIPE, BALL VALVES, PLUG, HOSE INSERT BRASS	01/25/2010	133.57	0.50000000	66.79
BELL SUPPLY COMPANY, LL	PSI198104	TEFLON TAPE / NIPPLES / BALL VALVE / TEES / ELBOWS / PLUGS	02/24/2010	35.53	0.50000000	17.77
BES MACHINE & WELDING, I	11234	PARTS & LABOR TO REPAIR & REPLACE SPROCKETS, SPACER RINGS & BOLTS	02/05/2010	2,643.80	0.50000000	1,321.90
BES MACHINE & WELDING, I	11262	ROLLER POST, TAKE APART & CHANGE OUT BEARINGS, MAKE SLEEVE	02/24/2010	372.55	0.50000000	186.28
BPS AMERICAN	21653	18" MAIN BEARING	02/24/2010	6,392.75	0.50000000	3,196.38
BRANDON R. HAWKINS	658952	WORK ON DRILLING BARGE	02/05/2010	1,200.00	0.50000000	600.00
E-OPERATING, LLC	1020	TRUCK & TRAILER 3 HRS, GO TO BARGE, LOAD & HAUL CAST MOTOR TO YARD	02/15/2010	300.00	0.50000000	150.00
GOLDEN WEST HOLDINGS, L	179	CONSULTANT ON DRILLING BARGE & ROUSTABOUT TRUCK FOR 12 DAYS	02/05/2010	17,400.00	0.50000000	8,700.00

Owner Cod 001703

Owner Nam PRYME LAKE EXPLORATIO

Owner Statement S2010021000103

AXIS ONSHORE, LP GOLDEN WEST HOLDINGS, L 174	DELIVER 2 MOTORS TO MECHANIC, PLUMB IN AIR, WATER & DIESEL LINES, CHANGE OUT HYD. LINES ON SPUD WINCHES, TIE DOWN WINCHES & STEERING, PUT NEW CABLES ON RAMP, MEASURE & ORDER PIPE & FITTINGS	02/04/2010	5,655.00	0.50000000	2,827.50
GOLDEN WEST HOLDINGS, L 263	GANG PUSHER - CHANGE OUT DIESEL LINES ON MOTORS FOR DRAW WORKS, RUN WATER & AIR LINES TO DRAW WORKS	02/24/2010	1,635.00	0.50000000	817.50
GOLDEN WEST HOLDINGS, L 173	GANG PUSHER & ROUSTABOUT TRUCK FOR 7 DAYS, GATHER MATERIALS TO WORK ON BARGE	02/05/2010	7,955.00	0.50000000	3,977.50
GOLDEN WEST HOLDINGS, L 261	GANG PUSHER & ROUSTABOUTS TO CHANGE OUT CABLES	02/02/2010	1,950.00	0.50000000	975.00
GOLDEN WEST HOLDINGS, L 180	GANG PUSHER ON BARGE FOR 10 DAYS, ROUSTABOUT TRUCK 10 DAYS	02/08/2010	11,500.00	0.50000000	5,750.00
GOLDEN WEST HOLDINGS, L 185	GANG PUSHER WORK, GATHER MATERIALS FOR JOB	02/11/2010	4,950.00	0.50000000	2,475.00
GOLDEN WEST HOLDINGS, L 265	GANG PUSHER, ROUSTABOUTS - GATHER MATERIALS & ASSIST W/WORK OVER 13 DAY PERIOD	02/25/2010	26,650.00	0.50000000	13,325.00
GOLDEN WEST HOLDINGS, L 181	GANG PUSHER, WORK PLUMBING WATER TO CUTTING TANK	02/17/2010	865.00	0.50000000	432.50
GOLDEN WEST HOLDINGS, L 259	PICK UP 2 MOTORS & DELIVER TO MECHANIC	02/04/2010	960.00	0.50000000	480.00
GOLDEN WEST HOLDINGS, L 177	PLUMB IN WATER, DIESEL LINE FROM RIG TO BARGE, PLUMB WATER, DIESEL & AIRLINE FROM BACK TO FRONT OF BARGE	02/05/2010	1,460.00	0.50000000	730.00
GOLDEN WEST HOLDINGS, L 182	PLUMB WATER LINES, FIX TIE DOWNS, CHARGE BATTERIES ON BOAT, ROPE REPLACEMENT	02/17/2010	1,180.00	0.50000000	590.00
GOLDEN WEST HOLDINGS, L 258	ROUSTABOUT HANDS - 7 DAYS ON BARGE	02/04/2010	4,410.00	0.50000000	2,205.00
GOLDEN WEST HOLDINGS, L 172	ROUSTABOUT HANDS FOR 7 DAYS	02/05/2010	6,510.00	0.50000000	3,255.00
GOLDEN WEST HOLDINGS, L 184	ROUSTABOUT WORK ON DRILLING BARGE ON FEB 11, 15, 16, 17, 18	02/11/2010	3,430.00	0.50000000	1,715.00
GOLDEN WEST HOLDINGS, L 183	ROUSTABOUT, PLUMB IN WATER LINES TO TANKS	02/16/2010	725.00	0.50000000	362.50
GOLDEN WEST HOLDINGS, L 257	ROUSTABOUTS - LET SPUD LINES OUT ON BARGE RIG	01/29/2010	760.00	0.50000000	380.00
GOLDEN WEST HOLDINGS, L 260	ROUSTABOUTS, TAKE ENGINE OFF SKID, LOAD, DELIVER TO MECHANIC	02/04/2010	620.00	0.50000000	310.00

			Owner Cod 001703 Owner Nam PRYME LAKE EXPLORATIO Owner StatementS2010021000103		
AXIS ONSHORE, LP					
GOLDEN WEST HOLDINGS, L	176	ROUSTABOUTS, TOOK ENGINE OFF SKID, LOAD ENGINE, TAKE ENGINE TO MECHANIC	02/04/2010	620.00 0.50000000	310.00
GOLDEN WEST HOLDINGS, L	178	RUN 2" & 1" LINES FOR GAS & DIESEL, PUMP WATER OUT OF BOAT & TIGHTEN PACKING ON PROPELLER SHAFT, INSTALL SMALL PUMP ON DIESEL TANK, MOVE TANK BARGE, REMOVE OLD DIESEL, WATER & AIR LINES & REPLACE	02/05/2010	6,480.00 0.50000000	3,240.00
H & E EQUIPMENT SERVICE	90002361	RENTAL FOR REACH LIFT 02/02/10-03/10/10	02/18/2010	2,637.06 0.50000000	1,318.53
HARBOR FREIGHT TOOLS	02072010	TOOLS, SLEDGE HAMMERS, WRENCHES, SOCKET SET, RATCHET, PLIERS	02/07/2010	299.60 0.50000000	149.80
JONESVILLE AUTO SUPPLY	D108234	GAS METER	01/08/2010	62.59 0.50000000	31.30
L. J. DENNY & SON TRUCKIN	37028	CHANGE OUT MUD PUMP ON BARGE	02/28/2010	640.00 0.50000000	320.00
L. J. DENNY & SON TRUCKIN	37021	LOAD BOBTAIL PUMPS ON BARGE	02/08/2010	1,120.00 0.50000000	560.00
MORGAN & MORGAN	38941	PARTS	02/18/2010	2,238.58 0.50000000	1,119.29
OILFIELD-INDUSTRIAL SUPP	221207	14" CB400 CLUTCH W/QUICK RELEASE, 20' CB500 CLUTCH W/QUICK RELEASE VALVE	02/03/2010	4,971.55 0.50000000	2,485.78
OILFIELD-INDUSTRIAL SUPP	221013	DIAMOND 120-1 COTTERED ROLLER CHAIN, LINK-BELT, ALEMITE GREASE GUN	02/02/2010	395.25 0.50000000	197.63
OILFIELD-INDUSTRIAL SUPP	221203	LINK-BELT 120-2 OFFSET LINK, LINK- BELT 120-2 CONNECTING LINK	02/04/2010	47.25 0.50000000	23.63
RANDY TRAYLOR WELDING	632765	FLOOR PLATES, MUD TANKS, RIG FLOOR, TOE BOARD	02/05/2010	2,100.00 0.50000000	1,050.00
RANDY TRAYLOR WELDING	632768	WELD TIE-OFFS, MUD TANKS, HAND RAILS & MUD TANKS	02/25/2010	2,220.00 0.50000000	1,110.00
RED NECK WELDING	368719	WELD ON MUD TANK & RIG FLOOR - 5 DAYS	02/05/2010	2,640.00 0.50000000	1,320.00
RUDY KRUEGER WAREHOU	30725	GEAR OIL / TORQUE FLUID	02/25/2010	1,344.32 0.50000000	672.16
SMITH EQUIPMENT COMPAN	1647	PISTON RINGS, GASKETS, BEARINGS, SEAL, OIL PRESSURE GUAGE, AIR FILTER, LP SUCTION VALVE, OIL	02/02/2010	1,601.13 0.50000000	800.57
THE FISH NET COMPANY	W-12287	310' DOUBLE BRAID ROPE	02/17/2010	168.95 0.50000000	84.48
TIM WILLIAMSON	1031	MODIFY & BUILD NEW GUARDS ON RIG, BUILD BRACKETS FOR OILER PUMP, BUILD OIL BATH GUARDS FOR ROTARY DRIVE	02/06/2010	1,800.00 0.50000000	900.00
TIM WILLIAMSON	1033	RIG UP RIG FOR DRILLING	02/05/2010	2,040.00 0.50000000	1,020.00
TIM WILLIAMSON	1030	WELDING FOR 1/30, 1/31, 2/1, 2/2, 2/3, & 2/4	01/30/2010	3,480.00 0.50000000	1,740.00
TIM WILLIAMSON	1038	WELDING SERVICES - 7 DAYS	02/25/2010	3,300.00 0.50000000	1,650.00
TY JONES	784004	10 HOURS OF WELDING	02/05/2010	600.00 0.50000000	300.00

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010021000103
(2,400.00) 0.50000000 -1,200.00

AXIS ONSHORE, LP TY JONES	784003-C	BUILD GUARDS ON RIG, BUILD OIL BATH GUARD FOR ROTARY DRIVE	02/05/2010			
WHITE'S T & J OILFIELD SUP	202883	175 L2 2' LINE PIPE, 4 STD SWAGE, 7 BRONZE BALL VALVES, 8 2'STD TEE, 10 2'STD ELL, MULTIPLE NIPPLES	02/16/2010	2,235.79	0.50000000	1,117.90
WHITE'S T & J OILFIELD SUP	203093	2 - 2" CHICKSON JOINTS / 1 - NET COAT 5 GALLONS	02/10/2010	1,046.69	0.50000000	523.35
WHITE'S T & J OILFIELD SUP	203066	2' STD TEES, NIPPLES, NUTS, WASHERS	02/17/2010	111.99	0.50000000	56.00
WHITE'S T & J OILFIELD SUP	202966	3/4" DRIVE SOCKET SET WITH PULL BAR	02/10/2010	420.78	0.50000000	210.39
WHITE'S T & J OILFIELD SUP	202922	375 L1 1" LINE PIPE, 125 L2 2" LINE PIPE	02/03/2010	1,937.15	0.50000000	968.58
WHITE'S T & J OILFIELD SUP	202911	4 CC1 1/4 CABLE CLAMP, 42 L4-80 4' SCH 80 LINE PIPE	02/01/2010	947.77	0.50000000	473.89
WHITE'S T & J OILFIELD SUP	202882	4 LC1 PIPE COUPLINGS, 3 APOLLO BALL VALVES, 6 STD ELLS, MULTIPLE STD NIPPLES	02/16/2010	475.94	0.50000000	237.97
WHITE'S T & J OILFIELD SUP	202981	BUSHINGS / HOSE CLAMPS / POLY FLOW TUBING HAMMER UNIONS / TEES / BALL VALVES / NIPPLES	02/09/2010	778.19	0.50000000	389.10
WHITE'S T & J OILFIELD SUP	202977	CABLE CLAMPS / NYLON ROPE / TALLEY TAPE / HOSE CLAMP / NIPPLE / BUSHINGS / COUPLINGS / HOSE FITTINGS	02/06/2010	523.79	0.50000000	261.90
WHITE'S T & J OILFIELD SUP	202982	HAMMER UNIONS / NIPPLES / ELLS / NIPPLES / BRONZE BALL VALVE / APOLLO BALL VALVE	02/09/2010	503.24	0.50000000	251.62
WHITE'S T & J OILFIELD SUP	202921	NEEDEL GUN	02/01/2010	340.65	0.50000000	170.33
WHITE'S T & J OILFIELD SUP	203016	PIPE COUPLING, APOLLO BALL VALVE, STD TEES, STD ELLS, SWAGE, MULTIPLE STD NIPPLES	02/03/2010	1,341.68	0.50000000	670.84
WHITE'S T & J OILFIELD SUP	203041	RED SILICONE, STARTING FLUID, THREAD COMPOUND, ROPE, PIPE WRENCHES, TUBE GREASE	02/19/2010	259.09	0.50000000	129.55
WHITE'S T & J OILFIELD SUP	203014	ROTARY GEAR PUMP FOOT MTG, NU-T-LINK BELTING, 3 POINT SAFETY HARNESS, RED RUBBER HOSE, CLAMP	02/01/2010	1,344.08	0.50000000	672.04
Total EQUIPMENT				162,335.74		81,167.98
Total Billable Amount				162,335.74		81,167.98
Prepayments Applied						81,167.98
Amount Due-Your Share						0.00

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010021000103

AXIS ONSHORE, LP

**Pre-Payment
Schedule**

<u>Property Name</u>	<u>Afe Name</u>	<u>Original Pre-Payment</u>	<u>Beginning Balance</u>	<u>Currently Applied</u>	<u>Pre-Payment Remaining</u>
CATAHOULA LAKE BARGE RIG		80,000.00	80,000.00	(54,163.92)	25,836.08
CATAHOULA LAKE BARGE RIG		60,000.00	27,004.06	(27,004.06)	0.00
		140,000.00	107,004.06	(81,167.98)	25,836.08

AXIS ONSHORE, LP
16610 DALLAS PKWY, SUITE 2500
DALLAS TX 75248

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010031000104
Statement Dat 03/31/2010

JOINT OWNER STATEMENT

PRYME LAKE EXPLORATION LLC

1001 TEXAS AVE, STE 1400
HOUSTON TX 77002

Reference	Description	Amount	Balance	
	Balance Forward		0.00	
	Service Charge		0.00	
Payments and Adjustments				
		**** Balance After Payments ****	0.00	
Current Invoices				
I2010031000378	000370.01	SL 19857 #1 (HAWG PEN)	3,965.83	
I2010031000393	000376.01	CATAHOULA LAKE BARGE RIG	0.00	
I2010031000403	2384	CATAHOULA LAKE	646.60	
		**** Total Current Invoices ****	<u>4,612.43</u>	
		**** Total Due ****	4,612.43	
<hr/>				
Current	30 Days	60 Days	90 Days	120+ Days
4,612.43	0.00	0.00	0.00	0.00

AXIS ONSHORE, LP
Property Name: SL 19857 #1 (HAWG PEN)
Property #: 000370.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010031000104
Invoice #: I2010031000378
Inv Date: 03/31/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
LEASE OPERATING EXPENSE						
	ADM OH MAR 2010	ADM OH MAR 10	03/01/2010	636.78	0.50000000	318.39
X-CHEM INC	171618	CORROSION INHIBITOR / OIL TREATING PRODUCT	03/16/2010	1,882.88	0.50000000	941.44
X-CHEM INC	171634	OIL TREATING PRODUCT	03/16/2010	915.30	0.50000000	457.65
REAGAN EQUIPMENT CO., IN	203741	ENGINE RENTAL	03/22/2010	842.00	0.50000000	421.00
WHITE'S T & J OILFIELD SUP	203278	COMPRESSION MALE CONNECTOR / COMPRESSION MALE ELBOW	03/08/2010	8.54	0.50000000	4.27
WHITE'S T & J OILFIELD SUP	203716	SIGHT GLASS	03/26/2010	39.26	0.50000000	19.63
	PUMPER TRUCK M	PUMPER BURLEW TRUCK MAR 10	03/01/2010	47.83	0.50000000	23.90
EDDIE BURLEW	MARCH10 PUMPE	MARCH10 PUMPER EB	03/31/2010	663.58	0.50000000	331.79
ROBERT MCMILLIN	MARCH10 PUMPE	MARCH10 PUMPER RMC -	03/31/2010	746.24	0.50000000	373.12
LASALLE PARISH CLERK OF	3365	RECORDING FEES	03/30/2010	78.00	0.50000000	39.00
LASALLE PARISH CLERK OF	3365	RECORDING FEES	03/30/2010	78.00	0.50000000	39.00
OFFICE OF CONSERVATION	CK#3045	SUBSTITUTE WELL UNIT APP	03/11/2010	242.00	0.50000000	121.00
WINN ROCK, LLC	0021703-IN	GRAVEL FOR LOCATION	03/31/2010	1,346.25	0.50000000	673.13
VICTORIA S BYRNE	03312010	DELIVER RECORD ASSIGNMENTS	03/30/2010	30.00	0.50000000	15.00
	SUP DAVIS MAR 1	ENG SUP DAVIS 03/10/10 TO 03/31/10	03/31/2010	62.03	0.50000000	31.02
	SUP GEOGHEGAN	GEO SUP GEOGHEGAN 03/09/10	03/09/2010	272.98	0.50000000	136.49
ROY GEOGHEGAN	CK#3046	R GEOGHAGAN SUPPLIES	03/11/2010	40.00	0.50000000	20.00
Total LEASE OPERATING EXPENSE				7,931.67		3,965.83
Total Billable Amount				7,931.67		3,965.83
Prepayments Applied						0.00
Amount Due-Your Share						3,965.83

AXIS ONSHORE, LP
Property Name: CATAHOULA LAKE BARGE RIG
Property #: 000376.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010031000104
Invoice #: I2010031000393
Inv Date: 03/31/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
EQUIPMENT						
	SUP DAVIS MAR 1	ENG SUP DAVIS 03/01/10 TO 03/05/10	03/05/2010	3,129.85	0.50000000	1,564.93
ACE FAMILY HARDWARE	669097 21298	500' CABLE 1/8" UNCOATED	03/23/2010	212.98	0.50000000	106.49
AUTOMOTIVE MACHINE CO.,	56176	ADJUST FLOOR MOTORS; REPLACE LINKAGE; RUN ENGINES W/DRILLERS THROTTLE; BLEED TORQUE CONVERTER & RUN	02/21/2010	1,135.35	0.50000000	567.68
AUTOMOTIVE MACHINE CO.,	56139	CHECK DRAW WORKS; PULL DRUM & REMOVE ALL BEARINGS & PARTS	02/01/2010	2,374.49	0.50000000	1,187.25
AUTOMOTIVE MACHINE CO.,	56095	DISASSEMBLE TORQUE CONVERTER; INSPECT ALL PARTS; REBUILD CONVERTER & DRIVE	01/18/2010	4,922.56	0.50000000	2,461.28
AUTOMOTIVE MACHINE CO.,	56189	GO TO GWD YARD; WORK ON 3406 CAT ENGINE ACTIVATOR LINKAGE; TORQUE CONVERTERS	03/02/2010	561.75	0.50000000	280.88
AUTOMOTIVE MACHINE CO.,	56190	GO TO LOC; REPAIR WATER PUMP; FREEZE PLUGS	03/03/2010	240.75	0.50000000	120.38
AUTOMOTIVE MACHINE CO.,	56031	GO TO RIG; CHECK OUT DEUTZ GENERATOR SET; FOUND BAD FUEL & VALVE	12/04/2009	547.30	0.50000000	273.65
AUTOMOTIVE MACHINE CO.,	56110	PICK UP & DELIVER CLUTCH TO GW; GO TO RIG; CHECK FORK LIFT; FOUND & REPAIR ELECTRICAL PROBLEM; CHECK 379 CAT	01/21/2010	1,302.72	0.50000000	651.36
AUTOMOTIVE MACHINE CO.,	56140	REBUILD DRAW WORKS & INSTALL ON RIG	02/03/2010	2,862.19	0.50000000	1,431.10
AUTOMOTIVE MACHINE CO.,	56104	SINGLE FLANGE CLUTCH ASSEMBLY	01/20/2010	2,671.27	0.50000000	1,335.64
AUTOMOTIVE MACHINE CO.,	56089	TRIP TO RIG; REPAIR AUTOMATIC START ON JOHN DEERE ENGINE; CHECK ANTIFREEZE IN MOTORS	01/05/2010	525.10	0.50000000	262.55
AUTOMOTIVE MACHINE CO.,	56090	TRIP TO RIG; REPAIR OIL LEAKS ON 3406 CAT; REPAIR LEAKS ON DEUTZ ENGINE; REPAIR JOHN DEERE WIRING & STARTER	01/13/2010	1,050.32	0.50000000	525.16
AUTOMOTIVE MACHINE CO.,	56086	TRIP TO RIG; REPAIR OIL LEAKS; RUN OTHER MOTORS; ORDER PARTS FOR 3406 & 379	01/08/2010	704.32	0.50000000	352.16
BUBBA ACHORD ELECTRICA	0325	REPLACE POLE LIGHTS AT DRILLING RIG	03/05/2010	1,509.71	0.50000000	754.86

TO: RYAN MESSER

713 401 9806

DATE: 5-20-10

FROM:

AUTOMOTIVE MACHINE CO.

P.O. BOX 772
30 ST. CATHERINE ST.
NATCHEZ, MS 39120
601-442-0422

NO. 2701 .

BARGE RIG

GND

56104 2671.27

56139 2374.49

56095 4922.86

56176 1135.35

56189 561.75

56110 592.78

56110 709.94

RYAN - HOPE THIS IS HELPFUL.
CALL IF YOU NEED US.

Thanks

CURTIS

PAGE 02

AMC

6014420422

09:27

05/20/2010

MAXWELL - 601-445-8777

Case 10-33569-sjl
BAGGE

Claim 50-1 Part 10 Filed 07/27/10
of 14

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Desc Exhibit E

Page 5

"AUTOMOTIVE AND DIESEL ENGINE REBUILDING SPECIALISTS"

Automotive Machine and Diesel Engine Services

30 ST. CATHERINE STREET • NATCHEZ, MS 39120

MAILING ADDRESS

P. O. BOX 772

NATCHEZ, MS 39121

TELEPHONES

601-442-0422

601-442-8642

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Case 10:33569-sgt
GOLDEN WEST

Claim 50-1 Part 10 Filed 07/27/10 Desc Exhibit E Page 7

PAGE 04

"AUTOMOTIVE AND DIESEL ENGINE REBUILDING SPECIALISTS"

**Automotive Machine and
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MAILING ADDRESS
 P. O. BOX 772
 NATCHEZ, MS 39121

TELEPHONES
 601-442-0422
 801-442-8642

INVOICE N° 56139

NAME *Golden West Tooling*

ADDRESS

CITY

STATE

SHIP TO

CASH

DATE *2-1-10*

P. O. NO.

PHONE

SERIAL
MODEL

YR. & MAKE

CREDIT
MEMO

CHARGE

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PARTS NO.

QUAN.

LABOR

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AMOUNT

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DESCRIPTION

PARTS NO.

QUAN.

AUTOMOTIVE AND DIESEL ENGINE REBUILDING SPECIALISTS

Automotive Machine and Diesel Engine Services

30 ST. CATHERINE STREET • NATCHEZ, MS 39120

MAILING ADDRESS
P. O. BOX 772
NATCHEZ, MS 39121

TELEPHONES
601-442-0422
601-442-8642

NAME <i>Baldwin West Dillings</i>		INVOICE N°	
ADDRESS		DATE <i>1-21-10</i>	
CITY	PO # <i>2380</i>	P. O. NO.	
STATE		PHONE	
SHIP TO		SERIAL MODEL	
CASH	CHARGE	COD	CREDIT MEMO
YR. & MAKE			

QUAN.	PARTS NO.	DESCRIPTION	NET	AMOUNT	LABOR	NET
1		Transmision Fluid		32.00	Prob. Up Clutch -	
1		Wm, Wm Fittings, Tier, Top		650	Deliver Clutch to	
					Tack at G.W.	
					Go to Rig -	
					Check Fan Belt	
					Found Electrical	
					Problem - Repaired -	
		BARGE PIG			Go to Barge Pig	
		LABOR 312.50			Check 379 cat,	
		MILEAGE 241.50			Detront Clutch	
					TOTAL LABOR 937.50	
					TOTAL PARTS 3850	
					PHONE & FREIGHT	
					MILEAGE 241.50	
					SUB TOTAL 1217.50	
					TAX 7.00 8522	
					1302 72	

MERCHANDISE RETURNED FOR CREDIT
MUST BE ACCOMPANIED BY THIS INVOICE

AUTHORIZED BY:

Owner Cod 001703

Owner Nam PRYME LAKE EXPLORATIO

Owner Statement S2010031000104

AXIS ONSHORE, LP							
EASTERN FISHING & RENTA	VN0010511	HAUL GUARD SHACK TO	02/24/2010	260.00	0.50000000	130.00	
		BARGE RIG					
GOLDEN WEST HOLDINGS, L	280	2 GANG PUSHERS,	03/02/2010	18,305.00	0.50000000	9,152.50	
		CONSULTANT, 2					
		ROUSTABOUTS, OVER 5					
		DAYS, GATHER					
		MATERIALS, DAY HAND					
		WELDER					
GOLDEN WEST HOLDINGS, L	324	7 DAYS - WORK ON	01/28/2010	9,960.00	0.50000000	4,980.00	
		BARGE; PICK UP					
		MATERIALS & PARTS 2					
		ROUSTABOUTS, 1 GANG					
		PUSHER					
GOLDEN WEST HOLDINGS, L	289	GANG PUSHER,	03/12/2010	15,505.00	0.50000000	7,752.50	
		ROUSTABOUTS - WORK					
		ON DRILLING BARGE					
		FROM 03/12 - 03/17/10					
GOLDEN WEST HOLDINGS, L	262	GANG PUSHER,	03/10/2010	4,100.00	0.50000000	2,050.00	
		ROUSTABOUTS TO PUT					
		CABLES IN DERRICK,					
		GET MATERIALS					
GOLDEN WEST HOLDINGS, L	264	ROUSTABOUTS -	03/11/2010	2,330.00	0.50000000	1,165.00	
		STRING CABLES, HOOK					
		UP WINCH, BUILD					
		PLATFORM FOR ROLL					
		OF CABLE					
GOLDEN WEST HOLDINGS, L	281	ROUSTABOUTS & GANG	03/02/2010	12,060.00	0.50000000	6,030.00	
		PUSHER OVER 8 DAYS,					
		PLUMB WATER, DIESEL					
		& AIR LINES, WELD TOW					
		BOARDS					
GOLDEN WEST HOLDINGS, L	282	ROUSTABOUTS & GANG	03/05/2010	1,220.00	0.50000000	610.00	
		PUSHER, WORK ON					
		MUD PUMPS, HOOK UP					
		WATER LINES, CLEAN					
		HOUSE					
H & E EQUIPMENT SERVICE	90007909	RENTAL FOR LIFT FOR	03/18/2010	2,287.06	0.50000000	1,143.53	
		03/02/10 - 03/29/10					
KAISER INCORPORATED	51021	AIR LUBE SET, BOLTS,	02/22/2010	559.22	0.50000000	279.61	
		NUTS, GEAR OIL, MISC					
		PARTS					
KAISER INCORPORATED	103499	HONDA 620CC ENGINE;	01/26/2010	3,171.93	0.50000000	1,585.97	
		PUMP; COUPLINGS					
KAISER INCORPORATED	103498	HOSE & FITTINGS	03/10/2010	341.87	0.50000000	170.94	
KAISER INCORPORATED	103511	PARTS	03/10/2010	33.99	0.50000000	17.00	
KAISER INCORPORATED	51583	PRESSURE PLATE &	01/15/2010	1,504.61	0.50000000	752.31	
		CLUTCH FOR D 71					
KAISER INCORPORATED	51076	REPAIR EATON SWIVAL,	02/26/2010	355.03	0.50000000	177.52	
		REPAIR Q RELEASE					
KAISER INCORPORATED	103081	REPAIR WEIGHT	01/15/2010	1,087.71	0.50000000	543.86	
		INDICATOR					
KAISER INCORPORATED	103398	VARIOUS HOSES &	02/05/2010	655.69	0.50000000	327.85	
		FITTINGS					
KAISER INCORPORATED	103399	VARIOUS HOSES &	02/25/2010	662.65	0.50000000	331.33	
		FITTINGS					
KAISER INCORPORATED	51224	VARIOUS SEALS,	01/27/2010	5,224.07	0.50000000	2,612.04	
		BEARINGS, & RACE;					
		LABOR					
MICHAEL MILLER WELDING	632772	WELD ON T-PLATE &	03/02/2010	840.00	0.50000000	420.00	
		HANDRAILS					
RANDY TRAYLOR WELDING	632770	WELD HANDRAILS & T-	03/02/2010	1,320.00	0.50000000	660.00	
		PLATES					
RUDY KRUEGER WAREHOU	30814	TWIN DISC TORQUE	03/24/2010	177.62	0.50000000	88.81	
		FLUID					
SEQUEL ELECTRICAL SUPPL	S1100554.003	10 250V RCPT &	03/31/2010	2,254.95	0.50000000	1,127.48	
		ASSEMBLY W/BACK					
		BOXES					
SEQUEL ELECTRICAL SUPPL	S1100554.002	100A RCPTS & BK BOXES	03/29/2010	733.34	0.50000000	366.67	

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010031000104
7,138.42 0.50000000 3,569.21

AXIS ONSHORE, LP						
SEQUEL ELECTRICAL SUPPL	S1100554	12 CIRCUIT 100 AMP MAIN LUG EXPLOSION PROOF PANEL INCLUDING BREAKERS & GROUNDING KIT; 480V PLUGS	03/10/2010			
SEQUEL ELECTRICAL SUPPL	S1099822.004	125A LOADCENTER	04/03/2010	201.55	0.50000000	100.78
SEQUEL ELECTRICAL SUPPL	S1098467.001	20 RIG PRO LIGHTS	03/29/2010	3,773.25	0.50000000	1,886.63
SEQUEL ELECTRICAL SUPPL	S1100554.001	250V PLUGS	04/03/2010	751.03	0.50000000	375.52
SEQUEL ELECTRICAL SUPPL	S1098483.001	400 WATT FLOODS & 250 WATT PSMH FLOODS	04/03/2010	2,668.00	0.50000000	1,334.00
SEQUEL ELECTRICAL SUPPL	S1099820.001	ACME T-2-53517-3S 15KVA 1 PH TFMR	04/03/2010	981.40	0.50000000	490.70
SEQUEL ELECTRICAL SUPPL	S1099822.002	ELECTRICAL FITTINGS	04/03/2010	12.03	0.50000000	6.02
SEQUEL ELECTRICAL SUPPL	S1099797.003	ELECTRICAL HOUSINGS, PLUGS & BOXES	04/03/2010	4,443.10	0.50000000	2,221.55
SEQUEL ELECTRICAL SUPPL	S1099797.004	ELECTRICAL PLUGS	04/03/2010	289.88	0.50000000	144.94
SEQUEL ELECTRICAL SUPPL	S1099797.005	ELECTRICAL PLUGS	04/08/2010	1,304.47	0.50000000	652.24
SEQUEL ELECTRICAL SUPPL	S1099797.001	ELECTRICAL PLUGS & MALL FSC BOXES	04/03/2010	703.36	0.50000000	351.68
SEQUEL ELECTRICAL SUPPL	S1099902.001	GLAND CONN FOR 12-3 & 10-4; & 12-3C & 10-4C ARMOR & SHEATH EXPLOSION PROOF CABLE	04/03/2010	14,355.34	0.50000000	7,177.67
SEQUEL ELECTRICAL SUPPL	S1099822.003	MALL BEAM CLAMP	04/03/2010	12.09	0.50000000	6.05
SEQUEL ELECTRICAL SUPPL	S1099797.002	MALL FSC BOXES & TUMBLER SWITCH	04/03/2010	697.51	0.50000000	348.76
SEQUEL ELECTRICAL SUPPL	S1099028.001	MAXI 490S-120T HAZARDOUS LOCATION STROBE 120V RED GLOBE	04/03/2010	328.29	0.50000000	164.15
SEQUEL ELECTRICAL SUPPL	S1099822.001	MULTIPLE ELECTRICAL FITTINGS; REELS OF WIRE	04/03/2010	2,165.16	0.50000000	1,082.58
TIM WILLIAMSON WELDING	1052	4 DAYS WELDING SERVICE ON BARGE RIG	03/11/2010	1,800.00	0.50000000	900.00
TIM WILLIAMSON WELDING	1042	WELDING SERVICES - 5 DAYS	03/05/2010	2,400.00	0.50000000	1,200.00
VITAL OIL WELL SVCS-CONS	E-8678	HOOK UP TRAILER/STIFF NECK LOWBOY - HAUL FUEL TANK TO BARGE	01/13/2010	437.50	0.50000000	218.75
VITAL OIL WELL SVCS-CONS	E-8681	LOAD & HAUL MUD PUMP & PUMP PARTS TO BARGE RIG	01/19/2010	812.50	0.50000000	406.25
VITAL OIL WELL SVCS-CONS	E-8672	MOVE MUD PUMP & MOTOR TO BARGE RIG	01/19/2010	812.50	0.50000000	406.25
		Total EQUIPMENT		154,787.78		77,394.02
		Total Billable Amount		154,787.78		77,394.02
		Prepayments Applied				77,394.02
		Amount Due-Your Share				0.00

AXIS ONSHORE, LP
Property Name: CATAHOULA LAKE
Property #: 2384

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010031000104
Invoice #: I2010031000403
Inv Date: 03/31/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
LEASEHOLD COST-NON PRODUCING						
	GEOGHEGAN SUP	GEO SUP GEOGHEGAN 01/25/10	01/25/2010	775.91	0.50000000	387.96
	SUP GEOGHEGAN	GEO SUP GEOGHEGAN 02/04/10	02/04/2010	517.27	0.50000000	258.64
		Total LEASEHOLD COST-NON PROD		1,293.18		646.60
		Total Billable Amount		1,293.18		646.60
		Prepayments Applied				0.00
		Amount Due-Your Share				646.60

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010031000104

AXIS ONSHORE, LP

**Pre-Payment
Schedule**

Property Name	Afe Name	Original Pre-Payment	Beginning Balance	Currently Applied	Pre-Payment Remaining
CATAHOULA LAKE BARGE RIG		60,000.00	60,000.00	(51,557.94)	8,442.06
CATAHOULA LAKE BARGE RIG		80,000.00	25,836.08	(25,836.08)	0.00
		140,000.00	85,836.08	(77,394.02)	8,442.06

AXIS ONSHORE, LP
16610 DALLAS PKWY, SUITE 2500
DALLAS TX 75248

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010041000105
Statement Dat 04/30/2010

JOINT OWNER STATEMENT

PRYME LAKE EXPLORATION LLC

1001 TEXAS AVE, STE 1400
HOUSTON TX 77002

Reference	Description	Amount	Balance
	Balance Forward		4,612.43
	Service Charge		0.00
Payments and Adjustments			
	**** Balance After Payments ****		4,612.43
Current Invoices			
I2010041000404	000370.01 SL 19857 #1 (HAWG PEN)	3,762.12	
I2010041000424	000376.01 CATAHOULA LAKE BARGE RIG	0.00	
	**** Total Current Invoices ****		<u>3,762.12</u>
	**** Total Due ****		8,374.55

Current	30 Days	60 Days	90 Days	120+ Days
0.00	3,762.12	4,612.43	0.00	0.00

AXIS ONSHORE, LP
Property Name: SL 19857 #1 (HAWG PEN)
Property #: 000370.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010041000105
Invoice #: I2010041000404
Inv Date: 04/30/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
INTANGIBLE COSTS - COMPLETION						
E-OPERATING, LLC	1275	DOZER - RESTORE LOCATION	04/12/2010	370.00	0.50000000	185.00
E-OPERATING, LLC	1272	TRACKHOE - RESTORE LOCATION	04/12/2010	780.00	0.50000000	390.00
VITAL OIL WELL SVCS-CONS	8773	RENTAL ON 31 MATS FOR 14 DAYS	03/05/2010	2,170.00	0.50000000	1,085.00
Total INTANGIBLE COSTS - COMPLE				3,320.00		1,660.00
LEASE OPERATING EXPENSE						
	ADM OH APR 10	ADM OH APR 10	04/01/2010	648.87	0.50000000	324.44
	ADM OH MAR 2010	ADM OH MAR 10	03/01/2010	(636.78)	0.50000000	-318.39
	ADM OH MAR 2010	ADM OH MAR 10	03/01/2010	636.78	0.50000000	318.39
REAGAN EQUIPMENT CO., IN	205582	ENGINE RENTAL	04/20/2010	842.00	0.50000000	421.00
RUDY KRUEGER WAREHOU	30866	GEAR OIL	04/05/2010	474.15	0.50000000	237.08
RUSH RIG & SUPPLY CO., IN	007087	RED LINE GAUGE / GUAGE GLASS / WASHER / NUT	04/07/2010	97.85	0.50000000	48.93
RUSH RIG & SUPPLY CO., IN	007174	WELDING CABLE / BATTERY CLAMP / BATTERY TERMINAL / KAMEN WIPES	04/16/2010	69.47	0.50000000	34.74
WHITE'S T & J OILFIELD SUP	204405	2" GJ UNION / STD BUSHING / XH NIPPLE / STD STREET ELL	04/23/2010	83.77	0.50000000	41.89
	PUMP VECH APR 1	PUMPER BURLEW TRUCK APR 10	04/01/2010	41.86	0.50000000	20.93
	PUMPER TRUCK M	PUMPER BURLEW TRUCK MAR 10	03/01/2010	(47.83)	0.50000000	-23.90
	PUMPER TRUCK M	PUMPER BURLEW TRUCK MAR 10	03/01/2010	47.83	0.50000000	23.91
EDDIE BURLEW	APR10 PUMPER E	APR10 PUMPER EB	04/30/2010	701.48	0.50000000	350.74
ROBERT MCMILLIN	APR10 PUMPER R	APR10 PUMPER RMC	04/30/2010	673.25	0.50000000	336.63
JORDAN, KAISER & SESSIO	S0911011.01-1	REVISING MAP FOR STATE	04/12/2010	280.00	0.50000000	140.00
NEW - GOLDEN WEST HOLDI	357	PUT IN A 3" TRANSITION & PUT IN 2" POLYLINE INTO TANK / ADD OIL TO UNIDRALICS	04/06/2010	210.00	0.50000000	105.00
	SUP DAVIS APR 10	ENG SUP DAVIS TO 04/27/10	04/27/2010	81.45	0.50000000	40.73
Total LEASE OPERATING EXPENSE				4,204.15		2,102.12
Total Billable Amount				7,524.15		3,762.12
Prepayments Applied						0.00
Amount Due-Your Share						3,762.12

AXIS ONSHORE, LP
Property Name: CATAHOULA LAKE BARGE RIG
Property #: 000376.01

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010041000105
Invoice #: 12010041000424
Inv Date: 04/30/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
EQUIPMENT						
ACE FAMILY HARDWARE	668952 638	1/8" WIRE ROPE CLAMP	03/23/2010	6.38	0.50000000	3.19
ACE FAMILY HARDWARE	662706 3579	ACE POLY SPRAYER	03/01/2010	35.79	0.50000000	17.90
AUTOMOTIVE MACHINE CO.,	56176C	ADJUST FLOOR MOTORS, REPLACE LINKAGE, RUN ENGINES W/ DRILLERS THROTTLE, BLEED TORQUE CONVERTER AND RUN	02/21/2010	(1,135.35)	0.50000000	-567.68
AUTOMOTIVE MACHINE CO.,	56110C	ALLOCATE COSTS TO BARGE RIG	01/21/2010	592.78	0.50000000	296.39
AUTOMOTIVE MACHINE CO.,	56139C	CHECK DRAW WORKS, PULL DRUM & REMOVE ALL BEARINGS & PARTS	02/01/2010	(2,374.49)	0.50000000	-1,187.25
AUTOMOTIVE MACHINE CO.,	56031C	CHECK OUT CUETZ GENERATOR SET, FOUND BAD FUEL & VALVE	12/04/2009	(547.30)	0.50000000	-273.65
AUTOMOTIVE MACHINE CO.,	56110C	DELIVER CLUTCH TO GW, GO TO RIG, CHECK FORK LIFT, REPAIR ELECTRICAL PROBLEM, CHECK 379 CAT	01/21/2010	(1,302.72)	0.50000000	-651.36
AUTOMOTIVE MACHINE CO.,	56140C	REBUILD DRAW WORKS & INSTALL ON RIG	02/03/2010	(2,862.19)	0.50000000	-1,431.10
AUTOMOTIVE MACHINE CO.,	56089C	REPAIR AUTOMATIC START ON JOHN DEERE ENGINE, CHECK ANTIFREEZE	01/05/2010	(525.10)	0.50000000	-262.55
AUTOMOTIVE MACHINE CO.,	56086C	REPAIR OIL LEAKS ON 3406 CAT, REPAIR LEAKS ON DEUTZ ENGINE, REPAIR JOHN DEERE WIRING & STARTER	01/08/2010	(704.32)	0.50000000	-352.16
AUTOMOTIVE MACHINE CO.,	56090C	REPAIR OIL LEAKS ON 3406 CAT, REPAIR LEAKS ON DEUTZ ENGINE, REPAIR JOHN DEERE WIRING & STARTER	01/13/2010	(1,050.32)	0.50000000	-525.16
AUTOMOTIVE MACHINE CO.,	56190C	REPAIR WATER PUMP, FREEZE PLUGS	03/03/2010	(240.75)	0.50000000	-120.38
AUTOMOTIVE MACHINE CO.,	56189C	WORK ON 3406 CAT ENGINE ACTIVATOR LINKAGE, TORQUE CONVERTERS	03/02/2010	(561.75)	0.50000000	-280.88
BLACK HOLE EQUIPMENT, IN	05541R	CAMERON SS 11" X 3000 PSI DOUBLE RAM BOP W 3 1/2" RAMS / 5 1/2 RAMS	04/19/2010	45,150.00	0.50000000	22,575.00
DRAYCO EXPLORATION, LLC	04202010	WELDING RODS, STEEL, 4 1/2 BR ROLERS, 2 MUD AGITATORS, SWIVEL	04/20/2010	9,033.12	0.50000000	4,516.56
E-OPERATING, LLC	1340	HAUL 1 JT 8 5/8 CASING TO BARGE	04/23/2010	500.00	0.50000000	250.00

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner Statement S2010041000105

AXIS ONSHORE, LP E-OPERATING, LLC	1329	PICK UP GENERATORS / HAUL TO BARGE LANDING	04/21/2010	1,100.00	0.50000000	550.00
HARVEY JOE PRICE CONTRA	6074	INSTALLING EQUIP ON DRILLING BARGE	02/17/2010	1,015.00	0.50000000	507.50
HARVEY JOE PRICE CONTRA	6070	LOADED UP ON WORK BARGE, CHANGE OUT CABLES	01/09/2010	870.00	0.50000000	435.00
HARVEY JOE PRICE CONTRA	6080	REMOVED FLUID END OFF MAD PUMP, LOADED ON TRUCK	04/05/2010	725.00	0.50000000	362.50
HARVEY JOE PRICE CONTRA	6072	REMOVED GEAR BOX HYDR BRAKE, CLOSING UNIT, ROTARY FLOOR PLATES	01/15/2010	1,595.00	0.50000000	797.50
NATCHEZ AUTO ELECTRIC	CK#3068	LEFT HANDED STARTER FOR DETROIT 671	04/15/2010	69.55	0.50000000	34.78
NEW - GOLDEN WEST HOLDI	325	TRACE OUT AIR, DIESEL & WATER LINES; WORK ON MUD PUMP; HELP WELDERS; MOVE BARGE; INSTALL WALKWAY; DRAIN OIL & DIESEL OFF RIG FLOOR	01/27/2010	5,730.00	0.50000000	2,865.00
RUSH RIG & SUPPLY CO., IN	007086	1444 ELECTRICAL LINCOLN GREASE GUN	03/23/2010	378.83	0.50000000	189.42
RUSH RIG & SUPPLY CO., IN	007460	ELECTRICAL TAPE / BUSHINGS / PIPE PLUG / WIRE NUTS / TIES / SEAL TITE ELL / STRAIGHT SEAL TIGHT CONNECTION / NUTS	04/26/2010	427.51	0.50000000	213.76
RUSH RIG & SUPPLY CO., IN	007245	FUEL FILTER F/ YAMAHA 90HP 4 STROKE MOTOR	04/20/2010	24.52	0.50000000	12.26
STEVE BRISCOE MECHANIC	11161	CLEAN OUT RADIATORS & OIL COOLERS; BUY 12 FUEL INJECTORS & 2 ENGINE KITS; MACHINE WORK & REBUILD HEADS	04/09/2010	5,875.56	0.50000000	2,937.78
		Total EQUIPMENT		61,824.75		30,912.37
		Total Billable Amount		61,824.75		30,912.37
		Prepayments Applied				30,912.37
		Amount Due-Your Share				0.00

Owner Cod 001703

Owner Nam PRYME LAKE EXPLORATIO

Owner StatementS2010041000105

AXIS ONSHORE, LP

Pre-Payment
Schedule

Property Name	Afe Name	Original Pre-Payment	Beginning Balance	Currently Applied	Pre-Payment Remaining
CATAHOULA LAKE BARGE RIG		50,000.00	50,000.00	(22,470.31)	27,529.69
CATAHOULA LAKE BARGE RIG		60,000.00	8,442.06	(8,442.06)	0.00
		110,000.00	58,442.06	(30,912.37)	27,529.69

A/R Owner Statement with Invoices

AXIS ONSHORE, LP
 DEBTOR-IN-POSSESSION
 CASE NO 10-33569
 16610 DALLAS PKWY, SUITE 2500
 DALLAS TX 75248

Owner Cod 001703
 Owner Nam PRYME LAKE EXPLORATIO
 Owner Statement S2010051000105
 Statement Dat 05/21/2010

JOINT OWNER STATEMENT**PRYME LAKE EXPLORATION LLC**

1001 TEXAS AVE, STE 1400
 HOUSTON TX 77002

Reference	Description	Amount	Balance
	Balance Forward		8,374.55
	Service Charge		0.00
Payments and Adjustments			
		**** Balance After Payments ****	8,374.55
Current Invoices			
I2010051000379	000370.01 SL 19857 #1 (HAWG PEN)	1,416.79	
I2010051000392	000376.01 CATAHOULA LAKE BARGE RIG	(3,786.01)	
	**** Total Current Invoices ****		<u>(2,369.22)</u>
	**** Total Due ****		6,005.33

Current	30 Days	60 Days	90 Days	120+ Days
0.00	-2,369.22	3,762.12	4,612.43	0.00

A/R Owner Statement with Invoices

AXIS ONSHORE, LP
 Property Name: SL 19857 #1 (HAWG PEN)
 Property #: 000370.01

Owner Cod 001703
 Owner Nam PRYME LAKE EXPLORATIO
 Owner Statement S2010051000105
 Invoice #: I2010051000379
 Inv Date: 05/21/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decmal	Owner Amount
INTANGIBLE COSTS - COMPLETION						
R. JOSEPH WILSON	05052010	DIVISION ORDER TITLE OPINION	05/05/2010	1,000.00	0.50000000	500.00
Total INTANGIBLE COSTS - COMPLE				1,000.00		500.00
LEASE OPERATING EXPENSE						
	ADM OH THRU 05/	ADM OH MAY 1 TO 21, 2010	05/01/2010	439.56	0.50000000	219.77
REAGAN EQUIPMENT CO., IN	205582-C	ENGINE RENTAL	04/20/2010	(842.00)	0.50000000	-421.00
REAGAN EQUIPMENT CO., IN	05-205582	ENGINE RENTAL	05/01/2010	570.39	0.50000000	285.20
REAGAN EQUIPMENT CO., IN	06-207378	ENGINE RENTAL	05/20/2010	842.00	0.50000000	421.00
RUSH RIG & SUPPLY CO., IN	007675	1 - LITTLE JOE GAUGE LINE WIPER / 1 - C1290S LUFKIN 1/2" X 25' GAGING TAPE / 1 - 590 LUFING PLUMB BOB	05/12/2010	222.93	0.50000000	111.47
	PUMPTRUCK THR	PUMPER BURLEW TRUCK MAY 1 THRU MAY 21,2010	05/01/2010	28.35	0.50000000	14.18
EDDIE BURLEW	MAY10 PUMPER E	MAY10 PUMPER EB	05/21/2010	292.44	0.50000000	146.22
ROBBIE McMILLIN	MAY10 PUMPER R	MAY10 PUMPER RM	05/21/2010	268.79	0.50000000	134.40
	SUP DAVIS THRU	ENG SUP DAVIS 05/17/10 AND 05/18/10	05/18/2010	11.09	0.50000000	5.55
Total LEASE OPERATING EXPENSE				1,833.55		916.79
Total Billable Amount				2,833.55		1,416.79
Prepayments Applied						0.00
Amount Due-Your Share						1,416.79

A/R Owner Statement with Invoices

AXIS ONSHORE, LP

Property Name: CATAHOULA LAKE BARGE RIG

Property #: 000376.01

Owner Cod 001703

Owner Nam PRYME LAKE EXPLORATIO

Owner StatementS2010051000105

Invoice #: I2010051000392

Inv Date: 05/21/2010

JOINT OWNER INVOICE

Vendor	Reference	Description	Service Date	Gross Amount	Owner Decimal	Owner Amount
EQUIPMENT						
DRAYCO EXPLORATION, LLC	04202010C	WELDING ROD, ROLLERS, STEEL (PAID FOR BY PRYME)	04/20/2010	(9,033.12)	0.50000000	-4,516.56
RUDY KRUEGER WAREHOU	30642	DRUM MOBIL MOTOR OIL / DRUM MOBIL CHAIN LUBE / 2 DRUMS MOBIL HYDOIL / BARREL PUMP	01/25/2010	1,461.09	0.50000000	730.55
Total EQUIPMENT				(7,572.03)		-3,786.01
Total Billable Amount				(7,572.03)		-3,786.01
Prepayments Applied						0.00
Amount Due-Your Share						(3,786.01)

A/R Owner Statement with Invoices

Owner Cod 001703
Owner Nam PRYME LAKE EXPLORATIO
Owner StatementS2010051000105

AXIS ONSHORE, LP

**Pre-Payment
Schedule**

Property Name	Afe Name	Original Pre-Payment	Beginning Balance	Currently Applied	Pre-Payment Remaining
CATAHOULA LAKE BARGE RIG		50,000.00	27,529.69	0.00	27,529.69
		50,000.00	27,529.69	0.00	27,529.69

**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 DECEMBER 14, 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.

- I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.
 - J. Each party's interest under this agreement and under the Operating Agreement shall be subject to relinquishment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.
 - K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of the Operating Agreement.
3. The parties hereby grant reciprocal liens and security interests as follows:
- A. 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 and the Operating Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this agreement and the Operating Agreement, and the proper performance of operations under this agreement and the Operating Agreement. 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 and the Operating 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 the sale of production at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.
 - B. 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 and the Operating 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 and the Operating 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 the Operating Agreement and this instrument as to all obligations attributable to such interest under this agreement and the Operating Agreement whether or not such obligations arise before or after such interest is acquired.
 - C. To the extent that the 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, interest 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, 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.
 - D. If any party fails to pay its share of expenses within one hundred-twenty (120) 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 this paragraph 3 and in the Operating Agreement, and each paying party may independently pursue any remedy available under the Operating Agreement or otherwise.
 - E. If any party does not perform all of its obligations under this agreement or the Operating Agreement, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement or the Operating 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 appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling 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 or under the Operating Agreement, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.
 - F. The lien and security interest granted in this paragraph 3 supplements identical rights granted under the Operating Agreement.
 - G. 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 under this agreement and the Operating Agreement for services performed or materials supplied by Operator.
 - H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.

4. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, 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 the request of Operator, if Operator has complied with all of its financial obligations.
5. 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, successors and assigns. No sale, encumbrance, transfer or other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to the interest assigned 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 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 under this agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.
6. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.
7. 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. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.
8. Other provisions.

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 610RS-1989 Model Form Recording Supplement to Operating Agreement and Financing Statement, 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-III,A;IV,A;IV,B;V,D;VI,A VI,B;VI,C VI,E;VI,G;VII,B;VII,E;VIII,A;VIII,D;X;XV,A;XVI, have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 14TH day of DECEMBER, 2009.

OPERATOR

ATTEST OR WITNESS

AXIS ONSHORE, LP

By: JAMES P. RYAN

Type or Print Name

Title: CEO AND PRESIDENT

Date: 12-14-09

Address:

NON-OPERATORS

ATTEST OR WITNESS

PRYME LAKE EXPLORATION, LLC

By: T. RYAN MESSER

Type or Print Name

Title: Managing Member

Date: Feb 14th 2010

Address: 1001 Texas Ave. Suite 1400 Houston, TX 77002



ATTEST OR WITNESS

By:

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS

By:

Type or Print Name

Title:

Date:

Address:

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 DECEMBER 14, 2009
by JAMES P. RYAN, CEO AND PRESIDENT

(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: _____

Northern District of Texas Claims Register

10-33569-sgj11 Axis Onshore, LP

Judge: Stacey G. Jernigan

Chapter: 11

Office: Dallas

Last Date to file claims: 07/28/2010

Trustee:

Last Date to file (Govt):

<i>Creditor:</i> (13408999) Pryme Lake Exploration LLC c/o Winstead PC Attn: R. Michael Farquhar 1201 Elm St., Ste. 5400 Dallas, Texas 75270	Claim No: 50 <i>Original Filed</i> Date: 07/27/2010 <i>Original Entered</i> Date: 07/27/2010	<i>Status:</i> <i>Filed by:</i> CR <i>Entered by:</i> Zarin, Gregory <i>Modified:</i>
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Unsecured claimed: \$547850.00

Total claimed: \$547850.00

History:

Details 50-1 07/27/2010 Claim #50 filed by Pryme Lake Exploration LLC, total amount claimed: \$547850 (Zarin, Gregory)

Description:

Remarks:

Claims Register Summary

Case Name: Axis Onshore, LP

Case Number: 10-33569-sgj11

Chapter: 11

Date Filed: 05/21/2010

Total Number Of Claims: 1

	Total Amount Claimed	Total Amount Allowed
Unsecured	\$547850.00	
Secured		
Priority		
Unknown		
Administrative		
Total	\$547850.00	\$0.00